Offering Circular

€500,000,000 3.384 per cent Bonds due 2029
Offer Price: 100 per cent
€500,000,000 3.464 per cent Bonds due 2032
Offer Price: 100 per cent

The €500,000,000 3.384 per cent Bonds due 2029 (the "2029 Bonds") and the €500,000,000 3.464 per cent Bonds due 2032 (the "2032 Bonds" and together with the 2029 Bonds, the "Bonds" and each, a "Series") will be issued by Asahi Group Holdings, Ltd. Interest on the Bonds of each Series will be payable annually in arrear on April 16 in each year commencing on April 16, 2025.

The 2029 Bonds will mature on April 16, 2029 and the 2032 Bonds will mature on April 16, 2032. The Bonds of each Series are subject to redemption in whole, but not in part, at any time at their principal amount, together with accrued interest, in the event of certain changes to tax laws, or on or after the Par Call Date (as defined in the terms and conditions of the Bonds (the "Conditions") of the relevant Series. The Bonds of each Series may also be redeemed at our option in whole, but not in part, on any date prior to the Par Call Date of the relevant Series at their principal amount plus the Applicable Premium (as defined in the Conditions of the relevant Series). See "Conditions of the Bonds—5. Redemption and Purchase" of the relevant Series.

The Bonds will constitute our direct, unconditional, unsubordinated and unsecured obligations. See "Conditions of the Bonds—2. Status" of the relevant Series. Payments on the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent described under "Conditions of the Bonds—7. Taxation" of the relevant Series.

The Bonds will be in registered form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof.

Upon issue, the Bonds of each Series will be evidenced by a global certificate (each, a "Global Certificate") in registered form, which will be deposited with, and registered in the name of, or a nominee for, a common safekeeper for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about April 16, 2024 (the "Closing Date") for the accounts of their respective accountholders.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of Asahi Group Holdings, Ltd., our subsidiaries, our associated companies or the Bonds.

It is expected that the Bonds will be assigned a security rating of Baa1 by Moody's Japan K.K. ("Moody's"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies.

This Offering Circular does not constitute an offer of, or the solicitation of an offer to buy or subscribe for, the Bonds in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States.

See "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Joint Bookrunners and Joint Lead Managers

Nomura **J.P. Morgan** **BNP PARIBAS** **Citigroup**

The date of this Offering Circular is April 9, 2024

Having made all reasonable enquiries, we confirm that this Offering Circular contains all information which is material in the context of the issuance and offering of the Bonds, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular by us are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. We accept responsibility accordingly.

The Joint Lead Managers (as defined in "Subscription and Sale") or their respective subsidiaries and affiliates have not independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or their respective subsidiaries and affiliates as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by us in connection with the Bonds.

No person is authorized to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of us or the Joint Lead Managers or their respective subsidiaries and affiliates.

To the fullest extent permitted by law, the Joint Lead Managers or their respective subsidiaries and affiliates accept no responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Joint Lead Manager or their respective subsidiaries and affiliates or on their behalf, in connection with us or the issue and offering of the Bonds. Each of the Joint Lead Managers or their respective subsidiaries and affiliates accordingly disclaims all and any liability, whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of us or the Joint Lead Managers to subscribe or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by us and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in jurisdictions including the United States, the European Union, the United Kingdom, Japan, Singapore, Hong Kong and Switzerland and to persons connected therewith. For a description of further restrictions on offers and sales of the Bonds and distribution of this Offering Circular, see "Subscription and Sale."

The Bonds are only being offered and sold outside the United States in reliance on Regulation S of the Securities Act ("Regulation S").

MiFID II Product Governance / Professional investors and ECPs only target market—For the purposes of Directive EU 2014/65/EU (as amended, "MiFID II") (i) the target market in respect of the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person offering, selling or recommending the Bonds (a "distributor") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds and determining appropriate distribution channels.

UK MiFIR Product Governance / Professional investors and ECPs only target market—For the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law (the "UK MiFIR") (i) the target market in respect of the Bonds is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in the UK MiFIR and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration such target market; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Bonds and determining appropriate distribution channels.

Prohibition of sales to EEA retail investors—The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors—The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law; or (iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

All applicable provisions of the FSMA with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale".

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), we have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended, the "Special Taxation Measures Act"). The Bonds may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the Bonds are not, as part of the initial distribution by the Joint Lead Managers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than (i) a beneficial owner that is, for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with Asahi Group Holdings, Ltd. as described in Article 6, Paragraph (4) of the Special Taxation Measures Act (a "specially-related person of Asahi Group Holdings, Ltd."), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended, the "Cabinet Order") relating to the Special Taxation Measures Act that will hold the Bonds for its own proprietary account, or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act.

BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS (I) A BENEFICIAL OWNER THAT IS, FOR JAPANESE TAX PURPOSES, NEITHER (X) AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR (Y) AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF ASAHI GROUP HOLDINGS, LTD., (II) A JAPANESE

FINANCIAL INSTITUTION, DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (29) OF THE CABINET ORDER THAT WILL HOLD THE BONDS FOR ITS OWN PROPRIETARY ACCOUNT, OR (III) ANY OTHER EXCLUDED CATEGORY OF PERSONS, CORPORATIONS OR OTHER ENTITIES UNDER THE SPECIAL TAXATION MEASURES ACT.

Interest payments on the Bonds will generally be subject to Japanese withholding tax unless it is established that the Bonds are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan nor a Japanese corporation, nor an individual non-resident of Japan nor a non-Japanese corporation that in either case is a specially-related person of Asahi Group Holdings, Ltd., (ii) a designated Japanese financial institution described in Article 6, Paragraph (11) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph or (iii) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act and which has received such payments through a Japanese payment handling agent as provided in Article 3-3, Paragraph (1) of the Special Taxation Measures Act and Article 2-2, Paragraph (2) of the Cabinet Order (a "Japanese Payment Handling Agent").

Interest payments on the Bonds paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of Asahi Group Holdings, Ltd. (except for the designated Japanese financial institution and the public corporation, the financial institution, the financial instruments business operator and certain other entity described in the preceding paragraph) will be subject to deduction in respect of Japanese income tax at a rate of 15.315% of the amount of such interest.

Each prospective investor who places an order for the Bonds consents to the disclosure to us by the Joint Lead Managers of the prospective investor's identity, the details of such order and the actual amount of Bonds subscribed, if any.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication (i) that there has been no change in our affairs since the date hereof, (ii) that there has been no adverse change in our financial position since the date hereof, or (iii) that the information contained in this Offering Circular or any other information supplied in connection with the Bonds is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In connection with the issue of the Bonds, Nomura International plc (the "Stabilization Manager") (or any person acting on behalf of the Stabilization Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilization Manager (or any person acting on behalf of the Stabilization Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilization action or over-allotment must be conducted by the Stabilization Manager (or any person acting on behalf of the Stabilization Manager) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Offering Circular, "we," "us," "our," "the Group" and "Asahi" refer to Asahi Group Holdings, Ltd. and its consolidated subsidiaries, or Asahi Group Holdings, Ltd. on a non-consolidated basis, as the context may require. In this Offering Circular, references to "Issuer" refer to Asahi Group Holdings, Ltd. as the issuer of the Bonds.

In this Offering Circular, references to "U.S. dollars" and "$" refer to the lawful currency of the United States, references to "yen" and "¥" refer to the lawful currency of Japan, references to "Australian dollars," "AUD" and "A$" refer to the lawful currency of Australia, references to "Czech Koruna" and "CZK" refer to the lawful currency of the Czech Republic and references to "euros" and "€" are to the currency of those member states of the European Union which are participating in the European Economic and Monetary Union pursuant to the Treaty on European Union.

In this Offering Circular, where information is presented in millions or billions of yen, thousands of dollars or thousands of shares, amounts of less than one million or one billion yen, one thousand dollars or one thousand shares, as the case may be, have been truncated unless otherwise specified. In this Offering Circular, where information is presented as percentages, amounts less than one percent, one-tenth of one percent or one-hundredth of one percent, as the case may be, have been rounded unless otherwise specified. Accordingly, figures presented in tables in this Offering Circular may not total due to such truncating and rounding. Our fiscal year end is December 31. Our consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and our consolidated financial statements as of and for the years ended December 31, 2022 and 2023 included in this Offering Circular have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

Effective January 1, 2022, we transferred certain functions relating to the business management of domestic operations to Asahi Group Japan, Ltd., a wholly owned subsidiary of ours, through a corporate split. The aim was to generate global synergies while expanding and developing our five global brands and further boosting the competitiveness of our businesses conducted in the areas overseen by each of our regional headquarters in Japan, Europe, Oceania and Southeast Asia. Accordingly, effective January 1, 2022, we changed the classification of our reportable segments from "Alcohol Beverages," "Soft Drinks," "Food" and "Overseas" to "Japan," "Europe," "Oceania" and "Southeast Asia." The financial information of our reportable segments for the year ended December 31, 2021 presented in this Offering Circular and in our consolidated financial statements as of and for the years ended December 31, 2021 and 2022 included elsewhere in this Offering Circular has been retrospectively revised to reflect this change in reportable segments.

Unless otherwise indicated, all financial information included in this Offering Circular is presented using IFRS, which differs in certain significant respects from generally accepted accounting principles in Japan ("Japanese GAAP") and from accounting principles generally accepted in the United States ("U.S. GAAP"). Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and other generally accepted accounting principles including U.S. GAAP and Japanese GAAP and an understanding of how those differences might affect the financial information contained in this Offering Circular.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains "forward-looking statements." These statements appear in a number of places in this Offering Circular and include statements regarding the intent, belief or current expectations of our management with respect to our business, results of operations and financial condition. In many cases, but not all, we use such words as "anticipate," "believe," "estimate," "expect," "intend," "may," "outlook," "plan," "probability," "project," "risk," "seek," "should," "target" and similar expressions in relation to us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate.

Important risks and factors that could cause our actual results to differ materially from our expectations are discussed under "Risk Factors" and elsewhere in this Offering Circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Offering Circular. We disclaim any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this Offering Circular to reflect future actual events or developments. The information contained in this Offering Circular, including without limitation the information under "Risk Factors," "Recent Business," and "Business," identifies important factors that might cause the forward-looking statements not to be realized.

INDUSTRY AND MARKET DATA

We make statements in this Offering Circular about our competitive position and market share in, and the market size of, the beverage and food industries. In addition, we include statistics relating to industry trends and foreign currency exchange rates. We have made these statements on the basis of statistics and other information from third-party sources, such as governmental agencies and industry or general publications, that we believe are reliable. However, market studies and analyses by third parties are sometimes based on information and assumptions that may not be accurate or technically correct, and their methodology is by nature forward-looking and speculative. Although we have no reason to believe any of this information or these reports are inaccurate in any material respect, neither we nor the Joint Lead Managers have independently verified any of the data from third-party sources nor have we or the Joint Lead Managers determined the underlying economic and other assumptions relied upon therein.

TABLE OF CONTENTS

The Offerings

Issuer	Asahi Group Holdings, Ltd.
Securities Offered	€500,000,000 3.384 per cent Bonds due 2029. €500,000,000 3.464 per cent Bonds due 2032.
Offer Price	2029 Bonds: 100 per cent. 2032 Bonds: 100 per cent.
Closing Date	On or about April 16, 2024.
Delivery	It is expected that the Global Certificates will be deposited with, and registered in the name of a nominee for a common safekeeper for each of Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	The Bond of each Series will be issued in registered form and evidenced by a Global Certificate. The Definitive Certificate in respect of a Bond will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form."
Listing	Approval in-principle has been received for the listing and quotation of each Series on the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of €100,000 with a minimum of 2 lots to be traded in a single transaction for so long as such Series is listed on the SGX-ST and the rules of the SGX-ST so require.
Use of Proceeds	The net proceeds of the issue of the Bonds are estimated to be approximately €996 million and will be used for general corporate purposes. See "Use of Proceeds."
Fiscal Agent, Paying Agent and Registrar	Mizuho Trust & Banking (Luxembourg) S.A.

The Bonds

Form and Denomination	The Bonds are issued in registered form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof.
Status	The Bonds will constitute our direct, unconditional, unsubordinated and unsecured obligations.
Interest Payment Dates	Interest on the Bonds is payable annually in arrear on April 16 in each year commencing on April 16, 2025.
Interest Rate	2029 Bonds: 3.384 per cent per annum. 2032 Bonds: 3.464 per cent per annum.
Maturity Date	2029 Bonds: April 16, 2029. 2032 Bonds: April 16, 2032.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 3 (Negative Pledge) of the relevant Series.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on April 16, 2029, in the case of the 2029 Bonds and April 16, 2032, in the case of the 2032 Bonds.
Redemption for Taxation Reasons	The Bonds may be redeemed at our option in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' prior notice to the Bondholders, at their principal amount (together with interest accrued to the date fixed for redemption), if (i) we have or will become obliged to pay Additional Amounts (as defined in Condition 7 of the relevant Series) as a result of any change in, amendment to, or judicial decision relating to the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after April 9, 2024 and (ii) such obligation cannot be avoided by us taking reasonable measures available to us. See Condition 5(b) of the relevant Series.
Redemption at the option of the Issuer (Issuer Make-Whole Call)	The Bonds may be redeemed at our option in whole, but not in part, on any date prior to the Par Call Date of the relevant Series on giving not less than 30 nor more than 60 days' prior notice to the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to the date fixed for redemption) plus the Applicable Premium. See Condition 5(c) of the relevant Series.
Redemption at the option of the Issuer (Issuer Par Call):	We have the option to redeem the Bonds, in whole, but not in part, at any time on or after the Par Call Date of the relevant Series upon giving not less than 30 days nor more than 60 days' prior notice of redemption to Bondholders (which notice shall be irrevocable), at their principal amount plus accrued and unpaid interest on the principal amount being redeemed to the date of redemption. See Condition 5(d) of the relevant Series.

Events of Default	The Bonds will contain certain events of default as further described in Condition 8 of the relevant Series.
Governing Law	English law.
Clearance and Settlement	Euroclear and Clearstream, Luxembourg.
Jurisdiction	English courts.
International Securities Identification Number ("ISIN")	2029 Bonds: XS2799473637. 2032 Bonds: XS2799473801.
Common Code	2029 Bonds: 279947363. 2032 Bonds: 279947380.
Legal Entity Identifier (LEI)	353800KAJ02XNHLCJW79.
Ratings	The Bonds are expected to be rated Baa1 by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies.
Eurosystem Eligibility	The Bonds will be held under the New Safekeeping Structure and are intended to be held in a manner which will allow Eurosystem eligibility. However, this does not necessarily mean that the Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem, either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

RISK FACTORS

Prior to making an investment decision, you should carefully consider the risks described below as well as all the other information in this Offering Circular, including our consolidated financial statements and related notes and other financial information, "Recent Business" and "Selected Financial and Other Data." The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that could adversely affect our business, financial condition and results of operations.

Our business, results of operations and financial condition could be materially and adversely affected by the factors discussed below. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this Offering Circular. See "Forward-looking Statements."

Risks Related to Economic Conditions and Our Markets

Unfavorable general economic conditions in Japan or other major markets could negatively impact our results of operations.

Any future economic difficulties in Japan, or unfavorable economic conditions, such as a recession or economic slowdown in other major markets in which our products are sold, such as Europe, Oceania and Southeast Asia, could negatively affect the affordability of, and consumer demand for, our products or result in downward pressure on the price of our products, in particular our brands of alcohol beverages. Under challenging economic conditions, consumers may seek to reduce discretionary spending by forgoing purchases of our products or by shifting away from our premium brand products to lower-priced offerings, including our own products as well as products offered by other companies. Such shifts to lower-priced offerings may cause a decrease in our revenue and could have an adverse impact on our profit margin. Potential weak consumer demand for our products in Japan or in other major markets could negatively affect our profitability and our financial condition or performance. In addition, there are also uncertainties in the global economy due to factors such as slowing economic growth in China, ongoing inflationary pressures, particularly in Europe, caused by rebounding demand after disruptions caused by the COVID-19 pandemic and other factors, including rising interest rates in the United States and Europe.

Geopolitical unrest may cause the economic conditions in Japan or other major markets to deteriorate, which could harm our results of operations or impede our ability to grow our business.

Geopolitical risks, including continued trade tensions between the United States and China, political tensions in Asia, including between mainland China and Taiwan and between North Korea and South Korea, and geopolitical risks in the Middle East, including the armed conflict involving Hamas and Israel, as well as escalating military tensions in Europe as a result of Russia's invasion of Ukraine, could have adverse consequences on the economic conditions in Japan and abroad. For example, Russia's invasion of Ukraine has resulted in limited availability and increases in the price of crude oil and other raw materials. Through our group companies and external consultants, we will continue our efforts to investigate, collect information on and assess the risks in the countries and regions where we operate, as well as identify risks at an early stage and take concrete and appropriate measures before they materialize. In addition, we will strengthen the collection and analysis of information from a geopolitical perspective, formulate risk scenarios to identify risks and develop an operational structure to continuously explore appropriate measures to reduce the impact of such risks on our businesses. Despite these efforts and the various measures that we implement, a continuation or escalation of those geopolitical risks or the appearance of new geopolitical risks could result in the imposition of new or more stringent import and export restrictions and other protectionist trade policies and measures, product boycotts, technology fragmentation, data regulations, and other forms of increased regulation which could harm our ability to continue to grow our business.

Long-term demographic trends in Japan, our largest market, could present challenges.

Japan remains our largest market and accounted for 48.9% of our revenue (after intersegment eliminations) for the year ended December 31, 2023. Japan is experiencing a long-term demographic shift towards an aging and shrinking population, which may negatively impact demand for consumer products. The demographic shift in Japan also requires us to adapt our products to changes in that market and may lead to heightened competitive pressure. In particular, for the year ended December 31, 2023, over 58.7% of our Japan segment revenue was attributable to beer-type beverages, including beer, *happoshu* and "new genre" beer-taste alcohol beverages. However, demographic shifts could change the popularity of beer-type beverages in Japan in the long term. Although we aim to continuously optimize our product portfolio to adapt to such shifts in the market, if our initiatives are not successful, our revenue and profitability could be reduced and our financial performance in the future could be negatively impacted.

We operate in highly competitive markets, and our financial performance could suffer if we are unable to compete effectively.

The beverage and food markets in which we operate are highly competitive. We compete with major Japanese and international beverage and food companies that, like us, operate in multiple geographic areas, and a variety of smaller, regional and private label manufacturers, which may have historical strengths in particular geographic markets or product categories, based on various factors including research and development, product quality, launching of new products, price, marketing, advertising activities and the growing use of e-commerce as a sales channel. See "Business—Competition." Our inability to compete effectively could result in a decline in our revenues and profitability and negatively affect our results of operations and financial condition.

Within a number of product categories, there may be further consolidation or realignment, which may alter the competitive environment in which we operate. The beverage industry, in particular, has been characterized by a consolidation trend, and consolidation is also occurring among certain of our wholesale customers, including distributors, in some markets. In addition, after the COVID-19 pandemic, there has been a shift in our product mix towards increased sales of products for home use, and reduced sales of products for consumption at bars and restaurants, in contrast with pre-pandemic trends of stronger sales of products consumed at bars and restaurants. Increased competition, unanticipated actions by competitors or customers and changes in our competitive environment generally could lead to downward pressure on prices or a decline in our market share in specific product categories, which could adversely affect our results of operations and impede future growth.

Risks Related to Our Business Operations

We may be unable to successfully execute our business strategies set forth in our Medium- to Long-Term Management Policy.

In February 2022, we announced an updated Medium- to Long-Term Management Policy, which sets forth certain strategic initiatives and financial performance objectives for the three-year period covering 2022 to 2024. We face a number of challenges in executing our updated management policy. For example, our assumptions and forecasts about changes in the external environment and in industry trends over the medium to long term could turn out to be incorrect or incomplete, which could result in misallocation of management resources and failure to capture the expected business opportunities. To the extent our assumptions and forecasts prove incorrect, we may need to make costly adjustments to our strategy, due to factors such as nearer-term and indirect effects from the impact on the global economy of Russia's invasion of Ukraine and tensions in the Middle East, including as a result of the armed conflict involving Hamas and Israel, and any resulting geopolitical instability. Such unexpected or unanticipated developments, or the materialization of other risks described in this section, could cause us to fail to achieve the objectives set forth in our Medium- to Long-Term Management Policy.

In addition, in February 2022, we also announced our decision to restructure the supply chain network of Asahi Group Japan, Ltd. and its subsidiaries. The restructuring plan, aimed at building an optimal production and distribution system in Japan, was formulated based on the updated Medium- to Long-Term Management Policy. Although we have been able to meet certain of the milestones set forth in this restructuring plan to date, including the shutting down of our Kanagawa Brewery and Shikoku Brewery in January 2023, we may be unable to continue the implementation of such plan as scheduled or realize its anticipated benefits, which may cause us to incur additional costs or require us to recognize impairment losses. For example, we announced our plan to delay commencement of operations at a new factory after the relocation of our Hakata Brewery, originally scheduled in 2026, and aim to achieve commencement of operations in 2029, in order to avoid undue financial burden as a result of a significant increase in construction and equipment costs since our decision was made to relocate. As a result, we may not be able to recoup our investments, and our business, financial position and results of operations could be materially and adversely affected. Furthermore, we intend to continue to increase the unit prices of our beer products in all regions in which we operate. For example, we are making significant investments in our brands of Super Dry in Japan, which could negatively affect our profitability. If our strategy in Japan is not successful due to ongoing inflationary pressures and competition with competitors in each region, our business, financial position and results of operations could be materially and adversely affected.

For a more detailed discussion of the strategic initiatives underlying our Medium- to Long-Term Management Policy, see "Business—Medium- to Long-Term Management Policy."

We face risks associated with our international operations.

We operate not only in Japan but also have expanded globally via acquisitions, including our acquisitions of Schweppes Australia Pty Ltd. in 2009, the former SAB Miller's Western European beer business in 2016 and Central and Eastern European beer business in 2017 and Carlton & United Breweries ("CUB", the trade name of the businesses operated by CUB Australia Holding Pty Ltd.) in Australia in 2020. These international operations involve risks such as the following:

- needing to comply with differing legal, regulatory, excise tax and other tax regimes;
- negative economic, political or geopolitical developments in our overseas markets;
- lower brand recognition for our products compared to some of our competitors;
- changes in antitrust and competition laws in certain jurisdictions or changes in the interpretation and enforcement of existing antitrust and competition laws;
- regional trade and political tensions that could result in increased tariffs, trade barriers or events such as the boycotting of Japanese brands;
- social or economic disruptions caused by terrorism, military conflict, climate change, natural disasters, political instability, civil unrest or infectious disease pandemic;
- fluctuations in foreign currency exchange rates; and
- the incurrence of costs related to reorganizations of our international operations, including our international subsidiaries, affiliates, factories and brands.

Continued international expansion is an important part of our business strategy. This could increase our exposure to business, legal and regulatory risks of operating in international markets.

Failure to successfully identify and complete acquisitions and business alliances that complement our existing operations could have an adverse effect on our ability to expand our businesses.

While our current priority is to reduce our debt to reach an Adjusted Net Debt/Adjusted EBITDA Ratio of around 3x or less in 2024 (after deducting 50% of outstanding subordinated debt to calculate Adjusted Net Debt) under our Medium- to Long-Term Management Policy, after we reduce our debt, we intend to seek opportunities for business or capital alliances with competitors and companies in other industries as well as acquisitions of Japanese and overseas companies in order to acquire assets that complement our existing businesses and secure growth opportunities. Identifying and completing business or capital alliances or business acquisitions involve certain risks, including the following:

- we may be unable to identify appropriate acquisition and expansion opportunities or may be unable to agree on terms with potential counterparties, including as a result of competing bids;
- we may fail to obtain necessary consents, clearance or approvals in connection with an acquisition or alliance;
- we may be unable to raise necessary capital on favorable terms;
- by entering into new geographic markets or product categories, we may be required to change our business profile and face challenges with which we are unfamiliar or fail to anticipate;
- we may be unable to realize the full extent of the benefits or cost savings that we expect to realize as a result of an acquisition or business alliance. In particular, we may be unable to maintain continued demand for the products of the acquired business due to changes in social perception of alcohol beverage consumption and sugar intake or changes in demographics;

- we may be unable to build an effective brand and product portfolio caused by difficulties in developing high-value-added brands and our inability to coordinate sales and marketing strategies across different product categories, including cross-selling;
- we may experience significant challenges in combining the management, information technology systems, business cultures, compensation structures and standards of any alliance partner or acquisition with our own;
- we may become subject to new laws or regulations as a result of any alliance or acquisition;
- we may be unable to retain key personnel at acquired companies;
- we may be unable to maintain key supplier, business partner and customer relationships; and
- further acquisitions may require us to incur further indebtedness.

Being fully aware of the above risks, we consider them carefully when making decisions in connection with business acquisitions. We only execute acquisitions if we believe that such investments will contribute to the future performance of our group, based on certain internal criteria. If, due to unforeseen circumstances, we are not able to achieve the anticipated benefits of any future acquisitions and business alliances in full or in a timely manner, we could be required to recognize impairment losses, we may not be able to recoup our investments, and our business, financial position and results of operations could be materially and adversely affected.

Our efforts to launch or adapt to new business models and innovate may not be effective to respond to changing consumer preferences.

Our continued success is dependent on our ability to innovate. In order to generate revenue and profits, we must offer products that appeal to consumers. Drawing on our strength as a diversified manufacturer offering non-alcohol beverages, whisky and other spirits, ready-to-drink ("RTD") beverages, beer, wine, as well as a range of food products, we strive to remain sensitive to changes in consumer preference and develop new products that appeal to consumers. Consumer preferences have been evolving due to various factors, including the emergence of younger generations which have different spending habits and alcohol preferences, growing concerns with health and wellness (including a preference for products with less added sugars and low- or non-alcohol beverages), concerns regarding social and environmental matters, such as the impact of packaging materials, including single-use and other plastic packaging, as well as the diversification of sales channels, in particular the popularity of e-commerce. The COVID-19 pandemic also had a non-negligible impact on consumer preferences, and there is no assurance that the level of alcohol consumption, which decreased during the pandemic, will recover to pre-pandemic levels due to changes in preferences. Although we are developing and launching new products, as well as selling our products through new sales channels that respond to these and other changes in consumer preferences, there can be no assurance that these initiatives will be successful. Any failure by us to recognize and react to significant or unanticipated changes in consumer preferences may have an adverse effect on our results of operations and financial condition. In addition, changes in product mix such as from beer, where we are the market leader in Japan, to lower-priced products or products with a relatively higher level of competition, such as RTD beverages, due to changes in consumer behavior could adversely affect our profit margins. Economic factors, such as inflation, could also drive consumers away from our premium products and towards other lower-priced products, which would negatively impact our business.

We may face challenges in adapting to new business models driven by emerging technologies.

The alcohol beverage, non-alcohol beverages and food industries have been relatively stable with limited changes in the competitive environment caused by technological innovations in manufacturing and sales. Although we are offering a variety of products, including in beer adjacent categories ("BACs"), such as RTD low-alcohol beverages, non-alcohol beer-taste beverages and adult non-alcohol beverages, and have provided new value by using the latest digital technology to respond to increasing consumer interest in well-being, streamline supply chains through the use of AI (artificial intelligence) and create alcohol substitutes, we have experienced other shifts in trends as a result of the COVID-19 pandemic, such as an increase in remote work, which is not expected to decrease to pre-pandemic levels, as well as a sharp increase in the use of e-commerce. Such changes in the environment and the emergence of new business models driven by emerging technologies may cause our businesses to become inferior to those of our competitors in terms of cost structure and customer experience, which could lead to a loss of leadership in the industry and a decline in competitiveness, which may in turn negatively affect our business performance, including decreases in sales, revenue and profits.

In response to this situation, we aim to anticipate technological innovation rather than merely respond to risk, and have established the following policies under our Medium- to Long-Term Management Policy towards that end: "achieve innovation in three key areas (processes, organization, and business models) by pursuing BX (business transformation) through DX (digital transformation)" and "increase the value of existing products and create new products and markets through bolstering R&D (research & development)." See "Business—Medium-to Long-Term Management Policy." To the extent we are not able to execute on such policies, however, it is possible that over time our cost competitiveness and the consumer experience we offer could deteriorate, adversely affecting our business, results of operations and financial condition.

Moreover, in our continuous pursuit of operational efficiency, we commenced a trial in September 2023, employing a generative AI (artificial intelligence) system designed to improve business quality, productivity, and process optimization. The adoption of advanced technologies, including such generative AI, can raise complex social, ethical, security, and regulatory issues. Such concerns, if not properly addressed, could potentially harm our reputation and result in legal liabilities, as well as necessitate additional expenditure to mitigate any arising problems.

Certain raw materials we use may be subject to shortages or substantial price increases.

The principal raw materials we use in our business include aluminum cans, PET bottles, cardboard packaging, barley, malt, hops, sugar, dairy products, fruit concentrate, sweeteners and commercial alcohol. The availability and pricing of these raw materials can be affected by changes in weather patterns, global supply and demand, natural disasters, pandemics, fluctuations in foreign currency exchange rates as well as a rise in labor costs. Additionally, conversion of raw materials into our products for sale also uses electricity and natural gas. The cost of raw materials and energy can fluctuate substantially. Continued price increases could exert pressure on our costs, and we may not be able to pass along any such increases to customers or consumers, and our cost reduction initiatives may not achieve the benefits that we anticipate. In light of recent increases in the cost of the raw materials that we use to manufacture our products, we have had to increase the prices of certain of our products. While these increases have helped to sustain our profitability, they could also negatively affect demand for those products and result in decreases in sales.

In addition, some raw materials we use are sourced from industries characterized by a limited supply base, such as coffee beans and hops. Although we believe we have strong relationships with our suppliers, we could suffer shortages if the suppliers are unable or unwilling to meet our requirements. The failure of our suppliers to meet our needs could occur for many reasons, including climate change, adverse weather, natural disasters, fires, crop failure, disease, strikes, manufacturing problems, transportation interruptions, government regulation, administrative measures, political instability, military conflict and terrorism. Some of these risks may be more acute where the supplier or its facilities are located in riskier or less developed countries or regions. Changing suppliers can require long lead times and significant interruption to supply.

Asahi Global Procurement Pte. Ltd., which we established in Singapore in July 2023 and commenced operations in January 2024, will drive global procurement initiatives for the entire Group aimed at managing the risks mentioned above. However, if we fail to manage these risks adequately or on a timely basis, they could adversely affect our results of operations and financial condition.

Our inability to secure sufficient distribution capacity for our products could affect our results of operations.

Distribution capacity and cost is an important factor in the operation of our domestic alcohol beverage, non-alcohol beverages and food businesses. Due to factors such as labor shortages associated with a declining population and increased demand for delivery services due to growing use of e-commerce, Japan's distribution industry faces a shortfall of drivers. Labor policies focused on eliminating excessive overtime and inappropriate working conditions mean such shortages may continue or be exacerbated. For example, new regulations to limit overtime for truck drivers have been introduced in Japan in April 2024, which is expected to reduce the ability of truck drivers to transport products within the same schedule as previously implemented. This environment creates a risk that we will be unable to secure sufficient distribution capacity for our products at affordable prices or at all. We are taking measures such as increased localized production, mixed load and/or joint transportation, modal shifts away from truck delivery, cancellation of next-day deliveries, opening of new distribution centers, and increased efficiency through the use of trunk routes to address this risk, but a sustained shortfall in distribution capacity or significant increase in associated costs could have an adverse effect on our domestic business and results of operations. In particular, our inability to secure sufficient distribution capacity could result in decreases in sales if customers decide to cancel or not to place orders for our products due to our inability to deliver them to meet our customer's expectations.

Fluctuations in foreign currency exchange rates and interest rates could affect our results of operations.

We purchase certain raw materials in currencies other than yen, principally the U.S. dollar, the euro, the Australian dollar and the Czech Koruna, and use derivative financial instruments to reduce our net exposure to related foreign currency exchange rate fluctuations. However, such hedging instruments do not protect us against all fluctuations and our results of operations and financial condition could be adversely affected.

In addition, approximately 51% of our revenue was attributable to our overseas businesses for the year ended December 31, 2023, and in preparing our consolidated financial statements, we translate revenues, income and expenses as well as assets and liabilities of overseas subsidiaries into yen at exchange rates in effect during or at the end of each reporting period. Therefore, fluctuations in the value of the yen against other foreign currencies, particularly the euro, the Australian dollar and the Czech Koruna, affect our results of operations and financial condition.

We finance a portion of our operations through interest-bearing loans and may conduct additional debt financing through bank loans or issuance of corporate bonds. A significant portion of our short-term borrowings from third parties carries floating interest rates, which fluctuate based on market interest rates. Although we periodically enter into interest rate swaps to mitigate a portion of our interest-rate risk, if interest rates increase, the applicable interest rate on our borrowings with floating interest rates will increase. In addition, because a significant portion of our long-term borrowings has fixed interest rates, increases in market interest rates will increase our interest expense to the extent we refinance such debt or increase the amount of such debt to fund our operations or finance capital expenditures.

Natural disasters, severe weather events, health emergencies or pandemics or other catastrophic events could adversely affect our results of operations.

The risk of natural disasters and severe weather events, such as earthquakes, tsunami, typhoons, severe flooding and other events seems to be increasing in recent periods and there is a possibility of increasing severity over the medium to long term. Such events have the potential to cause injury to our employees, damage our facilities, disrupt utilities and distribution networks and damage inventories, resulting in potential difficulties in the procurement, manufacture and distribution of our products. In addition, damage to our facilities, transportation networks or information systems could make it difficult to maintain our operations. If resuming ordinary operations requires significant time or costs, or if such events also cause a drop in consumer demand, our operating results and financial condition could be adversely affected. While we have invested in strengthening our facilities, including for earthquake resistance and emergency power generation, disaster preparedness drills and business continuity planning, there can be no assurance the measures we take will be sufficient to mitigate the potential risks and damage to our operations.

In addition, in the event of significant disruptions due to a natural disaster, geopolitical threats, health emergencies or pandemics or other catastrophic events, we may close facilities or suspend operations in light of our responsibility for the safety of our employees. In such event, costs associated with such closures or suspensions and the deterioration in our productivity could hurt our profitability and adversely affect our results of operations and financial condition.

During the COVID-19 pandemic, the implementation by government authorities of numerous measures to contain the spread of the pandemic, such as business closures and travel restrictions, had a negative impact on sales of our products in Japan and elsewhere. In particular, restrictions on the restaurant industry and the sale of alcohol in restaurants during the COVID-19 pandemic in Japan caused sales of beer-type beverages in Japan to decline in 2020 as compared to before the pandemic. It is unclear whether sales of our products in restaurants and bars, in particular, will return to pre-pandemic levels. A resurgence of the COVID-19 pandemic or a pandemic of similar or greater magnitude could have a material negative impact on our business, results of operations, access to sources of liquidity and financial condition.

Any inability to attract and retain a diverse and skilled workforce could inhibit our ability to operate our business successfully and to execute our strategic initiatives.

In order to support the growth initiatives in our Medium- to Long-Term Management Policy, we depend on our ability to attract, employ and retain a diverse group of skilled professionals. Furthermore, we must be able to successfully recruit, train and develop new hires. Amid relative labor shortage in Japan and our initiatives for global expansion, it is increasingly important to develop and maintain a diverse and capable workforce.

As part of our human resource strategies in connection with our mid- to long-term management policy, we are promoting diversity, equity and inclusion and cultivating a highly engaged corporate culture. In addition, in order to systematically develop management talent, we are expanding and strengthening our human resource pipeline by formulating a common competency model for the Group's senior management and by continuously implementing a global leadership program to develop future management candidates. Furthermore, by conducting talent reviews to discuss succession plans for the Group's senior management, we are promoting the use of diverse and capable human resources within the Group by visualizing human resources in each region and assigning the right person in the right position globally, regardless of nationality, gender or other factors. In addition, we are actively recruiting talent from outside the company in order to acquire new capabilities that will be required in the future.

Nonetheless, if we are unable to successfully execute our human resources strategies, if we experience unforeseen increases in employee departures or if we are unable to successfully prepare replacement candidates for our management personnel in a timely manner, we may lose valuable know-how or other organizational resources, which could harm our ability to compete effectively and execute our strategic initiatives.

We depend on key information and operational technology systems, networks and services, and cybersecurity incidents or other disruptions to our systems, networks and services, or those of our business partners, could damage our reputation and we could suffer a loss of revenue, incur substantial additional costs and become subject to litigation and regulatory scrutiny.

We depend on key information and operational technology systems, networks and services, including through services operated or maintained through third parties, to accurately and efficiently transact business, interface with customers, operate our supply chain, provide information to management and prepare financial reports, among other activities. We have put in place security systems, back-up procedures and disaster recovery measures, and established an information system security guideline to securely store customer information as well as proprietary information, including, but not limited to, sensitive, confidential or personal information of customers and consumers, to enable the operation and management of our business, internal and external communications, to provide services and to manufacture and distribute the products that we sell, and raise awareness of security procedures.

Despite these efforts, our key information and operational technology systems may be disrupted by events such as earthquakes and other natural disasters, terrorist attacks, software, equipment or telecommunications failure, processing errors, computer viruses, cyberattacks, hackers, other security issues, supplier defaults or other events unforeseen by us. Any such issues impacting our systems could result in business disruption, remediation costs or claims for compensation, the leaking of customer or confidential information and violation of applicable laws and regulations, including the European Union's General Data Protection Regulation, legal claims or proceedings, regulatory penalties, operational and supply chain disruptions, inability to meet contractual obligations, and negatively affect our reputation and brand value, results of operations and financial condition. Security, backup and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures. The risks associated with informational and operational technology incidents have increased in recent years given the increased prevalence of remote working arrangements and virtual connectivity, and may be further heightened by geopolitical tensions and conflicts, such as the ongoing conflict between Russia and Ukraine.

Regulators globally have also increased their focus on cybersecurity vulnerabilities and risks. Compliance with, and changes to, laws and regulations concerning privacy, cybersecurity and data protection, could result in significant expense, and we may be required to make additional investments in security technologies. Our third-party partners also increasingly demand rigorous contractual provisions regarding privacy, cybersecurity, data governance, data protection and confidentiality, which may also increase our overall compliance burden.

We face risks related to climate change.

In our operations, we are exposed to risks such as increasing water scarcity and quality risks due to drought conditions and the large amounts of water required to produce our products and the potential negative effect of extreme weather and natural disasters on agricultural productivity. These risks could create difficulties for us to source adequate supplies of raw materials for our products, such as coffee beans, barley, malt, hops, sugar or dairy products, and lead to increased procurement costs. Over the long term, if such issues lead to production stoppages or force us to relocate some of our manufacturing facilities, we could also face increased costs accordingly.

In addition, public expectations for reductions in greenhouse gas emissions and potential taxes on emissions and carbon taxes could result in increased energy, transportation and raw material costs and may require us to make additional investments in facilities and equipment due to increased regulatory pressures. We have set "Asahi Carbon Zero" as our long-term goal, under which we aim to achieve zero CO_2 emissions by 2040 and to reduce the impact of any potential carbon taxes on productions costs, but if we incur additional costs or fail to achieve our goals for any reason, we could damage our reputation and our results of operations could be negatively impacted.

Furthermore, unprecedented severe weather conditions, such as extended periods of extreme heat or unusually cool weather during spring and summer months could impact our sales and result in a fall in revenue which may negatively impact our results of operations.

Risks Related to Our Financial Profile

Our substantial debt could affect our ability to execute our strategy and grow our business and we may be unable to refinance our debt on favorable terms.

As of December 31, 2023, our total of bonds and borrowings (including current and non-current portions) was ¥1,410,798 million. Our level of indebtedness and related finance costs could have important consequences. For example, it could:

- divert cash flows away from investments, acquisitions, share repurchases, dividend payouts and expenditures related to our operations and future business opportunities as a result of debt service obligations;

- limit our ability to obtain additional financing from the capital markets or from commercial banks, including to replace existing indebtedness as it matures;

- make us more vulnerable to downturns in general economic conditions; or

- place us at a possible competitive disadvantage compared to less-leveraged competitors or those with better access to capital resources, and result in our inability to obtain financing on comparable terms.

Furthermore, we may incur additional indebtedness in the future, including to fund additional acquisitions once we have sufficiently reduced our debt from prior acquisitions or for general corporate purposes. Depending on a number of factors, including market conditions, we may not be able to secure financing to repay our debt on terms or within a timeframe that are most beneficial to our business, and this could have an adverse effect on our financial condition. While a significant portion of our borrowings has fixed interest rates, increases in interest rates will increase our interest expense to the extent we refinance such debt or increase the amount of such debt to fund our operations or finance capital expenditures or acquisitions. In addition, any downgrades in our credit ratings resulting from the incurrence of additional indebtedness, an inability to repay existing indebtedness within an acceptable timeframe or otherwise could negatively affect our ability to finance on acceptable new terms that would otherwise advance our corporate strategy. Additionally, certain of our existing indebtedness is, and future indebtedness may be, subject to various financial covenants, and the failure to comply with these covenants could result in, for example, the acceleration of the maturity of our outstanding indebtedness, which could materially and adversely affect our financial condition.

We may have to recognize impairment losses with regard to intangible assets, including goodwill.

As a result of our historical growth through acquisitions, we have recorded significant goodwill. As of December 31, 2023, we had goodwill and intangible assets of ¥3,283,948 million, representing 62.1% of our total assets as of such date, principally attributable to our acquisition of CUB and our acquisitions in Europe. We may also record additional goodwill and intangible assets as a result of further acquisitions in the future.

IFRS does not require the amortization of goodwill, but instead requires testing for impairment on a regular basis and at least annually, regardless of any indication of impairment. Whenever events or changes in circumstances indicate that a particular non-financial asset except for inventory and deferred tax assets or a group of those assets, including goodwill and other intangible assets, may be impaired, we are required to perform an impairment test to determine whether the carrying amount of such particular asset or group of assets exceeds the recoverable amount. We conduct an impairment test every year with regard to goodwill and other intangible assets with indefinite useful lives, regardless of any such indication. The recoverable amount of an asset or a group of assets is the higher of its fair value less costs of disposal and its value in use. In determining the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate (or rates) that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an asset or a group of assets on our statement of financial position exceeds the recoverable amount, we would be required to recognize an impairment loss. If the environment in which we conduct our business changes adversely, including as a result of significant shifts in consumer behavior or competition or other factors described in this offering circular, we may be required to change our business plans and estimated future cash flows, which could increase the risk of our assets becoming impaired. Any impairment losses for non-financial assets, including goodwill and other intangible assets, will increase our expenses and adversely affect our results of operations and financial condition.

Legal, Regulatory, Compliance and Reputational Risks

Changes in the social perception of alcohol beverage consumption or regulations related to alcohol could adversely affect our alcohol beverage business.

In recent years, there has been increased public and political attention directed at the alcohol beverage industry. This attention is a result of public concern over alcohol-related problems, including drunk driving, underage drinking, peer pressure to consume alcohol and health consequences resulting from excessive consumption of alcohol beverages. The World Health Organization has endorsed the issuance of global regulations on the sale and marketing of alcohol beverages, and it is possible that the regulation of our industry could become stricter and the social acceptability of such products could decline. Negative publicity regarding alcohol consumption, publication of studies that indicate a significant health risk from consumption of alcohol beverages, or changes in consumer perceptions in relation to alcohol beverages generally could also adversely affect the sale and consumption of our products and could harm our business, results of operations or financial condition as consumers and customers change their purchasing patterns. In particular, restrictions on the restaurant industry and the sale of alcohol beverages in restaurants during the COVID-19 pandemic in Japan led to lifestyle changes, which contributed to modifications in consumer purchasing patterns, including decreases in alcohol consumption.

In recognition of our social responsibility as a manufacturer and distributor of alcohol beverages and in order to limit the potential negative health effects, we operate in compliance with the local laws and regulations in our markets. In addition, we participate in industry groups and initiatives, including the International Alliance for Responsible Drinking, and follow voluntary guidelines developed for responsible marketing of our products. If despite these initiatives, regulations are enacted that are more restrictive than those that we currently expect, we could incur additional costs to comply with such regulations and this could negatively affect our alcohol beverage business and our results of operations and financial condition.

We may incur additional costs to comply with laws and regulations related to sustainability.

As a manufacturer of beverages and food products, we are subject to a wide range of environmental laws and regulations in jurisdictions in which we operate, including those relating to pollution and waste recycling, water conservation, and carbon dioxide emissions. Recognizing that the global natural environment constitutes one of our management resources, we are working in earnest to implement environmental preservation activities, in an effort to hand a sustainable society to future generations. We are striving to thoroughly reduce water usage, cut carbon dioxide emissions, convert waste materials into useful resources and recycle containers. We believe that we are in compliance with all applicable environmental laws and regulations. However, accidents or other incidents resulting in contamination of the environment could occur or changes in laws and regulations could arise, which require us to incur significant capital expenditures to comply or which restrict our production capacity, and such events could have a negative impact on our results of operations and financial condition.

Our non-alcohol beverage businesses make extensive use of PET bottle packaging and our food business also uses plastic packaging. Support for the stricter regulation of disposable plastic items has been rapidly increasing globally and the risk of negative consumer sentiment towards manufacturers using plastic packaging has also increased. If these trends continue, sales of our products using PET bottle packaging and plastic packaging could decrease, we could incur increased costs for recycling or the adoption of alternative packaging materials, such as biomass plastics, and could also suffer harm to our reputation if our business practices are perceived to not be environmentally responsible. In accordance with our Asahi Group Environmental Vision 2050, we are implementing initiatives to increase our use of eco-friendly containers but if we are unable to achieve those objectives, our reputation could be damaged.

Also, we are working with our suppliers to pursue procurement activities that take into account social responsibilities such as those related to human rights, labor standards and the environment. However, our results of operations and financial position could be negatively affected if, despite our efforts, any of the following were to occur in relation to our business activities and supply chain: global environmental problems due to global climate change, resource depletion and other issues; worsening problems with marine plastic; environmental pollution caused by accidents, mishaps and other events; higher cost outlays for investment in new equipment and production quantity restrictions mainly due to amendments in relevant laws and regulations; and problems concerning human rights such as occupational health and safety, and child labor.

Any failure of our products to meet quality or safety standards could increase our costs and damage our reputation and the strength of our brand.

As a manufacturer and distributor of beverages and foods, the quality and safety of our products and services are vital to our business, and we strive to exceed our customer expectations as well as comply with all applicable rules and regulations to ensure that our products and services meet all required quality and safety standards. We continuously invest in group-wide measures and protocols at our global manufacturing facilities to ensure product quality and safety. However, despite these quality assurance initiatives, our products and services may not meet the required safety and quality standards and deterioration of quality or contamination of our products may occur, resulting in product safety issues. This could lead to us incurring significant costs arising from the discontinuation of production, product recalls or claims for compensation, fines, disruptions in our manufacturing or marketing and sales activities, which could damage our reputation and the strength of our brand. In addition, negative media coverage or the spread of negative rumors on social media platforms, whether or not based in fact, about us, our products and services, our suppliers or the third-party manufacturers that we use could also have a negative impact on our brand and reputation. Any one of these factors could negatively affect demand for our products, our results of operations and financial condition and our ability to achieve our strategic objectives, including under our Medium- to Long-Term Management Policy.

Any failure on our part to comply with applicable laws and regulations as well as changes in laws or regulations may result in claims, sanctions or increased costs.

We are subject to various national and local laws and regulations in Japan and other countries and regions in which we operate. These laws and regulations include product liability laws, regulations in relation to labeling of products, anti-monopoly laws, labor laws, environmental and recycling laws and customs, tax laws and generative AI-related laws which apply to various aspects of our business, including the manufacture, safety, labeling, transportation, advertising and sales of our products, and our business process. Due to our global operations, we may also incur compliance costs related to international sanctions regimes, including those administered by the U.S. Treasury Department's Office of Foreign Assets Control, and anti-corruption provisions of statutes such as the Foreign Corrupt Practices Act. In addition, the World Health Organization has endorsed the issuance of global regulations on the sale and marketing of alcohol beverages, which could also lead to additional compliance costs if the regulation of our industry becomes stricter as a result.

We have established the Asahi Group Code of Conduct to implement corporate ethics and compliance based on the five principles for stakeholders set forth in our Asahi Group Philosophy, including compliance with applicable laws and regulations in all countries and regions in which the Group operates. The Compliance Committee, chaired by the President and Representative Director and composed of executive directors and executive officers appointed by the chairperson, promotes and monitors corporate ethics and compliance throughout the Group and promotes the implementation of the Asahi Group Code of Conduct through employee training and other measures. We strive to raise the level of compliance and reduce the possibility of violations of laws and regulations and acts that violate social norms. However, if such efforts are unsuccessful and we violate applicable laws or regulations, our reputation could be damaged or we could be subject to regulatory or private actions with substantial penalties or damages. In addition, significant changes in such laws or regulations or their interpretation, or the introduction of higher standards, could result in increased compliance costs or capital expenditures. If such events occur, this may have a negative impact on our results of operations and financial condition.

Changes to excise and other taxes could adversely affect demand for our products and increase our costs.

Our alcohol beverage and non-alcohol beverage businesses are subject to excise taxes in Japan and many of our other international markets. Future increases in excise taxes on alcohol beverages, or the introduction of or increases in excise taxes or regulatory restrictions on the sale of carbonated or sugar-added beverages, such as new labeling requirements, serving sizes, or other restrictions, may affect demand for our products or increase our costs. Any such regulatory measures could adversely affect our results of operations and financial position.

Additionally, an increase in excise taxes on one type of product relative to another could impact demand for such products. In Japan, tax revisions for beer-type beverages are being implemented in stages, with changes having taken effect in October 2020 and October 2023, and with a final stage in October 2026, which could impact demand for categories of beer-type beverages. While we will take advantage of a scheduled decrease in tax on beer to promote our market-leading *Asahi Super Dry* brand, excise taxes on sales of *happoshu* and "new genre" beer-taste alcohol beverages are scheduled to increase. For further information on excise taxes in Japan, see "Regulation—Liquor Tax Act." In addition, beer, wine and spirits are also subject to customs duties and consumption taxes in many countries. Increases in such duties or taxes in markets where we sell our products could adversely affect demand for our products and our results of operations.

Adverse events regarding our intellectual property rights could harm our business.

We own various intellectual property rights, including trademarks and patents, which are essential to our business. In addition, we license brands from third parties and license our own trademarks to other parties. If a dispute occurs regarding these licenses with third parties, we could incur significant costs to protect our rights or otherwise suffer damage to our business, such as the loss of the right to use a third-party brand. In addition, any failure by us to obtain, maintain, protect or defend our intellectual property rights could have an adverse effect on our brands, products, sponsorship and business. For example, in relation to trademarks we license from third parties, if the license agreement expires and cannot be renewed, we will be unable to manufacture or distribute products under such trademark, and in relation to trademarks we license to third parties, any dispute with the licensee regarding its use of the trademark or other issues could adversely affect our own use of the licensed trademark and brand.

In countries or regions where we have not registered our intellectual property rights, such as trademarks for certain classes of goods and services, it is possible that a third party may already own and use similar intellectual property rights. This may result in disputes over ownership and use of such rights, which could have a negative impact on our brand in those countries or regions, as well as on our results of operations and financial condition.

Risks Relating to the Bonds

Our obligations under the Bonds are structurally subordinated.

As a holding company that operates through its subsidiaries and other group entities, (i) our obligations under the Bonds will be effectively subordinated to all existing and future obligations of our existing or future operating subsidiaries and (ii) all claims of creditors of our existing or future operating subsidiaries, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such entities (if any) of the operating subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including the holders of Bonds.

The Bonds are unsecured obligations.

The Bonds constitute our unsecured obligations. Repayment of the Bonds may be compromised if, among other things:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, our assets may be insufficient to pay amounts due on any of the Bonds.

Modification and waivers.

The Conditions contain provisions for calling meetings of Bondholders (as defined in the Conditions) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Change of law.

The Conditions are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision, or change to English law or administrative practice, after the date of this Offering Circular.

Integral multiples of less than €100,000.

The denomination of the Bonds is €100,000 and integral multiples of €1,000 in excess thereof. A Bondholder who, as a result of trading the Bonds holds a principal amount of less than €100,000, will not receive a definitive certificate evidencing the Bond in respect of such holding (should definitive certificates be printed) and would need to purchase an additional principal amount of Bonds.

The rating of the Bonds could be lowered.

It is expected that the Bonds will be assigned a security rating of Baa1 by Moody's. In addition, other rating agencies may assign security ratings to the Bonds without solicitation from or provision of information by us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Bonds, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such security ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the Bonds and adversely affect the price and liquidity of the Bonds. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

Insolvency laws of Japan.

Because we are incorporated under the laws of Japan, any insolvency proceeding relating to us would likely involve Japanese insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. The Bonds may have no established trading market when issued, and there can be no assurance as to the liquidity of any market that may develop for the Bonds or the prices at which investors will be able to sell Bonds, if at all. Future trading prices of the Bonds will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;
- the then-current ratings assigned to the Bonds;
- the market for similar securities; and
- general economic conditions.

Any trading market that may develop would be affected by many factors independent of and in addition to the foregoing, including the outstanding amount of the Bonds and the level, direction and volatility of market interest rates generally and time remaining to the maturity of the Bonds.

The Bonds may not be suitable for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks pertaining to an investment in the Bonds;

(iv) thoroughly understand the Conditions and be familiar with the behavior of any relevant markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors including those set forth in these "Risk Factors" that may affect its investment and its ability to bear the applicable risks.

Interest rate.

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Exchange rate.

We will pay principal and interest on the Bonds in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the euro.

Legal investment considerations.

The investment activities of certain investors may be restricted by laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether, and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Bonds. In addition, financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The Bonds may be redeemed at our option.

The Bonds are redeemable at our option for taxation reasons or on or after the Par Call Date at par together with any interest accrued to the date fixed for redemption. In addition, we also have the right to redeem the Bonds at their principal amount plus a make whole premium (as set out in the Conditions of the relevant Series) at any time prior to the relevant Par Call Date.

The date on which we elect to redeem the Bonds may not accord with the preference of individual investors. This may be disadvantageous to the investors in light of market conditions or the individual circumstances of the investors. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an interest rate at the same level as that of the Bonds.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds are estimated to be approximately €996 million and will be used for general corporate purposes.

CAPITALIZATION AND INDEBTEDNESS

The following table shows our consolidated capitalization and indebtedness as at December 31, 2023, which has been extracted without material adjustment from our audited annual consolidated financial statements, and as adjusted to give effect to the issuance of the Bonds.

The information in the table below should be read together with "Recent Business" and our audited consolidated financial statements and related notes included elsewhere in this Offering Circular:

	As at December 31, 2023	
	Actual	**As adjusted**
	(millions of yen)	
Current liabilities:		
Bonds and borrowings	¥ 389,848	¥ 389,848
Total current liabilities	¥ 389,848	¥ 389,848
Non-current liabilities:		
Bonds and borrowings	¥1,020,950	¥1,020,950
The Bonds now being issued(2)	—	152,110
Total non-current liabilities	¥1,020,950	¥1,173,060
Equity		
Issued capital:		
Authorized—972,305,309 shares		
Issued—507,003,362 shares (including 191,598 treasury shares)	¥ 220,044	¥ 220,044
Share Premium	161,867	161,867
Retained earnings	1,282,432	1,282,432
Treasury shares	(1,190)	(1,190)
Other components of equity	797,393	797,393
Total equity attributable to owners of parent	2,460,548	2,460,548
Non-controlling interests	5,233	5,233
Total equity	¥2,465,781	¥2,465,781
Total capitalization and indebtedness	¥3,876,579	¥4,028,689

Notes:

(1) Total capitalization and indebtedness is the total of total current liabilities, total non-current liabilities and total equity.

(2) Translation of the euro amount of the Bonds into yen has been made at the rate of €1.00 = ¥152.11, the average exchange rate during the year ended December 31, 2023.

(3) Save as disclosed above, there has been no material adverse change in our consolidated capitalization, indebtedness or contingent liabilities since December 31, 2023.

CONDITIONS OF THE 2029 BONDS

The following Conditions, save for paragraphs in italics, will be endorsed on the Certificates (as defined below) evidencing the 2029 Bonds (as defined below).

The issue of the €500,000,000 3.384 per cent Bonds due 2029 (the "Bonds") was authorised by a resolution of the Board of Directors of Asahi Group Holdings, Ltd. (the "Company") passed on 29 January 2024. A fiscal agency agreement dated 16 April 2024 (the "Fiscal Agency Agreement") has been entered into in relation to the Bonds among the Company, Mizuho Trust & Banking (Luxembourg) S.A. as fiscal agent, paying agent and registrar, and any further paying agents named in it. The fiscal agent, registrar and paying agents for the time being are referred to below, respectively, as the "Fiscal Agent", the "Registrar" and the "Paying Agents" (which expression shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the certificate in respect of the Bonds. The Bonds have the benefit of a deed of covenant dated 16 April 2024 (the "Deed of Covenant") executed by the Company in relation to the Bonds. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of the Fiscal Agent or may be provided by email to such Bondholders (as defined below) requesting copies following prior written request and satisfactory proof of holdings being provided to the Fiscal Agent. Bondholders are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

1. Form, Denomination, Title and Transfer of Bonds

(a) **Form and Denomination**: The Bonds are serially numbered and in registered form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof and are not exchangeable for bonds in bearer form. A bond certificate (each, a "Certificate") will be issued in respect of each holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1(c)(i).

(b) **Title**: Title to the Bonds passes only by transfer and registration of title in the Register. The holder (as defined below) of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it, or its theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "Bondholder" and "holder" mean the person in whose name the Bond is registered.

Upon issue, the 2029 Bonds will be represented by a Global Certificate deposited with and registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg.

These Conditions applicable to the 2029 Bonds are modified by certain provisions contained in the relevant Global Certificate. Except in the limited circumstances described in such Global Certificate, owners of interests in the 2029 Bonds represented by a Global Certificate will not be entitled to receive definitive certificates in respect of their individual holdings of 2029 Bonds.

(c) **Transfer of Bonds**

(i) **The Register**: The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Fiscal Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds.

(ii) **Transfers**: A Bond may be transferred upon the surrender at the specified offices of the Registrar or the Fiscal Agent of the Certificate representing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the Registrar and the Fiscal Agent may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. Where some only of the Bonds in respect of which a Certificate is issued are transferred, a new Certificate in respect of the Bonds not so transferred will be issued. No transfer may be made which would result in the principal amount of Bonds held by a holder and in respect of which a Certificate is to be issued being less than €100,000. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Fiscal Agent or the Registrar to any Bondholder upon request.

Transfers of interests in the 2029 Bonds represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds while in Global Form".

(iii) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 1(c)(ii) shall be available for delivery within three Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or the Fiscal Agent to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense), unless such holder requests otherwise and pays in advance to the Registrar or the Fiscal Agent (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the Fiscal Agent (as the case may be).

(iv) **Formalities Free of Charge**: Registration of a transfer of Bonds and issue of Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the Fiscal Agent, but upon (A) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the Fiscal Agent may require); and (B) the Company and the Registrar or the Fiscal Agent being reasonably satisfied that the regulations concerning transfer of Bonds have been satisfied.

(v) **No Registration of Transfer**: No Bondholder may require the transfer of a Bond to be registered (A) during the period of seven days ending on (and including) the due date for redemption pursuant to Condition 5(a), (B) after a notice of redemption has been given pursuant to Condition 5(b), 5(c) or 5(d), or (C) during the period commencing on (and including) any Interest Record Date (as defined in Condition 6(a)) and ending on the immediately following Interest Payment Date (as defined in Condition 4).

2. Status

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 3) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable legislation and (subject to Condition 3) at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3. Negative Pledge

So long as any Bond remains outstanding the Company will not, and will procure that none of its Principal Subsidiaries (as defined below) will, create or permit to be outstanding any pledge, mortgage, charge or other security interest for the benefit of the holders of any Securities (as defined below) upon the whole or any part of the property or assets, present or future, of the Company or the relevant Principal Subsidiary to secure (i) payment of any sum due in respect of any Securities or (ii) any payment under any guarantee of Securities or (iii) any payment under any indemnity or other like obligation in respect of Securities, in any such case in which:

(a) either such Securities are by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen, or such Securities are denominated in Japanese yen and more than 50 per cent of the aggregate principal amount thereof is initially offered or distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) such Securities are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan,

unless, at the time or prior thereto, the Company's obligations under the Bonds (aa) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement, in each case, as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Bondholders.

In these Conditions:

"Principal Subsidiary" means, at any time, any Subsidiary of the Company whose revenue or total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 5 per cent of the consolidated revenue or total assets, as the case may be, of the Company and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Company and its Subsidiaries, provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Company and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Company and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as stated above, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Company, acting in good faith.

For the purposes of this definition:

(i) if there shall not at any time be any relevant audited consolidated accounts of the Company and its Subsidiaries, references thereto herein shall be deemed to be references to a consolidation (which need not be audited) by the Company, acting in good faith, of the relevant audited accounts of the Company and its Subsidiaries;

(ii) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated revenue and consolidated total assets, as the case may be, shall be determined on the basis of pro forma consolidated accounts (which need not be audited) of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Company, acting in good faith;

(iii) If (A) any Subsidiary shall not in respect of any relevant financial period for whatever reason produce audited accounts or (B) any Subsidiary shall not have produced at the relevant time for the calculations required pursuant to this definition audited accounts for the same period as the period to which the latest audited consolidated accounts of the Company and its Subsidiaries relate, then there shall be substituted for the purposes of this definition the management accounts of such Subsidiary for such period;

(iv) where any Subsidiary is not wholly owned by the Company there shall be excluded from all calculations all amounts attributable to minority interests;

(v) in calculating any amount all amounts owing by or to the Company and/or any Subsidiary to or by the Company and/or any Subsidiary shall be excluded; and

(vi) in the event that accounts of any companies being compared are prepared on the basis of different generally accepted accounting principles, there shall be made such adjustments to any relevant financial items as two authorised signatories of the Company shall certify in writing to the Fiscal Agent as being necessary to achieve a true and fair comparison of such financial items.

A report by two authorised signatories of the Company that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"Relevant GAAP" means International Financial Reporting Standards ("IFRS"), or if the Company no longer adopts IFRS, the accounting principles adopted by the Company for the preparation of the audited consolidated financial statements of the Company, for the purposes of disclosure in Japan.

"Securities" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, or other securities of any person, having an original maturity of more than one year from its date of issue.

"Subsidiary" means a company more than 50 per cent of the outstanding voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries or otherwise a company controlled by the Company in accordance with Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, managers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency).

4. Interest

The Bonds bear interest from and including 16 April 2024 at the rate of 3.384 per cent per annum, payable annually in arrear in the amount of €33.84 per Calculation Amount (as defined below) on 16 April in each year commencing on 16 April 2025 (each an "Interest Payment Date"). Each Bond will cease to bear interest from the due date for redemption unless, upon due surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified the Bondholders of its receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be the actual number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls.

In these Conditions, the period beginning on and including 16 April 2024 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "Interest Period".

Interest in respect of any Bond shall be calculated per €1,000 in principal amount of the Bonds (the "Calculation Amount"). The amount of interest payable per Calculation Amount for any period less than a complete Interest Period shall be equal to the product of 3.384 per cent, the Calculation Amount and the relevant day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5. Redemption and Purchase

(a) **Final Redemption**: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 16 April 2029. The Bonds may not be redeemed at the option of the Company other than in accordance with these Conditions.

(b) **Redemption for Taxation Reasons**: The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' prior notice to the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Company has or will become obliged to pay Additional Amounts (as defined in Condition 7) as a result of any change in, amendment to, or judicial decision relating to the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 9 April 2024, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Company shall deliver to the Fiscal Agent a certificate signed by the Representative Director of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to redeem have occurred and an opinion of tax counsel confirming such facts.

(c) **Redemption at the option of the Issuer (Issuer Make-Whole Call)**: The Bonds may be redeemed at the option of the Company in whole, but not in part, on any date (each, a "Call Settlement Date") prior to 16 March 2029 (the "Par Call Date") on giving not less than 30 nor more than 60 days' prior notice to the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to the date fixed for redemption) plus the Applicable Premium.

Upon the expiry of any such notice as is referred to in this Condition 5(c), the Company shall be bound to redeem the Bonds in accordance with this Condition 5(c).

For the purposes of this Condition 5(c):

"Applicable Premium" means with respect to any Bond on any Call Settlement Date, the excess of:

(i) the present value at such Call Settlement Date of (i) the principal amount of the Bonds at the Par Call Date plus (ii) all required interest payments due on the Bond through the Par Call Date (excluding accrued but unpaid interest to the Call Settlement Date), discounted to such Call Settlement Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Bund Rate as of the third business day prior to such Call Settlement Date plus 15 basis points; over

(ii) the principal amount of the Bond, if greater, as reported in writing to the Company and the Fiscal Agent by an international credit institution or financial services institution appointed by the Company.

"Bund Rate" means, with respect to any Call Settlement Date, the rate per annum equal to the equivalent yield to maturity as of the third business day prior to such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price on such date of determination, where:

(i) "Comparable German Bund Issue" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such Call Settlement Date to the Par Call Date, and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Bonds and of a maturity most nearly equal to the Par Call Date; provided, however, that, if the period from such Call Settlement Date to the Par Call Date is less than one year, a fixed maturity of one year shall be used;

(ii) "Comparable German Bund Price" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations or, if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(iii) "Reference German Bund Dealer" means any dealer of German Bundesanleihe securities appointed by the Company; and

(iv) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at or about 03.30 p.m. Frankfurt, Germany time on the third business day (being for this purpose a day on which banks are open for business in Frankfurt and London) preceding the relevant date.

(d) **Redemption at the option of the Issuer (Issuer Par Call)**: The Company has the option to redeem the Bonds, in whole, but not in part, at any time on or after the Par Call Date, upon giving not less than 30 days nor more than 60 days' prior notice of redemption to Bondholders (which notice shall be irrevocable), at their principal amount plus accrued and unpaid interest to the date of redemption.

(e) **Notice of Redemption**: All Bonds in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

(f) **Purchase**: The Company and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. Bonds purchased by the Company or any of its Subsidiaries may be held or resold or, at the discretion of the Company, be cancelled. The Bonds so purchased, while held by or on behalf of the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11(a).

(g) **Cancellation**: All Certificates in respect of Bonds so redeemed will be, and any Certificates in respect of Bonds purchased may be at the option of the Company, cancelled and thereafter may not be re-issued or resold.

6. Payments

(a) **Method of Payment**: Payment of principal and interest payable on redemption of the Bonds will be made in euro by transfer to the Registered Account (as defined below) of the Bondholder or by cheque drawn on a bank mailed to the registered address of the Bondholder if it does not have a Registered Account. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of the relevant Paying Agent.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the "Interest Record Date").

In these Conditions, "Registered Account" means a euro account maintained by the payee with a bank, details of which appear on the Register at the close of business on the sixth day before the due date of payment.

So long as the 2029 Bonds are represented by a Global Certificate and such 2029 Bonds are held on behalf of a clearing system, the requirement that the relevant Certificate shall be surrendered in order to receive payment shall not apply. Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

(b) **Payments Subject to Laws**: All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment or other laws to which the Company agrees to be subject, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payments on Business Days**: If the due date for payment of any amount of principal or interest in respect of any Bond is not a business day, then the holder thereof shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay.

In this Condition:

"business day" means a day on which commercial banks and foreign exchange markets are open for business in the city in which the specified office of the relevant Paying Agent is located and in Tokyo and London and which is a TARGET Business Day.

"TARGET Business Day" means a day on which T2 is open for the settlement of payments in euro.

"T2" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(d) **Paying Agents and Registrar**: The initial Paying Agents and the Registrar and their initial specified offices are listed below. The Company reserves the right at any time to vary or terminate the appointment of any Paying Agent and the Registrar and appoint additional or other Paying Agents, provided that it will maintain (i) a Fiscal Agent, (ii) a Registrar and (iii) a Paying Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require. Notice of any change in the Paying Agents, the Registrar or their specified offices will promptly be given to the Bondholders.

7. Taxation

All payments of principal and interest by or on behalf of the Company in respect of the Bonds held by a Japanese non-resident or a designated financial institution will be made free and clear of, and without withholding of, or deduction for or on account of, any present or future taxes imposed or levied by Japan, or any authority therein or thereof having power to tax ("Taxes") if the Bondholder establishes that the Bond is held by or for the account of a Japanese non-resident or a designated financial institution in compliance with requirements under Japanese tax laws. If such withholding or deduction in respect of the Bonds held by such Japanese non-resident or designated financial institution is required by law, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by such Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(a) presented for payment by or on behalf of a holder (i) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (1) a designated financial institution that complies with the requirement to provide interest recipient information or to submit a written application for tax exemption, and (2) an individual resident of Japan or a Japanese corporation that duly notifies the relevant Paying Agent of its status as not being subject to withholding or deduction by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on the Bonds through a payment handling agent in Japan appointed by it) or (ii) who fails to comply with the Japanese tax law requirements in respect of the exemption from such withholding or deduction or (iii) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of (x) being connected with Japan otherwise than by reason only of the holding of the Bond or the receipt of payment in respect of the Bond or (y) having a special relationship with the Company as described in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended, the "Special Taxation Measures Act") (a "specially-related person of the Company"); or

(b) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth such day.

As used herein:

"designated financial institution" means a Japanese financial institution or financial instruments business operator falling under certain categories prescribed by the cabinet order under Article 6, Paragraph (11) of the Special Taxation Measures Act;

"interest recipient information" means certain information prescribed by the Special Taxation Measures Act and the cabinet order and other regulations thereunder to enable the participant to establish that such holder is exempted from the requirement for Japanese taxes to be withheld or deducted;

"Japanese non-resident" means a person that is not an individual resident of Japan or a Japanese corporation for Japanese tax purposes;

"participant" means a participant of an international clearing organisation or a financial intermediary;

"written application for tax exemption" means a written application for tax exemption (*hikazei tekiyo shinkokusho*) in a form obtainable from a Paying Agent stating, inter alia, the name and address of the Bondholders, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the written application for tax exemption. If the Bondholders provide the relevant Paying Agent with the information required to be stated in the written application for tax exemption in an electronic form prescribed by the relevant ministerial ordinance, such Bondholders will be deemed to submit the written application for tax exemption to the relevant Paying Agent.

In these Conditions, "Relevant Date" in respect of any payment means the date on which such payment first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the day seven days after the Fiscal Agent has notified the Bondholders of its receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

References in these Conditions to "principal" and/or "interest" shall be deemed to include any Additional Amounts that may be payable under this Condition.

8. Events of Default

If any of the following events (an "Event of Default") shall have occurred and be continuing:

(a) **Non-Payment**: the Company defaults in the payment of any principal or interest on any of the Bonds when due and such failure continues for a period of seven days in relation to the principal or 14 days in relation to the interest; or

(b) **Breach of Other Obligations**: the Company defaults in the performance or observance of any other covenant, condition or provision contained in the Bonds and on its part to be performed or observed and (except where such failure is not capable of remedy, when no such notice shall be required and no grace period shall apply) such default shall continue for 30 days after notice requiring such default to be remedied shall have been given to the Fiscal Agent at its specified office by any Bondholder; or

(c) **Cross-Default**: (i) the obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary is accelerated prior to its stated maturity (otherwise than pursuant to a provision permitting prepayment at the option of the Company or such Principal Subsidiary), or any such indebtedness is not paid when due (or at the expiration of any applicable grace period as originally provided), or (ii) the Company or any Principal Subsidiary defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed, provided that the aggregate amount in respect of which one or more of the events mentioned above in this Condition 8(c) have occurred equals or exceeds ¥500,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against Japanese yen as quoted by any leading bank on the day on which this Condition 8(c) operates); or

(d) **Initiation of Insolvency Proceedings**: proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or any such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation or rehabilitation procedures or special liquidation under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

(e) **Decree of Insolvency/Dissolution**: a final decree or order is made or issued by a court of competent jurisdiction approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation or rehabilitation procedures or special liquidation under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or any material part of its property, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

(f) **Resolution for Dissolution**: a resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except, in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the establishment of a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Bonds or, in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company, in any such case, in proportion to the ownership interest held by the Company or such other Subsidiary in the relevant Principal Subsidiary or in any case, where the terms have previously been approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement); or

(g) **Institution of Insolvency Proceedings**: the Company or any Principal Subsidiary institutes proceedings seeking with respect to itself or any such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation or rehabilitation procedures or special liquidation under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or any material part of its property, or makes a general assignment for the benefit of its creditors; or

(h) **Stop Payment**: the Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any other similar applicable law of Japan or of any other jurisdiction); or

(i) **Cessation of Business**: the Company or any Principal Subsidiary ceases, or through an official action of its board of directors threatens to cease, to carry on business, except, in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the establishment of a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes the entire obligations of the Company under the Bonds or, in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company, in any such case, in proportion to the ownership interest held by the Company or such other Subsidiary in the relevant Principal Subsidiary or in any case, where the terms have previously been approved by an Extraordinary Resolution; or

(j) **Encumbrancer**: any encumbrancer takes possession of the whole or any material part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or any material part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 30 days,

then any Bondholder for the time being may, by written notice given to the Fiscal Agent at its specified office, declare the principal amount of, and all interest accrued on, the Bonds held by the Bondholder to be forthwith due and payable, whereupon the same shall become immediately due and payable, without presentment, demand, protest or other notice of any kind.

In these Conditions:

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended); and

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended).

9. Prescription

Claims in respect of principal and interest will become void unless made as required by Condition 6 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

10. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Company may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. Meetings of Bondholders and Modification

(a) **Meetings of Bondholders**: The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Bondholders holding not less than 10 per cent in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia,* (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to amend, vary or terminate the Deed of Covenant in a manner which would materially and adversely affect the Bondholders or (v) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent in principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification of Fiscal Agency Agreement**: The Company shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders or if necessary to comply with mandatory provisions of law.

12. Further Issues

The Company may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds.

13. Notices

Notices to Bondholders will be valid if mailed to them at their respective addresses in the Register and published in one leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the later of (i) the seventh day after being so mailed and (ii) the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the 2029 Bonds are represented by a Global Certificate and such 2029 Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by these Conditions.

14. Currency Indemnity

Euro is the sole currency of account and payment for all sums payable by the Company under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Company or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Company shall only constitute a discharge to the Company to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Bond, the Company shall indemnify it against any loss sustained by it as a result. In any event, the Company shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Company's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgment or order.

15. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16. Governing Law and Jurisdiction

(a) **Governing Law**: The Fiscal Agency Agreement, the Bonds, the Deed of Covenant and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.

(b) **Jurisdiction**: The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("Proceedings") may be brought in such courts. The Company irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition is for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process**: The Company irrevocably appoints Cogency Global (UK) Limited at its registered office for the time being in England as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Company). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Company irrevocably agrees to appoint a substitute process agent and shall immediately notify Bondholders of such appointment in accordance with Condition 13. Nothing shall affect the right to serve process in any manner permitted by law.

CONDITIONS OF THE 2032 BONDS

The following Conditions, save for paragraphs in italics, will be endorsed on the Certificates (as defined below) evidencing the 2032 Bonds (as defined below).

The issue of the €500,000,000 3.464 per cent Bonds due 2032 (the "Bonds") was authorised by a resolution of the Board of Directors of Asahi Group Holdings, Ltd. (the "Company") passed on 29 January 2024. A fiscal agency agreement dated 16 April 2024 (the "Fiscal Agency Agreement") has been entered into in relation to the Bonds among the Company, Mizuho Trust & Banking (Luxembourg) S.A. as fiscal agent, paying agent and registrar, and any further paying agents named in it. The fiscal agent, registrar and paying agents for the time being are referred to below, respectively, as the "Fiscal Agent", the "Registrar" and the "Paying Agents" (which expression shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the certificate in respect of the Bonds. The Bonds have the benefit of a deed of covenant dated 16 April 2024 (the "Deed of Covenant") executed by the Company in relation to the Bonds. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of the Fiscal Agent or may be provided by email to such Bondholders (as defined below) requesting copies following prior written request and satisfactory proof of holdings being provided to the Fiscal Agent. Bondholders are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

1. Form, Denomination, Title and Transfer of Bonds

(a) **Form and Denomination**: The Bonds are serially numbered and in registered form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof and are not exchangeable for bonds in bearer form. A bond certificate (each, a "Certificate") will be issued in respect of each holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1(c)(i).

(b) **Title**: Title to the Bonds passes only by transfer and registration of title in the Register. The holder (as defined below) of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it, or its theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "Bondholder" and "holder" mean the person in whose name the Bond is registered.

Upon issue, the 2032 Bonds will be represented by a Global Certificate deposited with and registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg.

These Conditions applicable to the 2032 Bonds are modified by certain provisions contained in the relevant Global Certificate. Except in the limited circumstances described in such Global Certificate, owners of interests in the 2032 Bonds represented by a Global Certificate will not be entitled to receive definitive certificates in respect of their individual holdings of 2032 Bonds.

(c) **Transfer of Bonds**

(i) **The Register**: The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Fiscal Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds.

(ii) **Transfers**: A Bond may be transferred upon the surrender at the specified offices of the Registrar or the Fiscal Agent of the Certificate representing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the Registrar and the Fiscal Agent may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. Where some only of the Bonds in respect of which a Certificate is issued are transferred, a new Certificate in respect of the Bonds not so transferred will be issued. No transfer may be made which would result in the principal amount of Bonds held by a holder and in respect of which a Certificate is to be issued being less than €100,000. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Fiscal Agent or the Registrar to any Bondholder upon request.

Transfers of interests in the 2032 Bonds represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds while in Global Form".

(iii) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 1(c)(ii) shall be available for delivery within three Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or the Fiscal Agent to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense), unless such holder requests otherwise and pays in advance to the Registrar or the Fiscal Agent (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the Fiscal Agent (as the case may be).

(iv) **Formalities Free of Charge**: Registration of a transfer of Bonds and issue of Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the Fiscal Agent, but upon (A) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the Fiscal Agent may require); and (B) the Company and the Registrar or the Fiscal Agent being reasonably satisfied that the regulations concerning transfer of Bonds have been satisfied.

(v) **No Registration of Transfer**: No Bondholder may require the transfer of a Bond to be registered (A) during the period of seven days ending on (and including) the due date for redemption pursuant to Condition 5(a), (B) after a notice of redemption has been given pursuant to Condition 5(b), 5(c) or 5(d), or (C) during the period commencing on (and including) any Interest Record Date (as defined in Condition 6(a)) and ending on the immediately following Interest Payment Date (as defined in Condition 4).

2. Status

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 3) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable legislation and (subject to Condition 3) at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3. Negative Pledge

So long as any Bond remains outstanding the Company will not, and will procure that none of its Principal Subsidiaries (as defined below) will, create or permit to be outstanding any pledge, mortgage, charge or other security interest for the benefit of the holders of any Securities (as defined below) upon the whole or any part of the property or assets, present or future, of the Company or the relevant Principal Subsidiary to secure (i) payment of any sum due in respect of any Securities or (ii) any payment under any guarantee of Securities or (iii) any payment under any indemnity or other like obligation in respect of Securities, in any such case in which:

(a) either such Securities are by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen, or such Securities are denominated in Japanese yen and more than 50 per cent of the aggregate principal amount thereof is initially offered or distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) such Securities are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan,

unless, at the time or prior thereto, the Company's obligations under the Bonds (aa) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement, in each case, as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Bondholders.

In these Conditions:

"Principal Subsidiary" means, at any time, any Subsidiary of the Company whose revenue or total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 5 per cent of the consolidated revenue or total assets, as the case may be, of the Company and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Company and its Subsidiaries, provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Company and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Company and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as stated above, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Company, acting in good faith.

For the purposes of this definition:

(i) if there shall not at any time be any relevant audited consolidated accounts of the Company and its Subsidiaries, references thereto herein shall be deemed to be references to a consolidation (which need not be audited) by the Company, acting in good faith, of the relevant audited accounts of the Company and its Subsidiaries;

(ii) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated revenue and consolidated total assets, as the case may be, shall be determined on the basis of pro forma consolidated accounts (which need not be audited) of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Company, acting in good faith;

(iii) If (A) any Subsidiary shall not in respect of any relevant financial period for whatever reason produce audited accounts or (B) any Subsidiary shall not have produced at the relevant time for the calculations required pursuant to this definition audited accounts for the same period as the period to which the latest audited consolidated accounts of the Company and its Subsidiaries relate, then there shall be substituted for the purposes of this definition the management accounts of such Subsidiary for such period;

(iv) where any Subsidiary is not wholly owned by the Company there shall be excluded from all calculations all amounts attributable to minority interests;

(v) in calculating any amount all amounts owing by or to the Company and/or any Subsidiary to or by the Company and/or any Subsidiary shall be excluded; and

(vi) in the event that accounts of any companies being compared are prepared on the basis of different generally accepted accounting principles, there shall be made such adjustments to any relevant financial items as two authorised signatories of the Company shall certify in writing to the Fiscal Agent as being necessary to achieve a true and fair comparison of such financial items.

A report by two authorised signatories of the Company that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"Relevant GAAP" means International Financial Reporting Standards ("IFRS"), or if the Company no longer adopts IFRS, the accounting principles adopted by the Company for the preparation of the audited consolidated financial statements of the Company, for the purposes of disclosure in Japan.

"Securities" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, or other securities of any person, having an original maturity of more than one year from its date of issue.

"Subsidiary" means a company more than 50 per cent of the outstanding voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries or otherwise a company controlled by the Company in accordance with Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, managers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency).

4. Interest

The Bonds bear interest from and including 16 April 2024 at the rate of 3.464 per cent per annum, payable annually in arrear in the amount of €34.64 per Calculation Amount (as defined below) on 16 April in each year commencing on 16 April 2025 (each an "Interest Payment Date"). Each Bond will cease to bear interest from the due date for redemption unless, upon due surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified the Bondholders of its receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be the actual number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls.

In these Conditions, the period beginning on and including 16 April 2024 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "Interest Period".

Interest in respect of any Bond shall be calculated per €1,000 in principal amount of the Bonds (the "Calculation Amount"). The amount of interest payable per Calculation Amount for any period less than a complete Interest Period shall be equal to the product of 3.464 per cent, the Calculation Amount and the relevant day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5. Redemption and Purchase

(a) **Final Redemption**: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 16 April 2032. The Bonds may not be redeemed at the option of the Company other than in accordance with these Conditions.

(b) **Redemption for Taxation Reasons**: The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' prior notice to the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Company has or will become obliged to pay Additional Amounts (as defined in Condition 7) as a result of any change in, amendment to, or judicial decision relating to the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 9 April 2024, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Company shall deliver to the Fiscal Agent a certificate signed by the Representative Director of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to redeem have occurred and an opinion of tax counsel confirming such facts.

(c) **Redemption at the option of the Issuer (Issuer Make-Whole Call)**: The Bonds may be redeemed at the option of the Company in whole, but not in part, on any date (each, a "Call Settlement Date") prior to 16 January 2032 (the "Par Call Date") on giving not less than 30 nor more than 60 days' prior notice to the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to the date fixed for redemption) plus the Applicable Premium.

Upon the expiry of any such notice as is referred to in this Condition 5(c), the Company shall be bound to redeem the Bonds in accordance with this Condition 5(c).

For the purposes of this Condition 5(c):

"Applicable Premium" means with respect to any Bond on any Call Settlement Date, the excess of:

(i) the present value at such Call Settlement Date of (i) the principal amount of the Bonds at the Par Call Date plus (ii) all required interest payments due on the Bond through the Par Call Date (excluding accrued but unpaid interest to the Call Settlement Date), discounted to such Call Settlement Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Bund Rate as of the third business day prior to such Call Settlement Date plus 20 basis points; over

(ii) the principal amount of the Bond, if greater, as reported in writing to the Company and the Fiscal Agent by an international credit institution or financial services institution appointed by the Company.

"Bund Rate" means, with respect to any Call Settlement Date, the rate per annum equal to the equivalent yield to maturity as of the third business day prior to such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price on such date of determination, where:

(i) "Comparable German Bund Issue" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such Call Settlement Date to the Par Call Date, and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Bonds and of a maturity most nearly equal to the Par Call Date; provided, however, that, if the period from such Call Settlement Date to the Par Call Date is less than one year, a fixed maturity of one year shall be used;

(ii) "Comparable German Bund Price" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations or, if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(iii) "Reference German Bund Dealer" means any dealer of German Bundesanleihe securities appointed by the Company; and

(iv) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at or about 03.30 p.m. Frankfurt, Germany time on the third business day (being for this purpose a day on which banks are open for business in Frankfurt and London) preceding the relevant date.

(d) **Redemption at the option of the Issuer (Issuer Par Call)**: The Company has the option to redeem the Bonds, in whole, but not in part, at any time on or after the Par Call Date, upon giving not less than 30 days nor more than 60 days' prior notice of redemption to Bondholders (which notice shall be irrevocable), at their principal amount plus accrued and unpaid interest to the date of redemption.

(e) **Notice of Redemption**: All Bonds in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

(f) **Purchase**: The Company and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. Bonds purchased by the Company or any of its Subsidiaries may be held or resold or, at the discretion of the Company, be cancelled. The Bonds so purchased, while held by or on behalf of the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11(a).

(g) **Cancellation**: All Certificates in respect of Bonds so redeemed will be, and any Certificates in respect of Bonds purchased may be at the option of the Company, cancelled and thereafter may not be re-issued or resold.

6. Payments

(a) **Method of Payment**: Payment of principal and interest payable on redemption of the Bonds will be made in euro by transfer to the Registered Account (as defined below) of the Bondholder or by cheque drawn on a bank mailed to the registered address of the Bondholder if it does not have a Registered Account. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of the relevant Paying Agent.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the "Interest Record Date").

In these Conditions, "Registered Account" means a euro account maintained by the payee with a bank, details of which appear on the Register at the close of business on the sixth day before the due date of payment.

So long as the 2032 Bonds are represented by a Global Certificate and such 2032 Bonds are held on behalf of a clearing system, the requirement that the relevant Certificate shall be surrendered in order to receive payment shall not apply. Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

(b) **Payments Subject to Laws**: All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment or other laws to which the Company agrees to be subject, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payments on Business Days**: If the due date for payment of any amount of principal or interest in respect of any Bond is not a business day, then the holder thereof shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay.

In this Condition:

"business day" means a day on which commercial banks and foreign exchange markets are open for business in the city in which the specified office of the relevant Paying Agent is located and in Tokyo and London and which is a TARGET Business Day.

"TARGET Business Day" means a day on which T2 is open for the settlement of payments in euro.

"T2" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(d) **Paying Agents and Registrar**: The initial Paying Agents and the Registrar and their initial specified offices are listed below. The Company reserves the right at any time to vary or terminate the appointment of any Paying Agent and the Registrar and appoint additional or other Paying Agents, provided that it will maintain (i) a Fiscal Agent, (ii) a Registrar and (iii) a Paying Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require. Notice of any change in the Paying Agents, the Registrar or their specified offices will promptly be given to the Bondholders.

7. Taxation

All payments of principal and interest by or on behalf of the Company in respect of the Bonds held by a Japanese non-resident or a designated financial institution will be made free and clear of, and without withholding of, or deduction for or on account of, any present or future taxes imposed or levied by Japan, or any authority therein or thereof having power to tax ("Taxes") if the Bondholder establishes that the Bond is held by or for the account of a Japanese non-resident or a designated financial institution in compliance with requirements under Japanese tax laws. If such withholding or deduction in respect of the Bonds held by such Japanese non-resident or designated financial institution is required by law, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by such Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(a) presented for payment by or on behalf of a holder (i) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (1) a designated financial institution that complies with the requirement to provide interest recipient information or to submit a written application for tax exemption, and (2) an individual resident of Japan or a Japanese corporation that duly notifies the relevant Paying Agent of its status as not being subject to withholding or deduction by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on the Bonds through a payment handling agent in Japan appointed by it) or (ii) who fails to comply with the Japanese tax law requirements in respect of the exemption from such withholding or deduction or (iii) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of (x) being connected with Japan otherwise than by reason only of the holding of the Bond or the receipt of payment in respect of the Bond or (y) having a special relationship with the Company as described in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended, the "Special Taxation Measures Act") (a "specially-related person of the Company"); or

(b) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting it for payment on the thirtieth such day.

As used herein:

"designated financial institution" means a Japanese financial institution or financial instruments business operator falling under certain categories prescribed by the cabinet order under Article 6, Paragraph (11) of the Special Taxation Measures Act;

"interest recipient information" means certain information prescribed by the Special Taxation Measures Act and the cabinet order and other regulations thereunder to enable the participant to establish that such holder is exempted from the requirement for Japanese taxes to be withheld or deducted;

"Japanese non-resident" means a person that is not an individual resident of Japan or a Japanese corporation for Japanese tax purposes;

"participant" means a participant of an international clearing organisation or a financial intermediary;

"written application for tax exemption" means a written application for tax exemption (*hikazei tekiyo shinkokusho*) in a form obtainable from a Paying Agent stating, *inter alia*, the name and address of the Bondholders, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the written application for tax exemption. If the Bondholders provide the relevant Paying Agent with the information required to be stated in the written application for tax exemption in an electronic form prescribed by the relevant ministerial ordinance, such Bondholders will be deemed to submit the written application for tax exemption to the relevant Paying Agent.

In these Conditions, "Relevant Date" in respect of any payment means the date on which such payment first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the day seven days after the Fiscal Agent has notified the Bondholders of its receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

References in these Conditions to "principal" and/or "interest" shall be deemed to include any Additional Amounts that may be payable under this Condition.

8. Events of Default

If any of the following events (an "Event of Default") shall have occurred and be continuing:

(a) **Non-Payment**: the Company defaults in the payment of any principal or interest on any of the Bonds when due and such failure continues for a period of seven days in relation to the principal or 14 days in relation to the interest; or

(b) **Breach of Other Obligations**: the Company defaults in the performance or observance of any other covenant, condition or provision contained in the Bonds and on its part to be performed or observed and (except where such failure is not capable of remedy, when no such notice shall be required and no grace period shall apply) such default shall continue for 30 days after notice requiring such default to be remedied shall have been given to the Fiscal Agent at its specified office by any Bondholder; or

(c) **Cross-Default**: (i) the obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary is accelerated prior to its stated maturity (otherwise than pursuant to a provision permitting prepayment at the option of the Company or such Principal Subsidiary), or any such indebtedness is not paid when due (or at the expiration of any applicable grace period as originally provided), or (ii) the Company or any Principal Subsidiary defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed, provided that the aggregate amount in respect of which one or more of the events mentioned above in this Condition 8(c) have occurred equals or exceeds ¥500,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against Japanese yen as quoted by any leading bank on the day on which this Condition 8(c) operates); or

(d) **Initiation of Insolvency Proceedings**: proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or any such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation or rehabilitation procedures or special liquidation under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

(e) **Decree of Insolvency/Dissolution**: a final decree or order is made or issued by a court of competent jurisdiction approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation or rehabilitation procedures or special liquidation under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or any material part of its property, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

(f) **Resolution for Dissolution**: a resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except, in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the establishment of a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Bonds or, in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company, in any such case, in proportion to the ownership interest held by the Company or such other Subsidiary in the relevant Principal Subsidiary or in any case, where the terms have previously been approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement); or

(g) **Institution of Insolvency Proceedings**: the Company or any Principal Subsidiary institutes proceedings seeking with respect to itself or any such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation or rehabilitation procedures or special liquidation under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or any material part of its property, or makes a general assignment for the benefit of its creditors; or

(h) **Stop Payment**: the Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any other similar applicable law of Japan or of any other jurisdiction); or

(i) **Cessation of Business**: the Company or any Principal Subsidiary ceases, or through an official action of its board of directors threatens to cease, to carry on business, except, in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the establishment of a holding company) upon which the continuing corporation or the corporation formed thereby effectively assumes the entire obligations of the Company under the Bonds or, in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company, in any such case, in proportion to the ownership interest held by the Company or such other Subsidiary in the relevant Principal Subsidiary or in any case, where the terms have previously been approved by an Extraordinary Resolution; or

(j) **Encumbrancer**: any encumbrancer takes possession of the whole or any material part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or any material part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 30 days,

then any Bondholder for the time being may, by written notice given to the Fiscal Agent at its specified office, declare the principal amount of, and all interest accrued on, the Bonds held by the Bondholder to be forthwith due and payable, whereupon the same shall become immediately due and payable, without presentment, demand, protest or other notice of any kind.

In these Conditions:

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended); and

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended).

9. Prescription

Claims in respect of principal and interest will become void unless made as required by Condition 6 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

10. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Company may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. Meetings of Bondholders and Modification

(a) **Meetings of Bondholders**: The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Bondholders holding not less than 10 per cent in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to amend, vary or terminate the Deed of Covenant in a manner which would materially and adversely affect the Bondholders or (v) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent in principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification of Fiscal Agency Agreement**: The Company shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders or if necessary to comply with mandatory provisions of law.

12. Further Issues

The Company may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds.

13. Notices

Notices to Bondholders will be valid if mailed to them at their respective addresses in the Register and published in one leading newspaper having general circulation in London (which is expected to be the Financial Times) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the later of (i) the seventh day after being so mailed and (ii) the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the 2032 Bonds are represented by a Global Certificate and such 2032 Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by these Conditions.

14. Currency Indemnity

Euro is the sole currency of account and payment for all sums payable by the Company under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Company or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Company shall only constitute a discharge to the Company to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Bond, the Company shall indemnify it against any loss sustained by it as a result. In any event, the Company shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Company's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgment or order.

15. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16. Governing Law and Jurisdiction

(a) **Governing Law**: The Fiscal Agency Agreement, the Bonds, the Deed of Covenant and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.

(b) **Jurisdiction**: The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("Proceedings") may be brought in such courts. The Company irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition is for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process**: The Company irrevocably appoints Cogency Global (UK) Limited at its registered office for the time being in England as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Company). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Company irrevocably agrees to appoint a substitute process agent and shall immediately notify Bondholders of such appointment in accordance with Condition 13. Nothing shall affect the right to serve process in any manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

Transfers of interests in the Bonds in respect of which a Global Certificate is issued shall be effected through the records of the relevant clearing system and their respective participants in accordance with the rules and procedures of the relevant clearing system and their respective direct and indirect participants.

Transfers of the holding of Bonds represented by a Global Certificate pursuant to Condition 1(c) of the relevant Series may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Bond is not paid when due,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the holder has given the Registrar not less than 30 days' notice at its specified office of the holder's intention to effect such transfer.

Upon issue, each Series will be represented by a Global Certificate. Each Global Certificate will be registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg (the "Common Safekeeper") and may be delivered on or prior to the original issue date of the Bonds. Depositing the relevant Global Certificate with the Common Safekeeper does not necessarily mean that the Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Upon the registration of each Global Certificate in the name of a nominee for a Common Safekeeper for Euroclear and Clearstream, Luxembourg and delivery of such Global Certificate to the Common Safekeeper, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Bonds equal to the nominal amount thereof for which it has subscribed and paid. In the event that definitive certificates for the Bonds are issued, a Bondholder who holds a principal amount of less than €100,000 will not receive a definitive certificate in respect of such holding and would need to purchase a principal amount of Bonds such that it holds an amount of €100,000 or above in integral multiples of €1,000 thereof.

Each Global Certificate contains provisions which apply to the Bonds in respect of which such Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of the Bonds evidenced by a Global Certificate will be made without presentation or surrender of such Global Certificate to or to the order of the Fiscal Agent (as defined in the Conditions) or such other Paying Agent (as defined in the Conditions) as shall have been notified to the Bondholders for such purpose and without the requirement to be a business day in the location of the relevant Paying Agent.

All payments in respect of Bonds represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except December 25 and January 1.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, we will pay interest in respect of such Bonds in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation will be made in respect of the total principal aggregate amount of the Bonds represented by the Global Certificate.

Notices

So long as the Bonds are evidenced by a Global Certificate and such Global Certificate is registered in the name of a nominee for a common safekeeper for Euroclear and/or Clearstream, Luxembourg or any other clearing system, notices to Bondholders, including notices of redemption, shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, such other clearing system, for communication by it to accountholders entitled to the Bonds in substitution for publication and mailing as required by the Conditions. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to the relevant clearing system.

Meetings

The holder of the Bonds, in respect of which a Global Certificate is issued, shall be treated as being two persons for the purposes of any quorum requirements of a meeting of the Bondholders in respect of the Bonds and, at any such meeting, as having one vote in respect of each €1,000 of Bonds in respect of which such Global Certificate is issued.

Default

If principal in respect of any Bond is not paid when due and payable, the holder of a Bond represented by a Global Certificate may elect for direct enforcement rights against us under the terms of the Deed of Covenant (as defined in the Conditions) to come into effect in relation to a principal amount of Bonds up to an aggregate principal amount in respect of which failure to pay has occurred in favour of the persons entitled to such part of such Bonds as accountholders with a clearing system. Following any such acquisition of direct rights, the relevant Global Certificate and the corresponding entry in the Register kept by the Registrar will become void as to the specified Bonds.

SELECTED FINANCIAL AND OTHER DATA

The following tables set forth our selected consolidated financial and other data as of and for each of the years ended December 31, 2021, 2022 and 2023, which have been derived from, and should be read in conjunction with, our annual audited consolidated financial statements and related notes for those years included elsewhere in this Offering Circular.

	As of and for the year ended December 31,		
	2021	2022	2023
	(in millions of yen)		
Selected consolidated statement of profit or loss data:			
Revenue[(1)(4)]			
Japan segment revenue	¥ 1,219,383	¥ 1,301,731	¥ 1,362,850
Europe segment revenue	474,383	573,875	688,725
Oceania segment revenue	499,994	583,167	652,154
Southeast Asia segment revenue	42,684	51,680	57,806
Other revenue	5,962	8,764	21,542
Total intersegment adjustments[(2)]	(6,332)	(8,110)	(13,988)
Total revenue:	2,236,076	2,511,108	2,769,091
Cost of sales	(1,383,195)	(1,589,272)	(1,770,157)
Gross profit	852,881	921,835	998,933
Selling, general and administrative expenses	(634,940)	(678,018)	(735,252)
Other operating income	46,055	16,850	8,300
Other operating expense	(52,096)	(43,619)	(26,981)
Operating profit[(4)]			
Japan segment operating profit	119,575	96,417	111,266
Europe segment operating profit	46,030	55,163	59,437
Oceania segment operating profit	62,536	80,177	89,673
Southeast Asia segment operating profit (loss)	(485)	633	1,009
Other segment operating profit	2,307	1,257	5,174
Total intersegment adjustments[(3)]	(18,064)	(16,599)	(21,562)
Total operating profit	211,900	217,048	244,999
Finance income	5,754	5,498	14,118
Finance costs	(18,516)	(17,221)	(18,121)
Share of profit of investments accounted for using equity method	687	667	875
Profit before tax	199,826	205,992	241,871
Income tax expense	(46,003)	(54,275)	(75,840)
Profit	¥ 153,823	¥ 151,717	¥ 166,031
Profit attributable to:			
Owners of parent	¥ 153,500	¥ 151,555	¥ 164,073
Non-controlling interests	322	162	1,957
Total	¥ 153,823	¥ 151,717	¥ 166,031
Selected consolidated statement of financial position data:			
Total assets	¥ 4,547,748	¥ 4,830,344	¥ 5,285,913
Total current assets	700,176	737,529	846,953
Cash and cash equivalents	52,743	37,438	59,945
Trade and other receivables	395,974	415,676	465,633
Inventories	200,828	234,969	267,317
Total non-current assets	3,847,572	4,092,815	4,438,960
Property, plant and equipment	818,398	834,721	888,070
Total goodwill and intangible assets	2,819,634	3,027,929	3,283,948
Goodwill	1,816,862	1,966,971	2,147,139
Intangible assets	1,002,771	1,060,958	1,136,809
Other financial assets	126,295	125,780	151,168

	As of and for the year ended December 31,		
	2021	2022	2023
	(in millions of yen)		
Total liabilities	2,788,600	2,767,399	2,820,131
Total current liabilities	1,242,891	1,265,946	1,396,950
Trade and other payables	531,573	591,869	714,781
Bonds and borrowings	423,652	367,267	389,848
Total non-current liabilities	1,545,709	1,501,452	1,423,181
Bonds and borrowings	1,172,551	1,130,042	1,020,950
Total equity	¥1,759,148	¥2,062,945	¥2,465,781
Selected consolidated statement of cash flows data:			
Net cash flows from (used in) operating activities	¥ 337,812	¥ 265,991	¥ 347,547
Net cash flows from (used in) investing activities	(14,348)	(69,186)	(117,713)
Net cash flows from (used in) financing activities	(320,325)	(219,556)	(226,746)

Notes:

(1) Revenue figures include liquor tax for sales in certain jurisdictions, including Japan.

(2) Intersegment adjustments for revenue consist of sales within our group between segments.

(3) Intersegment adjustments for operating profit consist of overhead costs that are not allocated to any reportable segment and the elimination of intersegment transactions.

(4) Effective January 1, 2022, our reportable segments changed to "Japan," "Europe," "Oceania" and "Southeast Asia" from "Alcohol beverages", "Soft drinks", "Food" and "Overseas". Segment information for the year ended December 31, 2021 has been retrospectively revised to reflect this change in reportable segments.

Other Data

The table below sets forth certain other historical financial data as of and for each of the three years ended December 31, 2023.

	As of and for the year ended December 31,		
	2021	2022	2023
	(in millions of yen, except per share data, percentages and ratios)		
Other data:			
Core Operating Profit(1)	¥ 217,940	¥ 243,817	¥ 263,680
Adjusted EBITDA(2)	328,497	362,405	389,391
Adjusted Net Debt(3)	1,393,460	1,309,871	1,200,853
Adjusted Net Debt/Adjusted EBITDA Ratio (times)(4)	4.24	3.61	3.08
Adjusted Free Cash Flow(5)	319,089	201,146	251,959
Adjusted Free Cash Flow after Dividends(6)	264,869	145,407	194,198
Revenue (excluding liquor tax)(7)	1,734,235	1,947,805	2,176,425
Core Operating Profit Margin (excluding liquor tax)(8)	12.6%	12.5%	12.1%
Core Operating Profit Margin (including liquor tax)(9)	9.7%	9.7%	9.5%

Notes:

(1) Core Operating Profit = operating profit + other operating expense – other operating income. Core Operating Profit for each reportable segment = operating profit for the segment + other operating expense for the segment – other operating income for the segment + amortization of intangible assets recognized through business combination.

(2) Adjusted EBITDA = profit + income tax expense + loss (gain) on sales of investments accounted for using equity method – share of profit (loss) of investments accounted for using equity method + finance costs – finance income + other operating expense – other operating income + amortization of intangible assets + depreciation. For the calculation of Adjusted EBITDA, the amortization and depreciation of leased assets and intangible assets recognized through business combination are not included in "amortization of intangible assets" and "depreciation".

(3) Adjusted Net Debt is calculated by subtracting cash and cash equivalents and the capital portion of subordinated debt from bonds and borrowings (current and non-current portions).

(4) Adjusted Net Debt/Adjusted EBITDA Ratio is calculated as the ratio of Adjusted Net Debt (which includes a deduction for the capital portion of subordinated debt) as of the end of a period over Adjusted EBITDA for the same period.

(5) Adjusted Free Cash Flow is calculated as net cash flows from operating activities – net cash flows (from) used in investing activities – proceeds from sale of subsidiaries and affiliates including relevant intangibles + M&A and other business restructuring.

(6) Adjusted Free Cash Flow after Dividends = Adjusted Free Cash Flow – dividends.

(7) Revenue (excluding liquor tax) is calculated as revenue minus liquor tax.

(8) Core Operating Profit Margin (excluding liquor tax) is calculated as Core Operating Profit divided by revenue (excluding liquor tax).

(9) Core Operating Profit Margin (including liquor tax) is calculated as Core Operating Profit divided by revenue.

Non-GAAP Measures

Adjusted EBITDA, Core Operating Profit, Adjusted Net Debt, Adjusted Net Debt/Adjusted EBITDA Ratio, Adjusted Free Cash Flow, Adjusted Free Cash Flow after Dividends, Revenue (excluding liquor tax), Core

Operating Profit Margin (excluding liquor tax) and Core Operating Profit Margin (including liquor tax) are not measures prescribed by IFRS but are supplemental financial measures that we believe are useful for investors to assess the operating performance of our business without the effect of items that we do not consider to be indicative of the results of our ongoing operations, such as certain non-cash items.

Adjusted EBITDA, Core Operating Profit, Adjusted Net Debt, Adjusted Net Debt/Adjusted EBITDA Ratio, Adjusted Free Cash Flow, Adjusted Free Cash Flow after Dividends, Revenue (excluding liquor tax), Core Operating Profit Margin (excluding liquor tax) and Core Operating Profit Margin (including liquor tax) should not be considered alternatives to the measures presented in accordance with IFRS, as they have important limitations as analytical tools. In particular, Adjusted EBITDA excludes some, but not all, items that affect profit. Our definitions of Adjusted EBIDTA, Core Operating Profit, Adjusted Net Debt, Adjusted Net Debt/Adjusted EBITDA Ratio, Adjusted Free Cash Flow, Adjusted Free Cash Flow after Dividends, Revenue (excluding liquor tax), Core Operating Profit Margin (excluding liquor tax) and Core Operating Profit Margin (including liquor tax) may not be comparable to similarly titled measures of other companies in our industry, thereby diminishing their utility.

The following tables present a reconciliation of profit to Adjusted EBITDA as well as the calculation of Core Operating Profit, Adjusted Net Debt, Adjusted Net Debt/Adjusted EBITDA Ratio, Adjusted Free Cash Flow, Adjusted Free Cash Flow after Dividends, Revenue (excluding liquor tax), Core Operating Profit Margin (excluding liquor tax) and Core Operating Profit Margin (including liquor tax).

Reconciliation of Profit to Adjusted EBITDA

	For the year ended December 31,		
	2021	**2022**	**2023**
	(in millions of yen)		
Profit	¥153,823	¥151,717	¥166,031
Add: Income tax expense	46,003	54,275	75,840
Profit before tax	199,826	205,992	241,871
Subtract: Share of profit (loss) of investments accounted for using equity method	687	667	875
Add: Finance costs	18,516	17,221	18,121
Subtract: Finance income	5,754	5,498	14,118
Operating profit	211,900	217,048	244,999
Add: Other operating expense	52,096	43,619	26,981
Subtract: Other operating income	46,055	16,850	8,300
Add: Amortization of intangible assets	31,084	33,601	36,862
Add: Depreciation	79,472	84,986	88,849
Adjusted EBITDA	¥328,497	¥362,405	¥389,391

Calculation of Core Operating Profit

Asahi Group Holdings

	For the year ended December 31,		
	2021	**2022**	**2023**
	(in millions of yen)		
Operating profit	¥211,900	¥217,048	¥244,999
Add: Other operating expense	52,096	43,619	26,981
Subtract: Other operating income	46,055	16,850	8,300
Core Operating Profit	¥217,940	¥243,817	¥263,680

By Reportable Segments

	For the year ended December 31, 2023					
	Japan	Europe	Oceania	Southeast Asia	Other	Adjustments (corporate and elimination)
	(in millions of yen)					
Operating profit	¥111,266	¥59,437	¥ 89,673	¥1,009	¥5,174	¥(21,562)
Add: Other operating expense	12,060	4,373	8,850	1,311	168	217
Subtract: Other operating income	5,550	1,588	23	1,038	20	78
Add: Amortization of intangible assets recognized through business combination	1,759	22,855	12,131	115	0	0
Core Operating Profit	¥119,535	¥85,078	¥110,632	¥1,398	¥5,321	¥(21,424)

Calculation of Adjusted Net Debt

	As of December 31,		
	2021	2022	2023
	(in millions of yen)		
Bonds and borrowings (current portion)	¥ 423,652	¥ 367,267	¥ 389,848
Add: Bonds and borrowings (non-current portion)	1,172,551	1,130,042	1,020,950
Subtract: Cash and cash equivalents	52,743	37,438	59,945
Subtract: Capital portion of subordinated debt	150,000	150,000	150,000
Adjusted Net Debt	¥1,393,460	¥1,309,871	¥1,200,853

Calculation of Adjusted Net Debt/Adjusted EBITDA Ratio

	As of or for the year ended December 31,		
	2021	2022	2023
	(in millions of yen, except ratios)		
Adjusted Net Debt	¥1,393,460	¥1,309,871	¥1,200,853
Divide by: Adjusted EBITDA	328,497	362,405	389,391
Adjusted Net Debt/Adjusted EBITDA Ratio (times)	4.24	3.61	3.08

Calculation of Adjusted Free Cash Flow

	For the year ended December 31,		
	2021	2022	2023
	(in millions of yen)		
Net cash flows from operating activities	¥337,812	¥265,991	¥347,547
Subtract: Net cash flows (from) used in investing activities	14,348	69,186	117,713
Subtract: Proceeds from sale of subsidiaries and affiliates including relevant intangibles	19,136	676	—
Add: M&A and other business restructuring	14,762	5,018	22,125
Adjusted Free Cash Flow	¥319,089	¥201,146	¥251,959

Calculation of Adjusted Free Cash Flow after Dividends

	For the year ended December 31,		
	2021	2022	2023
	(in millions of yen)		
Adjusted Free Cash Flow	¥319,089	¥201,146	¥251,959
Subtract: Dividends	54,220	55,738	57,761
Adjusted Free Cash Flow after Dividends	¥264,869	¥145,407	¥194,198

Calculation of Revenue (Excluding Liquor Tax)

	For the year ended December 31,		
	2021	2022	2023
		(in millions of yen)	
Revenue	¥2,236,076	¥2,511,108	¥2,769,091
Subtract: liquor tax	501,841	563,303	592,666
Revenue (excluding liquor tax)	¥1,734,235	¥1,947,805	¥2,176,425

Calculation of Core Operating Profit Margin (Excluding Liquor Tax)

	For the year ended December 31,		
	2021	2022	2023
	(in millions of yen, except percentages)		
Operating Profit Margin	9.5%	8.6%	8.8%
Multiply by: revenue	¥2,236,076	¥2,511,108	¥2,769,091
Operating profit	211,900	217,048	244,999
Add: Other operating expense	52,096	43,619	26,981
Subtract: Other operating income	46,055	16,850	8,300
Core Operating Profit	217,940	243,817	263,680
Divide by: Revenue (excluding liquor tax)	1,734,235	1,947,805	2,176,425
Core Operating Profit Margin (excluding liquor tax)	12.6%	12.5%	12.1%

Calculation of Core Operating Profit Margin (Including Liquor Tax)

	For the year ended December 31,		
	2021	2022	2023
	(in millions of yen, except percentages)		
Operating Profit Margin	9.5%	8.6%	8.8%
Multiply by: revenue	¥2,236,076	¥2,511,108	¥2,769,091
Operating profit	211,900	217,048	244,999
Add: Other operating expense	52,096	43,619	26,981
Subtract: Other operating income	46,055	16,850	8,300
Core Operating Profit	217,940	243,817	263,680
Divide by: revenue	2,236,076	2,511,108	2,769,091
Core Operating Profit Margin (including liquor tax)	9.7%	9.7%	9.5%

RECENT BUSINESS

Overview

We are a global manufacturer and distributor of beverages and foods. Our portfolio of beverage products includes beer-type beverages, non-alcohol beer-taste beverages, whisky and spirits, RTD beverages, wine, *shochu*, non-alcohol RTD beverages and other non-alcohol beverages. We were the seventh largest brewer globally in the year ended December 31, 2023 in terms of manufactured volume according to GlobalData Plc. We also manufacture and distribute various food products, including confectioneries, health foods, supplements, powdered milk products and baby food for infants, food and other products for nursing care, freeze-dried foods and raw materials for food products. Revenue, operating profit and profit for the year ended December 31, 2023 were ¥2,769 billion, ¥244 billion and ¥166 billion, respectively.

Since the beginning of the year ended December 31, 2022, our businesses are organized into the following four reportable segments:

- *Japan*. Our Japan segment comprises the production and sale in Japan of alcohol beverages (which include beer, including our popular brand *Asahi Super Dry*, low-malt beer (*happoshu*), so-called “new genre” beer-taste alcohol beverages, distilled spirits (*shochu*), whisky and other alcohol beverages), a wide range of non-alcohol beverages (including carbonated water and other carbonated beverages as well as non-carbonated beverages, including mineral water, tea, coffee, fruit juices, lactic acid drinks and other non-alcohol beverage) and food products (including confectioneries, health foods, dietary supplements, baby foods, infant formula and freeze-dried foods). For the year ended December 31, 2023, revenue (after intersegment eliminations) from the Japan segment represented 48.9% of consolidated revenue.

- *Europe*. In this segment, we produce and sell alcohol beverages principally in Europe, including our brands *Peroni Nastro Azzurro*, *Pilsner Urquell*, *Asahi Super Dry*, *Kozel*, *Grolsch*, *Birell*, *Tyskie* and *Ursus*, as well as non-alcohol beer brands and RTD beverages. Sales of alcohol beverages in China and the United States are also recorded under this segment. For the year ended December 31, 2023, revenue (after intersegment eliminations) from the Europe segment represented 24.8% of consolidated revenue.

- *Oceania*. Our Oceania segment consists of the production and sale principally in Australia of alcohol beverages (including *Great Northern*, *Victoria Bitter*, *Vodka Cruiser*, *Long White*, *Peroni Nastro Azzurro* and *Asahi Super Dry*, RTD low-alcohol beverages), non-alcohol beer-taste beverages and other non-alcohol beverages (including *Cool Ridge*, *Gatorade*, *Lipton* and *Schweppes*). For the year ended December 31, 2023, revenue (after intersegment eliminations) from the Oceania segment represented 23.5% of consolidated revenue.

- *Southeast Asia*. In our Southeast Asia segment, we produce and sell non-alcohol beverages in Southeast Asia, including under our *WONDA* and *CALPIS* brands, and also distribute franchised brands such as *Pepsi*, *Mountain Dew* and *Tropicana*. For the year ended December 31, 2023, revenue (after intersegment eliminations) from the Southeast Asia segment represented 2.1% of consolidated revenue.

In addition to the above four reportable segments, we account for other businesses not included in the reportable segments under “Other” in our consolidated financial statements, which includes research and development activities performed by Asahi Quality & Innovations, Ltd. and the sale of feed ingredients and biostimulants for agriculture as well as product and service offerings using microorganisms by Asahi Biocycle Co., Ltd. Operations in our “Other” segment also include Asahi Group Beverages & Innovation, LLC, which operates a startup investment fund for investing in low-alcohol beverages, non-alcohol beer-like beverages, and other non-alcohol beverages for adults. For the year ended December 31, 2023, revenue (after intersegment eliminations) from the “Other” segment represented 0.8% of consolidated revenue.

Change in reportable segments

Effective January 1, 2022, we transferred certain functions relating to the business management of domestic operations to Asahi Group Japan, Ltd., a wholly owned subsidiary of ours, through a corporate split. The aim was to generate global synergies while expanding and developing our five global brands and further boosting the competitiveness of our businesses conducted in the areas overseen by each of our regional headquarters in Japan, Europe, Oceania and Southeast Asia. Accordingly, effective January 1, 2022, we changed the classification of our reportable segments from “Alcohol Beverages,” “Soft Drinks,” “Food,” and “Overseas” to “Japan,” “Europe,” “Oceania,” and “Southeast Asia.”

COVID-19 pandemic

The COVID-19 pandemic had adverse effects on our results of operations for the year ended December 31, 2020. In the year ended December 31, 2020, measures taken by governments in Japan, Europe and Australia to curb the spread of the COVID-19 pandemic, such as declarations of nationwide emergencies and voluntary business closures or operation hours restrictions, resulted in an overall decline in sales in all our segments. On-trade sales in particular, such as those originating from restaurants and bars, which account for a relatively high proportion of our sales of beer-type beverages, decreased significantly compared to the previous year. In order to mitigate the adverse impact of the pandemic on our businesses, in the year ended December 31, 2020 we implemented a number of cost-reduction initiatives in response to the COVID-19 pandemic, including the reduction of unessential expenditures relating to marketing and labor costs as well as a decrease in capital expenditures. As the effects of the COVID-19 pandemic receded and vaccination campaigns became more widespread, our efforts to implement a revised strategy, new value propositions, operational streamlining and the consolidation of the results of operations of CUB, led to an overall recovery in sales in the year ended December 31, 2021 and we achieved record-high revenue, operating profit, and profit attributable to owners of parent that fiscal year. On May 8, 2023, Japan downgraded the legal status of COVID-19 to "Class 5," the same category used for common infectious diseases such as seasonal influenza.

Comparison of the year ended December 31, 2023 with the year ended December 31, 2022

Revenue. Revenue was ¥2,769,091 million in the year ended December 31, 2023, an increase of ¥257,982 million, or 10.3%, from ¥2,511,108 million in the year ended December 31, 2022. This was primarily due to price revision for certain products and the Group's strategy of premiumization.

- *Japan*. Revenue in the Japan segment (after intersegment eliminations) was ¥1,353,194 million in the year ended December 31, 2023, an increase of ¥55,997 million, or 4.3%, from ¥1,297,197 million in the year ended December 31, 2022. This was primarily due to an increase in sales in all of the segment businesses, including a rise in sales in the alcohol beverages business. Before intersegment eliminations, the increase was ¥61,118 million, or 4.7%, from ¥1,301,731 million in the year ended December 31, 2022 to ¥1,362,850 million in the year ended December 31, 2023.

- *Europe*. Revenue in the Europe segment (after intersegment eliminations) was ¥687,637 million in the year ended December 31, 2023, an increase of ¥114,974 million, or 20.1%, from ¥572,662 million in the year ended December 31, 2022. Although sales volume decreased, there was an overall increase in revenue due to a strengthening of sales of key regional and global brand products, as well as effects of price revisions for products. Before intersegment eliminations, revenue increased by ¥114,849 million, or 20.0%, from ¥573,875 million in the year ended December 31, 2022 to ¥688,725 million in the year ended December 31, 2023.

- *Oceania*. Revenue in the Oceania segment (after intersegment eliminations) was ¥649,513 million in the year ended December 31, 2023, an increase of ¥68,667 million, or 11.8%, from ¥580,845 million in the year ended December 31, 2022. Despite some disruption to logistics, revenues increased upon the return of demand after the lifting of restrictions related to COVID-19. Before intersegment eliminations, the increase was ¥68,987 million, or 11.8%, from ¥583,167 million in the year ended December 31, 2022 to ¥652,154 million in the year ended December 31, 2023.

- *Southeast Asia*. Revenue in the Southeast Asia segment (after intersegment eliminations) was ¥57,204 million in the year ended December 31, 2023, an increase of ¥5,564 million, or 10.8%, from ¥51,639 million in the year ended December 31, 2022. In addition to strong sales of key brands in Malaysia, there was an increase in revenue due to the effects of price revisions and foreign exchange rate fluctuations. Before intersegment eliminations, the increase was ¥6,126 million, or 11.9%, from ¥51,680 million in the year ended December 31, 2022 to ¥57,806 million in the year ended December 31, 2023.

- *Other*. Revenue in our other businesses (after intersegment eliminations) was ¥21,542 million in the year ended December 31, 2023, an increase of ¥12,778 million, or 145.8%, from ¥8,764 million in the year ended December 31, 2022.

Cost of sales. Cost of sales was ¥1,770,157 million in the year ended December 31, 2023, an increase of ¥180,885 million, or 11.4%, from ¥1,589,272 million in the year ended December 31, 2022. This increase was due mainly to the impact of cost increases in raw materials, utilities and logistics costs.

Gross profit. As a result of the foregoing, gross profit was ¥998,933 million in the year ended December 31, 2023, an increase of ¥77,097 million, or 8.4%, compared to gross profit of ¥921,835 million in the year ended December 31, 2022.

Selling, general and administrative expenses. The following table presents our selling, general and administrative expenses for the years ended December 31, 2022 and 2023:

	For the year ended December 31,	
	2022	2023
	(in millions of yen)	
Promotion expense	¥108,635	¥110,243
Advertising	86,744	100,286
Transportation	103,037	104,909
Employee benefits expense	181,970	203,234
Depreciation and amortization expenses	69,447	75,270
Other	128,182	141,308
Total	¥678,018	¥735,252

Selling, general and administrative expenses were ¥735,252 million in the year ended December 31, 2023, an increase of ¥57,234 million, or 8.4%, from ¥678,018 million in the year ended December 31, 2022. The increase was due mainly to the impact of cost increases in HR and marketing.

Other operating income. Other operating income was ¥8,300 million in the year ended December 31, 2023, a decrease of ¥8,550 million, or 50.7%, from ¥16,850 million in the year ended December 31, 2022. The decrease was due mainly to no major sales of fixed assets in the year ended December 31, 2023.

Other operating expense. Other operating expense was ¥26,981 million in the year ended December 31, 2023, a decrease of ¥16,637 million, or 38.1%, from ¥43,619 million in the year ended December 31, 2022. The decrease was due mainly to no major impact of impairment losses in the year ended December 31, 2023.

Operating profit. As a result of the foregoing, operating profit was ¥244,999 million in the year ended December 31, 2023, an increase of ¥27,950 million, or 12.9%, compared to operating profit of ¥217,048 million in the year ended December 31, 2022. This increase was mainly due to the recording of impairment loss in the year ended December 31, 2022 in relation to the restructuring of supply chain management system for the Japan segment. Operating profit, before intersegment adjustments, increased by ¥32,913 million to ¥266,561 million in the year ended December 31, 2023 from ¥233,647 million in the year ended December 31, 2022.

- *Japan*. Operating profit (before adjustments) in the Japan segment was ¥111,266 million in the year ended December 31, 2023, an increase of ¥14,849 million, or 15.4%, from ¥96,417 million in the year ended December 31, 2022. Despite the effects of increasing costs for raw materials, operating profit increased due to an increase in revenue and the result of cost-cutting efforts.

- *Europe*. Operating profit (before adjustments) in the Europe segment was ¥59,437 million in the year ended December 31, 2023, an increase of ¥4,274 million, or 7.7%, from ¥55,163 million in the year ended December 31, 2022. The effects of increasing costs for raw materials and personnel were offset by an increase in revenue and the result of cost-cutting efforts, as well as fluctuation in foreign exchange rates.

- *Oceania*. Operating profit (before adjustments) in the Oceania segment was ¥89,673 million in the year ended December 31, 2023, an increase of ¥9,496 million, or 11.8%, from ¥80,177 million in the year ended December 31, 2022. Despite the effects of increasing costs for raw materials, operating profits increased due to the effects of improved product mix and efforts towards cost-cutting, as well as from the impact of foreign exchange rate fluctuations.

- *Southeast Asia*. Operating profit (before adjustments) in the Southeast Asia segment was ¥1,009 million in the year ended December 31, 2023, an increase of ¥376 million, or 59.4%, from ¥633 million in the year ended December 31, 2022. Despite the effects of increasing costs for raw materials and transportation costs, operating profit increased as a result of its cost-cutting efforts.

- *Other*. Operating profit (before adjustments) in our other businesses was ¥5,174 million in the year ended December 31, 2023, an increase of ¥3,916 million, or 311.5%, from ¥1,257 million in the year ended December 31, 2022.

Finance income. Finance income was ¥14,118 million in the year ended December 31, 2023, an increase of ¥8,619 million, or 156.8%, from ¥5,498 million in the year ended December 31, 2022. The increase was due mainly to an increase in interest on cash deposits.

Finance costs. Finance costs were ¥18,121 million in the year ended December 31, 2023, an increase of ¥899 million, or 5.2%, from ¥17,221 million in the year ended December 31, 2022. The increase was due mainly to an increase in interest cost resulting from rises in interest rates.

Share of profit of investments accounted for using equity method. Share of profit of investments accounted for using equity method was ¥875 million in the year ended December 31, 2023, an increase of ¥208 million, or 31.2%, from ¥667 million in the year ended December 31, 2022.

Profit before tax. As a result of the foregoing, profit before tax in the year ended December 31, 2023 increased by ¥35,878 million, or 17.4%, to ¥241,871 million, from ¥205,992 million in the year ended December 31, 2022.

Income tax expense. Income tax expense was ¥75,840 million in the year ended December 31, 2023, compared to income tax expense of ¥54,275 million in the year ended December 31, 2022.

Profit. As a result of the foregoing, profit in the year ended December 31, 2023 increased by ¥14,313 million, or 9.4%, to ¥166,031 million, from ¥151,717 million in the year ended December 31, 2022.

Liquidity and Capital Resources

Cash and capital requirements

Our cash and capital requirements are related mainly to our operating cash requirements, capital expenditures, debt service and repayments, as well as strategic investments and acquisitions and other investments.

Operating cash requirements

We require cash on an ongoing basis to finance our regular operations. Our cash outlays include principally the costs related to the procurement of the raw materials used to manufacture our products as well as selling, general and administrative expenses. Income tax payments also require significant cash outlays.

Capital expenditures

Our capital expenditures for the years ended December 31, 2022 and 2023 were as set forth below:

	For the year ended December 31,	
	2022	2023
	(in millions of yen)	
Total capital expenditure	¥131,456	¥140,525
Japan	52,725	56,953
Europe	52,198	60,853
Oceania	24,195	19,501
Southeast Asia	931	894
Other	204	510
Corporate	1,200	1,813

For the years ended December 31, 2021, 2022 and 2023, we invested ¥109,021 million, ¥131,456 million and ¥140,525 million, respectively, in capital expenditures. These capital expenditures were made primarily in growth and profit-enhancing investments with the aim of increasing sales and business profits in the Japan segment; investments in the Czech Republic and Romania to increase brewing capacity in the Europe segment; investments in profit structure reforms to realize synergies from the integration with CUB and began investments to expand canning capacity in the Oceania segment; and investments in sales and marketing capabilities to maintain and strengthen our core businesses in order to expand sales in the Southeast Asia segment.

Debt service and repayments

We require significant funds for the service of our debt. Bonds and borrowings in current liabilities on our consolidated statement of financial position as of December 31, 2023 were ¥389,848 million. Bonds and borrowings in non-current liabilities on our consolidated statement of financial position as of December 31, 2023 were ¥1,020,950 million. As of December 31, 2023, bonds and borrowings included the following: the aggregate principal amount of ¥565 billion (translated into yen at the rate of €1.00 = ¥157.1, the exchange rate as of December 31, 2023) in euro-denominated senior bonds (40% of total bonds and borrowings in current and non-current liabilities), the aggregate principal amount of ¥370 billion in yen-denominated senior bonds (26% of total bonds and borrowings in current and non-current liabilities), the aggregate principal amount of ¥300 billion in yen-denominated subordinated bonds (21% of total bonds and borrowings in current and non-current liabilities) and ¥175 billion in borrowings and others (12% of total bonds and borrowings in current and non-current liabilities).

The following table sets forth our aggregate annual maturities of trade and other payables, bonds and borrowings and derivative liabilities for the future periods, as of December 31, 2023:

	Carrying amount	Contractual cash flow	Within 1 year	Within 1-2 years	Within 2-3 years	Within 3-4 years	Within 4-5 years	More than 5 years
	(in millions of yen)							
Trade and other payables	¥ 714,781	¥ 714,781	¥714,781	—	—	—	—	—
Bonds and borrowings[(1)]	1,410,798	1,450,421	396,824	¥148,060	¥176,624	¥178,901	¥174,857	¥375,153
Derivative liabilities	9,543	9,543	5,817	289	36	34	—	3,364

Note:

(1) The following table shows the maturity profile of bonds as of December 31, 2023. The euro amounts for euro-denominated bonds have been translated into yen at the rate of €1.00 = ¥157.1, the exchange rate as of December 31, 2023. For yen-denominated subordinated bonds, the year 2025, in which the first call date falls, has been used as the reference year for this table.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	(in millions of yen)									
Yen-denominated Senior Bonds	¥ 70,000	¥ 10,000	¥100,000	¥ 80,000	¥ 45,000	—	¥25,000	—	¥10,000	¥30,000
Euro-denominated Senior Bonds	251,360	94,260	—	94,260	125,680	—	—	—	—	—
Yen-denominated Subordinated Bonds	—	300,000	—	—	—	—	—	—	—	—
Total	¥321,360	¥404,260	¥100,000	¥174,260	¥170,680	—	¥25,000	—	¥10,000	¥30,000

Sources of liquidity

In principle, cash flow generated by our operating activities is used for our investing activities supplemented by our financing activities as required.

We utilize, as necessary, long-term debt financing, including loans from financial institutions, and offerings of corporate bonds, as well as short-term debt financing. As of December 31, 2023, we had ¥1,410,798 million of interest-bearing debt, including the following:

- ¥389,848 million in current bonds and borrowings; and
- ¥1,020,950 million in non-current bonds and borrowings.

We believe that cash generated from operations, short-term borrowings and long-term borrowings will be sufficient to meet our cash requirements through December 31, 2024.

Cash flows

In the year ended December 31, 2023, we had ¥347,547 million net cash flows from operating activities, ¥117,713 million net cash flows used in investing activities and ¥226,746 million net cash flows used in financing activities. As a result, cash and cash equivalents at December 31, 2023 increased by ¥22,507 million to ¥59,945 million, from ¥37,438 million at December 31, 2022.

Net cash flows from operating activities increased by ¥81,556 million to ¥347,547 million in the year ended December 31, 2023, from ¥265,991 million in the previous year. Despite a decrease due to the payment of income taxes, net cash from operating activities increased due to an increase in non-cash items such as depreciation expenses and decrease in working capital.

In the year ended December 31, 2023 net cash flows used in investing activities increased by ¥48,526 million, to ¥117,713 million from ¥69,186 million in the previous year. This change was due mainly to expenditures relating to the purchase of property, plant and equipment.

In the year ended December 31, 2023, net cash flows used in financing activities increased by ¥7,189 million, to ¥226,746 million, from ¥219,556 million used in the previous year. This change was due mainly to expenditures for redemption of bonds and repayment of loans, despite income received mainly from the issuance of bonds.

HISTORY

Our predecessor, Osaka Breweries, Ltd., was established in Osaka in 1889 with the goal of producing authentic and distinct Japanese beer. Osaka Breweries, Ltd. launched Asahi Beer in 1892, which became an instant bestseller, winning numerous accolades and awards in Japan and abroad, including a gold medal at the 1900 Paris Exposition. Our predecessor also introduced EBIOS, a brand of tablets containing nutrients from pure brewer's yeast, in 1930 and acquired the maker of *Mitsuya Cider* (formerly known as *Mitsuya Champagne Cider*) in 1933.

We were established in 1949 as Asahi Breweries, Ltd. through the breakup of Dai Nippon Breweries under Japanese post-war economic reforms for decentralization, which were implemented by the occupation government to encourage economic democratization. In 1954, we acquired a stake in The Nikka Whisky Distilling Co. Ltd. and subsequently launched Japan's first canned beer in 1958 under the *Asahi Gold* brand.

Our operations experienced significant expansion during the 1980s. During this time, we acquired trademark rights to *Bireley's*, a brand of fruit juice-based non-alcohol beverages, and Wilkinson, a brand of carbonated water, and entered into collaborative business agreements with Löwenbräu Brewery of Germany and Bass Brewing, Ltd. of the United Kingdom. In 1987, we launched one of our signature products, *Asahi Super Dry*, which became an instant success. In 1989, we completed construction of our iconic headquarters building in Azumabashi, Tokyo.

During the 1990s, we continued to grow our domestic operations while also expanding into overseas markets. We established Asahi Beer Food, Ltd. (currently Asahi Group Foods, Ltd.) in 1992. In 1994, we began brewing and selling our beer products in China and also acquired stakes in a number of Chinese breweries. We subsequently entered into a business partnership with Miller Brewing Company of the United States in 1995. In the latter half of the decade, we began selling *Asahi Super Dry* in 12 European countries and established subsidiaries in the United States and Europe. In 1998, we reached an important milestone in our corporate history when *Asahi Super Dry* claimed the highest market share in the Japanese beer market.

From 2001 to 2008, we pursued further growth through continued partnerships and investments, introduction of beer-type beverages and expansion of our food product portfolio. In 2001, we expanded into the *happoshu* (low-malt beer) market through introduction of our *Asahi Honnama* products. Also in that year, we claimed the top market share in the Japanese beer and low-malt beer market, and The Nikka Whisky Distilling Co. Ltd. became our wholly owned subsidiary. We also expanded our portfolio of alcohol beverages during this period through acquisitions of the *Daigorou* and *Kanoka* brands of *shochu* and the *Cocktail Partner* RTD brand from Kyowa Hakko Kogyo Co., Ltd. In addition, we also acquired the *Sainte Neige* wine brand and the alcohol beverage businesses of Asahi Kasei Corporation during this period. In 2003, we established Asahi Food & Healthcare Co., Ltd. and subsequently expanded our portfolio of food products with the acquisition of a stake in Wakodo Co., Ltd., Japan's largest baby food company, in 2006, and the acquisition of shares of Amano Jitsugyo Co., Ltd., a leading Japanese freeze-dried food company, in 2008.

Since 2009, we have expanded rapidly into various overseas markets while continuing to pursue domestic growth through a number of acquisitions. Some highlights of our overseas and domestic expansion include:

- *Southeast Asia*. We have expanded our operations in Southeast Asia through our acquisitions of Permanis Sdn Bhd (currently Etika Beverages Sdn Bhd), a Malaysian beverage company and we also acquired a stake in the Southeast Asia dairy business of Etika International Holdings Limited, a Malaysian food company.

- *Oceania*. We have grown our operations in the Oceania region through a number of acquisitions, including Schweppes Australia Pty Ltd., P&N Beverages Australia Pty Ltd., Charlie's Group Limited of New Zealand and Flavoured Beverages Groups Holdings Limited of New Zealand. In June 2022, we completed the acquisition of Anheuser-Busch InBev SA/NV and its consolidated subsidiaries ("AB InBev"), the former owner of CUB. AB InBev's Australian beer and cider businesses.

- *Europe*. We have also expanded rapidly in Europe with our 2016 acquisition of SAB Miller plc's Western European beer business, including Birra Peroni S.r.l. in Italy, Koninklijke Grolsch N.V. in Netherlands, and Miller Brands (UK) Limited and Meantime Brewing Company Limited in the United Kingdom. In 2017 we also acquired SAB Miller plc's businesses in the Czech Republic, Slovakia, Poland, Romania and Hungary.

- *Japan*. In 2012, we acquired Calpis Co., Ltd., manufacturer of the *Calpis* lactic acid drink, and in 2015, we acquired leading Japanese wine seller, Enoteca Co., Ltd.

In addition, we have steadily reorganized our corporate structure and further developed our internal policies and corporate culture. Most notably, in 2011 we changed to a pure holding company structure under Asahi Group Holdings, Ltd., and in 2019 we introduced the Asahi Group Philosophy, and announced the Asahi Group Environmental Vision 2050. In 2022, we further revised our Medium- to Long-Term Management Policy originally released in 2016 and revised in 2019. In addition, effective January 1, 2022, we transferred certain functions relating to the business management of our domestic operations to Asahi Group Japan, Ltd. and changed our management structure such that our businesses are overseen by each of our regional headquarters in Japan, Europe, Oceania and Southeast Asia.

BUSINESS

Overview

We are a global manufacturer and distributor of beverages and foods. Our portfolio of beverage products includes beer-type beverages, non-alcohol beer-taste beverages, whisky and spirits, RTD beverages, wine, *shochu*, non-alcohol RTD beverages and other non-alcohol beverages. We also manufacture and distribute various food products, including confectioneries, health foods, supplements, powdered milk products and baby food for infants, food and other products for nursing care, freeze-dried foods and raw materials for food products.

Our businesses are organized into four reportable segments: by the regions in which we operate each of our four regional headquarters: Japan, Europe, Oceania and Southeast Asia. In addition, we account for other businesses not included in the reportable segments under "other" in our consolidated financial statements. For the year ended December 31, 2023, revenue (after intersegment eliminations) from our Japan, Europe, Oceania and Southeast Asia segments represented 48.9%, 24.8%, 23.5% and 2.1%, respectively, and segment profit from our Japan, Europe, Oceania and Southeast Asia segments represented 41.7%, 22.3%, 33.6% and 0.4%, respectively, of total segment profit (excluding intersegment adjustments) for the period.

We are expanding the rollout of five global brands, *Asahi Super Dry*, *Peroni Nastro Azzurro*, *Kozel*, *Pilsner Urquell* and *Grolsch*, as part of our growth strategy. Our main brands under the respective reportable segments are as follows:

- Japan: *Asahi Super Dry*, *Asahi Style Free and Clear Asahi* for beer-type beverages, *Asahi Dry Zero* for non-alcohol beer-taste beverages as well as a number of whisky brands associated with The Nikka Whisky Distilling Co. Ltd. We also offer other non-alcohol beverages under our *Mitsuya*, *Wilkinson* and *WONDA* brands and food products under brands including *MINTIA*, *Amano Foods* and *Dear Natura*.

- Europe: *Peroni Nastro Azzurro*, *Asahi Super Dry*, *Birell*, *Tyskie*, *Zubr*, *Lech Free*, *Ursus*, *Timisoreana*, *Ciucas*, *Stile Capri*, *Cornish Orchards* and *Grolsch Herfstbok* are our main beer brands, some of which are also available in non-alcohol form.

- Oceania: *Great Northern*, *Victoria Bitter*, *Carlton Draught*, *Peroni Nastro Azzurro* and *Asahi Super Dry* for beer-type beverages and *Vodka Cruiser* and *Long White* for RTD beverages. We also offer non-alcohol beverages under brands including *Cool Ridge*, *Gatorade*, *Lipton*, *Pepsi Max* and *Schweppes*.

- Southeast Asia: We offer non-alcohol beverages under Asahi brands such as *WONDA* and *CALPIS* as well as Pepsi brands including *Pepsi*, *Mountain Dew* and *Tropicana*.

For further information about our core brands, see "—Our Business Operations" below.

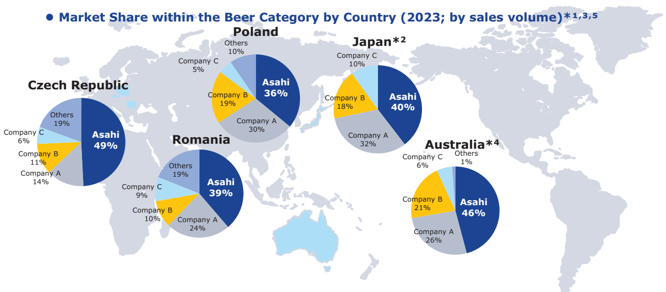
We are globally diversified and offer our brands, including through third parties with which we have licensing agreements, in approximately 100 countries and regions across Asia, Europe, North America and Oceania. We aim to achieve our ideal business portfolio by growing our existing businesses centered on beer while also expanding into new businesses and services by leveraging the strong foundation of our existing businesses. We plan to drive growth by expanding the rollout of our global brands while catering to the unique market profile of each country in which we offer our products. For the year ended December 31, 2023, our revenue, operating profit and Core Operating Profit were ¥2,769 billion, ¥244 billion and ¥263 billion, respectively.

Strengths of the Group

We are a leading global premium beer company that has built a global business platform with resilient free cash flow based on a stable profit foundation

We are a leading global premium beer company with a strong brand portfolio. For the year ended December 31, 2023, we had ¥2,769 billion in revenue, ¥2,176 billion in revenue (excluding liquor tax), ¥166 billion in profit and ¥389 billion in Adjusted EBITDA, which ranked us third in terms of both revenue and Adjusted EBITDA among global beer companies, including AB InBev and Heineken N.V., based on the public results of those companies. In recent years, we have focused our global growth on our beer businesses in our core markets of Japan, central and eastern Europe and Oceania. Our first significant step in launching our global initiatives was our acquisition of Schweppes Australia Pty Ltd. in 2009, which was the second-largest non-alcohol beverage company in terms of sales by volume in the Oceania region at the time, and which marked our entry into the Oceania market. Since then we have continued to expand our business globally to leverage premiumization in the global beer market. As a major element of our strategy to benefit from the premiumization in the global beer market, we pursued further expansion in attractive markets through acquisitions. In 2016, following the acquisition by AB InBev of SABMiller, we acquired SABMiller's Italian, Dutch and British businesses for an acquisition purchase price of €2.55 billion as well as intellectual property rights for brands including *Peroni Nastro Azzurro* and *Grolsch*, both storied European brands. In 2017, we acquired beer businesses in five central European countries, including the renowned Czech brand *Pilsner Urquell* from AB InBev for an acquisition purchase price of €7.3 billion. More recently, in 2020, we completed our acquisition of CUB, the number one brewer in terms of sales by volume in the Australian market, also from AB InBev, for an acquisition purchase price of A$16 billion.

Through these acquisitions and the successful post-merger integration of these businesses, we have built a robust global business platform and have developed five global brands of beer, *Asahi Super Dry*, *Peroni Nastro Azzurro*, *Kozel*, *Pilsner Urquell* and *Grolsch*, which we are expanding to further grow our global beer business. For the year ended December 31, 2023, we achieved 9,210 kilo hector liters, or KHL, (1 KHL = 100,000 liters) of total sales by volume across our five global brands, or a year-on-year growth of 4%. As such, we have been able to achieve a strong market presence domestically and globally in the respective beer categories of each region during the year ended December 31, 2023, including a market share of 40% among the top four beer companies in Japan (among beer-type beverages as a category, segmented into beer, *happoshu* and "new genre" products), and market shares in the beer category of 49% in the Czech Republic, 36% in Poland, 39% in Romania and 46% in Australia (including sales of *Corona Extra* and *Budweiser* counted as part of the sales volume of CUB Australia Holding Pty Ltd. according to GlobalData Plc but which we actually sell and have therefore been added to our sales figures), all in terms of sales by volume, as illustrated by the chart below.



Source: GlobalData Plc

Notes:

(1) Based on the market share of beer category in each country except Japan.

(2) The market share for Japan is based on beer-type beverages, as the beer category in a broad sense in Japan is segmented into beer, *happoshu* and new genre, and is calculated based on the total volume of the top four companies only.

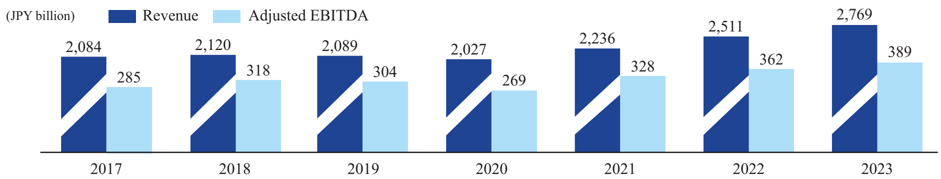
(3) Companies A, B, and C in each country are different companies, and companies with the same letter do not represent the same company.

(4) For Australia, *Corona Extra* and *Budweiser*, which are being counted as part of the sales volume of CUB Australia Holding Pty Ltd. by GlobalData Plc, are being sold by us. Therefore, they are added to our sales figures to calculate the market share.

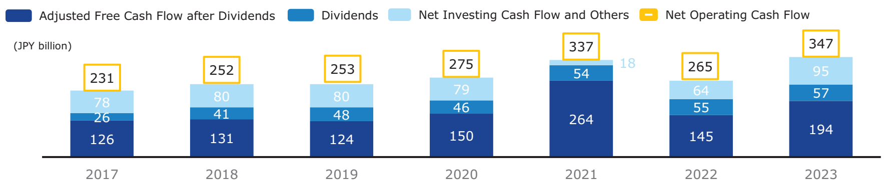
(5) The size of the pie chart does not indicate the relative size of the market.

In order to generate global synergies and further boost the competitiveness of our businesses conducted in the areas overseen by each of our regional headquarters in Japan, Europe, Oceania and Southeast Asia, we recently engaged in a series of changes in our corporate governance structure, and effective January 1, 2022, we changed the classification of our reportable segments to "Japan," "Europe," "Oceania" and "Southeast Asia" from our former reportable segments of "Alcohol Beverages," "Soft Drinks," "Food" and "Overseas." For the year ended December 31, 2023, Core Operating Profit for our Japan, Europe, Oceania and Southeast Asia segments represented 39.8%, 28.3%, 36.8% and 0.5%, respectively, of consolidated Core Operating Profit (before amortization of intangibles assets recognized through business combinations) for the same period, and operating profit (before adjustments) for our Japan, Europe, Oceania and Southeast Asia segments represented 45.4%, 24.3%, 36.6% and 0.4%, respectively, of consolidated operating profit for the same period. In addition, our acquisitions have also contributed to achieving subsequent organic growth. Segment profit for our Japan segment has decreased 6.9%, segment profit for our Europe segment has increased 29.1% and segment profit for our Oceania segment has increased 43.4%, all for the year ended December 31, 2023 compared to the year ended December 31, 2021. Although our Southeast Asia segment recorded a segment loss in the year ended December 31, 2021, it recorded a segment profit for the year ended December 31, 2023 as we continued to work on improving operations in that region. However, our operating profit was also impacted by other factors, including a recovering trend from the COVID-19 pandemic and the recent weakening of the Japanese yen as well as ongoing extraordinary increases in the cost of raw materials, energy and logistics. In terms of revenue, while our revenue decreased from ¥2,089 billion for the year ended December 31, 2019 to ¥2,027 billion for the year ended December 31, 2020, our revenue increased to ¥2,236 billion for the year ended December 31, 2021 and further increased to ¥2,511 billion and ¥2,769 billion for the years ended December 31, 2022 and 2023, respectively.

Our global business platform with a diversified revenue stream allows for a stable profit foundation for our resilient and stable cash flow. The charts below present historical revenue and Adjusted EBITDA from the years ended December 31, 2017 through December 31, 2023 as well as an illustration of our Adjusted Free Cash Flow after Dividends over the same period. For a discussion of Adjusted EBITDA and Adjusted Free Cash Flow after Dividends, as well as reconciliations to the nearest comparable IFRS measures, see "Selected Financial and Other Data— Non-GAAP Measures."



Note:
(1) Adjusted EBITDA = profit + income tax expense + loss (gain) on sales of investments accounted for using equity method – share of profit (loss) of investments accounted for using equity method + finance costs – finance income + other operating expense – other operating income + amortization of intangible assets + depreciation. For the calculation of Adjusted EBITDA, the amortization and depreciation of leased assets and intangible assets recognized through business combination are not included in "amortization of intangible assets" and "depreciation".

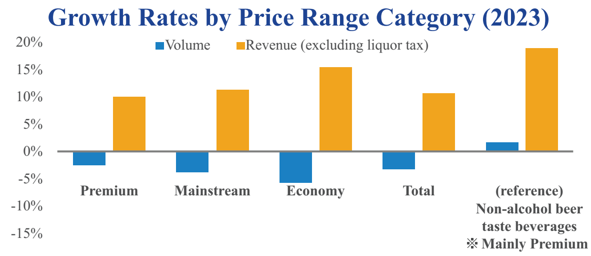


Notes:
(1) Net Investment Cash Flow and Others = net cash flows (from) used in investing activities + proceeds from sale of subsidiaries and affiliates including relevant intangible assets – M&A and other business restructuring.
(2) Adjusted Free Cash Flow = net cash flows from operating activities – net cash flows (from) used in investing activities – proceeds from sale of subsidiaries and affiliates including relevant intangible assets + M&A and other business restructuring.
(3) Adjusted Free Cash Flow after Dividends = Adjusted Free Cash Flow – dividends.

We have improved unit sales prices under our premium strategy by leveraging competitive advantages unique to each of our core regions

Since the year ended December 31, 2019, we have succeeded in achieving an increase in unit sales prices as a result of our premium strategy, including an improvement in product mix and an aggressive increase in the price of some of our products. For example, for the year ended December 31, 2023, the unit sales price (excluding liquor tax) of our beer-type beverages in Japan increased 13.7% from the year ended December 31, 2019 while revenue from such products decreased 2.5% over the same period due mainly to a decrease in on-premise sales volume. Similarly, for the year ended December 31, 2023, the unit sales price (excluding liquor tax) in Europe and our alcohol beverages in Australia increased 33.2% and 9.8%, respectively, from the year ended December 31, 2019, while revenue (calculating revenue for Europe for the period ended December 31, 2019 as the total revenue from our Western Europe and Central Eastern Europe businesses and eliminating internal transactions and calculating revenue for Australia for the period ended December 31, 2019 as the revenue of CUB plus our Oceania business) from such products increased by 24.2% and 10.8%, respectively, over the same period. In Europe, we were able to achieve this increase in our unit sales price despite a slight decrease in mid single digit percentage points of sales volume by channel of off-premise products and a decrease in just above 10 percentage points of on-premise products, which resulted in a decrease of 6.7% overall in our sales volume by channel, for the period from the year ended December 31, 2019 to the year ended December 31, 2023.

In Europe, we have also been able to increase our growth under our premium strategy, as illustrated in the following chart which shows our growth rates by price range category for the year ended December 31, 2023.

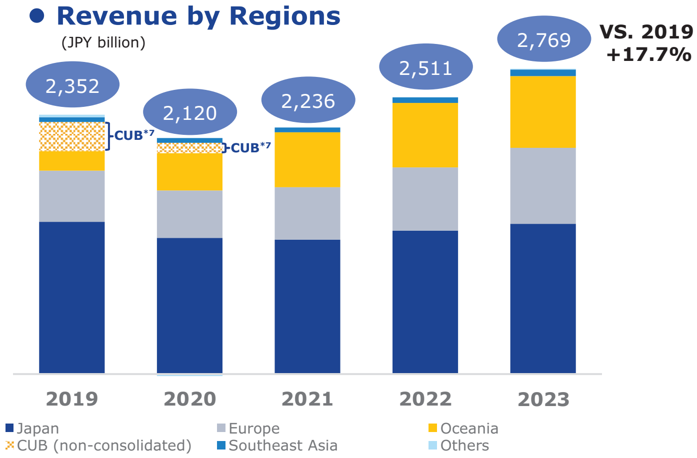


Notes:

(1) The "Premium" category includes *Pilsner Urquell*, *Peroni Nastro Azzurro*, *Kozel*, *Lech* and *Ursus*, among others.

(2) The "Mainstream" category includes *Radegast*, *Tyskie*, *Timisoreana* and *Peroni*, among others.

The chart below illustrates that even during a difficult economic environment and during the height of the COVID-19 pandemic, we were able to generate steady revenue across the regions in which we operate by utilizing our premium strategy.



Notes:

(1) Figures shown above the bar charts represent our consolidated revenue.

(2) Figures prior to the year ended December 31, 2021 are unaudited figures reclassified according to the current reportable segments.

(3) From the year ended December 31, 2019 to 2020, Japan includes the aggregated figures for alcohol beverages, non-alcohol beverages and the food business.

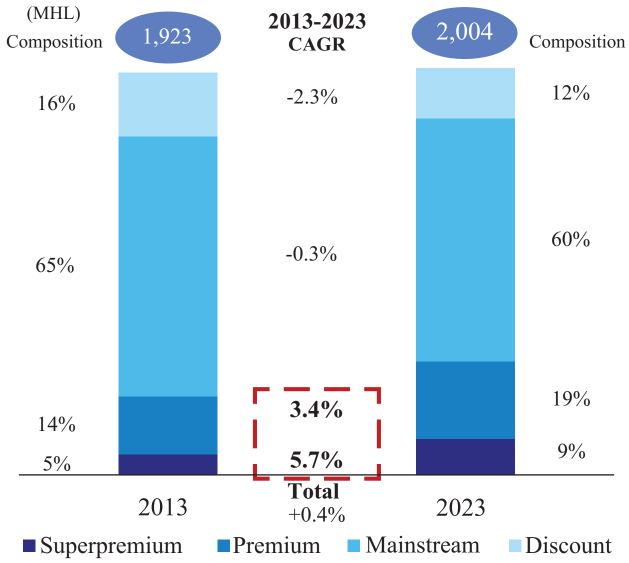
(4) In the year ended December 31, 2020, our Europe business includes the aggregated figures for the Europe business and Asahi International Ltd.'s businesses.

(5) In the year ended December 31, 2021, the figures reflect the impact of restructuring in our Japan business and utilize the prior year's figures based on actual results for the year ended December 31, 2022.

(6) "Others" includes the aggregated figures for other businesses and consolidation adjustments.

(7) In the year ended December 31, 2019, the results of CUB were adjusted and consolidated on a pro-forma basis. In the year ended December 31, 2020, the non-consolidated results of CUB through the end of May 2020 were adjusted and consolidated on a pro-forma basis and the consolidated results of CUB from June 2020 onwards were included in the Oceania business. Reported consolidated revenue in our consolidated financial statements was ¥2,089 billion and ¥2,027 billion for the years ended December 31, 2019 and 2020, respectively.

We aim to further improve our unit sales price and strengthen our brand power under our premium strategy and through the continued expansion of our global brands. According to GlobalData Plc, from the year ended December 31, 2013 to the year ended December 31, 2023, premium and superpremium category products in the global beer market increased at a CAGR of 3.4% and 5.7%, respectively, in terms of sales by volume, while mainstream and discount category products decreased at a CAGR of 0.3% and 2.3%, respectively, over the same period. The chart below illustrates this growth in the global beer market in terms of sales by volume.



Source: GlobalData Plc

Notes:

(1) Categories are based on price of the product relative to the price of the leading brand in the most popular pack type in each country, with products in the "Superpremium" category being defined as being at least 51% more expensive, products in the "Premium" category being defined as being between 15% and 50% more expensive, products in the "Mainstream" category being defined as being between 14% more expensive and 9% less expensive and products in the "Discount" category being defined as products that are at least 10% less expensive.

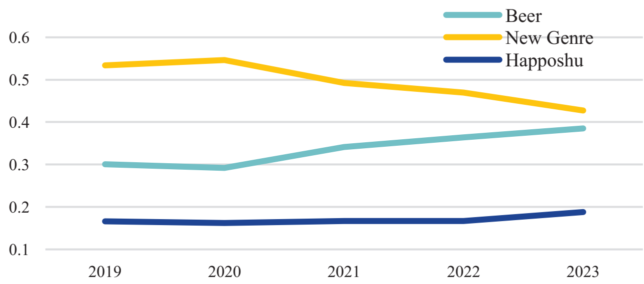
(2) MHL = mega hector liter and 1 MHL is equivalent to 100,000,000 liters.

For the year ended December 31, 2023, the global market for superpremium beer increased by 2.4% year-on-year in terms of sales volume, according to GlobalData Plc. We have been focusing on strengthening brand value of our *Asahi Super Dry* brand through active marketing initiatives. Additionally, we have been focusing on increasing the market presence of our *Peroni Nastro Azzurro* brand, particularly in regions where we believe it has strong growth potential. We will continue to promote the expansion of these brands through global partnerships such as our sponsorship with Scuderia Ferrari Formula One™ Team for *Peroni Nastro Azzurro 0.0*. More recently, *Asahi Super Dry* was chosen as the official beer of the Rugby World Cup France 2023 and *Peroni Nastro Azzurro* was chosen as the official beer of the 2023 Ryder Cup in Rome, enabling us to reach new consumers and promote our brand in approximately 200 countries and regions across the globe.

A significant part of our success under our premium strategy is due to our ability to leverage competitive advantages that are unique to each of the regions in which we operate. The trends and our accomplishments for each of our core regions are as follows:

- *Japan*. The beer market in Japan has been on a recovering trend in recent years due to the domestic liquor tax reform lowering the liquor tax for beer. As a result of the first tax rate adjustment, which became effective October 2020, according to market data published by INTAGE Inc., the ratio of off-premise beer sold among all beer, *happoshu* and "new genre" products sold in off-premise market such as supermarkets, convenience stores, discount liquor stores, home improvement stores, drugstores, general liquor stores and wholesale liquor stores increased from 29% in January 2019 to 38% in

December 2023. The chart below illustrates recent trends in the sale of off-premise beer, *happoshu* and "new genre" products in the Japanese market.



Source: Data from Intage SRI+. Composition of canned beer, *happoshu* and "new genre" product markets. Estimated sales scale (volume) January 2019 to December 2023 for seven channels (supermarkets, convenience stores, discount liquor stores, home improvement stores, drugstores, general liquor stores and wholesale liquor stores).

Our market share of the beer market in Japan (excluding all beer companies except the top four beer companies in Japan) was 49% for the year ended December 31, 2023 in terms of sales by volume according to GlobalData Plc. Because a large proportion of our product mix in Japan is comprised of beer products (66% of all our beer-type products, which include beer, *happoshu* and "new genre" products, for the year ended December 31, 2023 consisted of beer in terms of shipment volume), we believe we are well positioned to capture further increases in the Japan beer market, which we expect to occur with the additional tax rate adjustments that became effective in October 2023 and that are scheduled for October 2026. In addition, as of October 2022, we raised the prices of all of our beer-type products in Japan for the first time in 14 years, and in October 2023, we implemented further price revisions mainly to our keg and bottle products. We believe price resistance is generally decreasing across the beer industry, which presents significant growth opportunities for top-line growth for us in Japan. In order to effectively capture such opportunities, we have increased our marketing activities, including the launch of new products such as *Asahi Nama Beer "Maru F," Asahi Shokusai* and *Asahi Super Dry Dry Crystal* as well as a full renewal of our *Asahi Super Dry* brand. See "—Our Business Operations—Japan segment—Alcohol beverages—Beer-type beverages." For the year ended December 31, 2023, our advertising and promotion expense increased ¥18 billion (comprising an increase in advertising expense of ¥18 billion) compared to the year ended December 31, 2019. As a result, for the year ended December 31, 2023, the sales volume of our canned beer products increased by 18%, and the sales volume of *Asahi Super Dry* canned beer products (comprising *Asahi Super Dry* core products for the year ended December 31, 2020, and *Asahi Super Dry* core products, *Asahi Super Dry Nama Jokki Can* and *Asahi Super Dry Dry Crystal* for the year ended December 31, 2023) increased by 9%, each compared to the year ended December 31, 2020.

- *Europe*. We enjoy a high market share in the beer market in various countries across Europe. In particular, we maintain top class market share in terms of sales by volume in super premium and premium category products in the Czech Republic, Poland and Romania. Our improved unit sales price in Europe is primarily due to our increase in price to offset the increase in cost for raw materials, energy and logistics, together with improvements to our product mix. For the year ended December 31, 2023, we achieved a year-on-year increase in sales by volume of 1% for non-alcohol beer-taste products. The composition ratio of our non-alcohol beer-taste products in Europe in terms of sales by volume for the year ended December 31, 2023 was approximately 6% to 7%. We strive to maintain our strong performance in Europe and leverage the increasing trend in unit sales price in major European countries, which is supported by our premium category products, as well as further boost our performance through various advertising and promotional campaigns. Specifically, for the year ended December 31, 2023, sales of our premium category products accounted for 38% of our sales volume in Europe, as compared to 35% for the year ended December 31, 2021. Unit sales prices for our products in the Czech Republic and Slovakia, Romania, Poland and Italy have increased by 9%, 24%, 19% and 16%, respectively, from 2022 to 2023.

- *Oceania*. According to GlobalData Plc, we currently have the top market share in terms of sales by volume in the Oceania beer market, as well as the top market share in terms of sales by volume in the premium category of the Oceania beer market. For the year ended December 31, 2023, our best performing local brand in terms of sales by volume, *Great Northern* (including both *Great Northern*

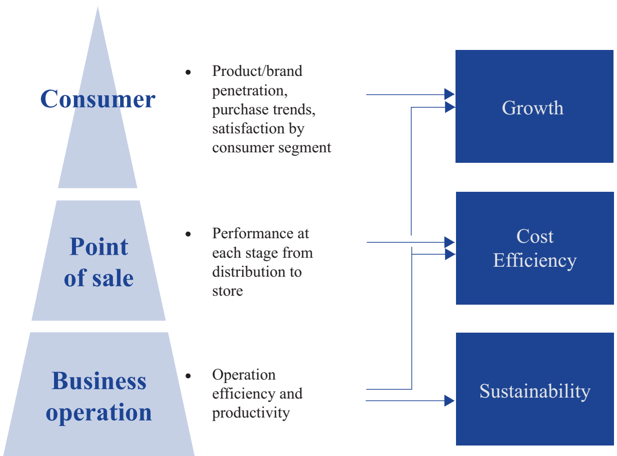
Super Crisp and *Great Northern Original*), increased 4.7% year-on-year and 40.3% compared to the year ended December 31, 2019, each in terms of sales by volume. We are further expanding our premium brands in Oceania through a multi-beverage strategy through which we leverage our flagship brands to promote growth in sales by volume by accessing the market share we have acquired with our acquisition of CUB. For the year ended December 31, 2023, our global brands *Asahi Super Dry* and *Peroni* (all *Peroni* brands) increased 24.2% compared to the year ended December 31, 2019 in terms of sales by volume. In comparison, for the year ended December 31, 2023, the Australia "superpremium" beer market grew 0.8% and beer market shrank 0.6%, respectively, year-on-year in terms of sales by volume. In addition, our products under the craft beer category increased 7.2% year-on-year for the year ended December 31, 2023, in terms of sales by volume. For comparison, for the year ended December 31, 2019, sales of premium category products accounted for 37% of sales volume of all beverage products in Oceania, and increased to 39% for the year ended December 31, 2023, according to GlobalData Plc. We believe our strong performance in sales by volume, together with our improved unit sales price in Australia as described above, will enable us to continue our growth in Oceania.

We believe that our strong performance in our core regions will lead to continued growth in the respective regions as well as overall growth across our entire group as we begin to shift our focus from region-specific initiatives to global initiatives, as described further below.

We are well positioned to implement further structural reforms to advance our global expansion

We have continued to expand and strengthen our global business to date by focusing on creating synergies by boosting the competitiveness of operations in each of our core regions of Japan, Europe and Oceania. We believe our premium strategy, along with our various cost reduction initiatives, have enabled us to recover steadily from the recent challenging business environment under the COVID-19 pandemic and ongoing extraordinary increases in the cost of raw materials due to inflation and other factors. We have implemented structural reforms and cost reduction initiatives in each of our core regions, highlights of which are summarized below:

- In Japan, we established Asahi Group Japan, Ltd. in 2022 to centralize procurement for Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd. and Asahi Group Foods, Ltd. and to optimize supply chain management. In 2023, we embarked on the reorganization of our production and logistics network, including the consolidation of our beer manufacturing facilities, closing our Kanagawa Brewery and Shikoku Brewery. In addition, we plan to consolidate the manufacturing of RTD beverages at our Nishinomiya Plant with our Suita Brewery in 2024. We aim to reduce our costs by ¥3 billion in 2026 compared to 2021 through the optimization of our supply chain. The diagram below illustrates our vision of "One Asahi."



- In Europe, we underwent a structural reorganization in 2020 to grow our international beer business and established Asahi Europe & International Ltd. by merging our former Asahi Breweries Europe Ltd. with Asahi International Ltd. Through functional integration, we reorganized our Western Europe and Central and Eastern Europe businesses, which both had a local and international business component, into Asahi Europe & International Ltd., which handled all local business in Europe, and Asahi International Ltd., which handled all international business in Europe. By the end of 2021, Asahi Europe & International Ltd. managed all our businesses in Europe, including both the local and international components. As a result, we integrated brand management and marketing functions and consolidated divisions with overlapping functions. In addition, we underwent significant consolidation of our manufacturing operations in Europe over the years and started selling *Asahi Super Dry* in Europe produced locally at Padua Brewery from 2018 and at Rome Brewery from 2020.

- In Oceania, our goals in connection with our acquisition of CUB in 2020 included improving efficiencies in administration, reviewing packaging contracts, bolstering and reviewing manufacturing sites and supply chains and expanding the use of shared businesses. Our initial target was to achieve over ¥10 billion in cost synergies following the acquisition and we were able to achieve this target ahead of schedule. Some of our initiatives related to upgrading our profit structure base include launching innovative high-end products, refining stock-keeping units, or SKUs and focusing marketing expenditures, strengthening and driving efficiencies at manufacturing sites and across the supply chain and improving inventory management.

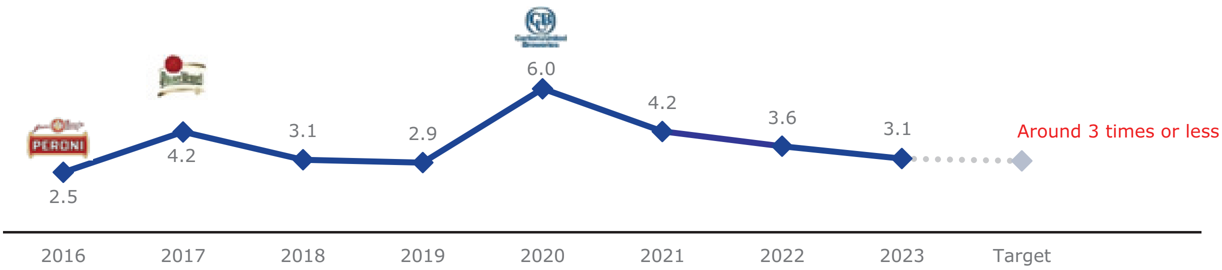
As a result of such structural reforms and cost reduction initiatives, we have demonstrated resilient profit growth despite the recent challenging business environment including an increase in costs of approximately ¥180 billion for the year ended December 31, 2023 compared to the year ended December 31, 2021. For example, although our revenue, operating profit and Core Operating Profit decreased from ¥2,089 billion, ¥201 billion and ¥212 billion for the year ended December 31, 2019 to ¥2,027 billion, ¥135 billion and ¥167 billion for the year ended December 31, 2020, respectively, revenue, operating profit and Core Operating Profit have been on a recovering trend and have increased to ¥2,769 billion, ¥244 billion and ¥263 billion for the year ended December 31, 2023, respectively. Similarly, operating profit margin decreased from 9.6% for the year ended December 31, 2019 to 6.7% for the year ended December 31, 2020 but subsequently recovered to 8.8% for the year ended December 31, 2023. Core Operating Profit Margin (including liquor tax) and Core Operating Profit Margin (excluding liquor tax) decreased from 10.2% and 13.2% for the year ended December 31, 2019, respectively, to 8.3% and 10.7% for the year ended December 31, 2020, respectively, but subsequently recovered to 9.5% and 12.1% for the year ended December 31, 2023, respectively.

As the next step in furthering our global expansion, we plan to implement various initiatives for cross-group structural reforms and shift our focus to global initiatives. For example, in August 2023, we announced the establishment of Asahi Global Procurement Pte. Ltd. and it commenced full operations in January 2024. This new subsidiary focuses on driving global procurement initiatives across our entire business by integrating our global, regional and local procurement functions. We also aim to maximize group benefits as well as strengthen relationships with global suppliers under this new global procurement initiative. In the medium to long term, we aim to achieve an annual average of over $100 million, totalling $500 million over a five-year period, in combined cost reductions and improved cost control, and by 2028 we aim to have Asahi Global Procurement Pte. Ltd. and our local procurement teams collectively manage more than 90% of our total spending related to procurement, 50% of which we aim to be directly managed by Asahi Global Procurement Pte. Ltd.

We have a solid financial policy and a track record of steady debt reduction

We have established a medium-term financial policy focusing on our capital allocation and funding strategies. Our capital allocation strategy involves prioritizing the allocation of cash generated from operations towards debt reduction, while also allocating funds towards growth investments and shareholder returns. In terms of growth investments, we actively invest in brand development, core strategies including sustainability and digital transformation, as well as the strengthening of strategic foundations, aiming to achieve long-term growth. Our funding strategy focuses on achieving optimal financing cost, matching currencies of debt and cash flow, obtaining a well-balanced maturity profile and diversifying funding sources, and we believe that the issuance of the Bonds offered hereby is in line with this strategy. We currently have strong relationships with Japanese mega banks, although we do not rely solely on bank loans and are readily able to access capital markets to diversify funding sources. In addition, we currently have a well-balanced debt maturity profile.

Over the years we have grown our global presence through decisive merger and acquisition activities, leading to temporary increases in our Adjusted Net Debt/Adjusted EBITDA Ratio. However, we have a track record of steady deleveraging after such temporary increases in our Adjusted Net Debt/Adjusted EBITDA Ratio. The chart below presents historical Adjusted Net Debt/Adjusted EBITDA Ratio data from the years ended December 31, 2016 through December 31, 2023 as well as an illustration of our Adjusted Net Debt/Adjusted EBITDA Ratio target. For a discussion of Adjusted Net Debt/Adjusted EBITDA Ratio, as well as reconciliations to the nearest comparable IFRS measures, see “Selected Financial and Other Data—Non-GAAP Measures.”



Notes:

(1) Adjusted Net Debt/Adjusted EBITDA Ratio is calculated as the ratio of Adjusted Net Debt (which includes a deduction for the capital portion of subordinated debt) as of the end of a period over Adjusted EBITDA for the same period.

(2) Adjusted EBITDA = profit + income tax expense + loss (gain) on sales of investments accounted for using equity method – share of profit (loss) of investments accounted for using equity method + finance costs – finance income + other operating expense – other operating income + amortization of intangible assets + depreciation. For the calculation of Adjusted EBITDA, the amortization and depreciation of leased assets and intangible assets recognized through business combination are not included in “amortization of intangible assets” and “depreciation”.

(3) Adjusted Net Debt is calculated by subtracting cash and cash equivalents and the capital portion of subordinated debt from bonds and borrowings (current and non-current portions).

Asahi Group Philosophy

The Asahi Group Philosophy consists of four elements: Mission, Vision, Values and Principles. It articulates the Group’s mission and vision for the future, reaffirms values cherished and handed down over the years, and serves as a code of conduct for our stakeholders and the Group’s commitments to them.

Our Mission: Deliver on our great taste promise and bring more fun to life

Our Vision: Be a value creator globally and locally, growing with high-value-added brands

Our Values:

- Challenge and innovation
- Excellence in quality
- Shared inspiration

Our Principles: Building value together with all of our stakeholders

- *Customers*: Win customer satisfaction with products and services that exceed expectations
- *Employees*: Foster a corporate culture that promotes individual and company growth
- *Society*: Contribute to realizing a sustainable society through our business
- *Partners*: Build relationships that promote mutual growth
- *Shareholders*: Increase our share value through sustainable profit growth and shareholder returns

In March 2024, in order to enhance the Asahi Group Philosophy, we introduced our refined corporate statement, “*Make the world shine—we bring people together to make the world shine brighter,*” which underscores our dedication to uphold the Asahi Group Philosophy and highlights our societal value and overall purpose.

Medium- to Long-Term Management Policy

We updated our Medium- to Long-Term Management Policy in 2022 to reflect our analysis of megatrends from which we formulated optimal strategies that will contribute to the implementation of our Asahi Group Philosophy. Our analysis of the megatrends currently shaping society indicate that until around 2050, technological advancements will provide people with new technological capabilities and additional free time while global issues such as climate change and the depletion of natural resources worsen. Such circumstances are expected to force social as well as economic change, but while creating new conceptions of human well-being at the same time. Backcasting from this view of the future, our board of directors has led efforts to engage in extensive analysis and discussions on megatrends and issues that are expected to come before us through 2030. The updated Medium- to Long-Term Management Policy consists of three key priorities, which are as follows.

Building an ideal business portfolio for sustainable growth of existing businesses centered around beer products while expanding into new areas.

We aim to:

- drive growth with our global brands and premiumization in existing operating regions as well as by expanding into new markets;

- grow in beer adjacent categories to capture demand from trends such as increasing health consciousness; and

- create and develop new businesses that draw upon our capabilities.

Promoting core strategies aimed at achieving sustainable growth.

We aim to:

- integrate sustainability into management in order to positively impact both society and our businesses while contributing to solving societal issues;

- achieve innovation in the three key areas of process, organization and business model, by pursuing business transformation through digital transformation; and

- increase the value of existing products and create new products and markets through the bolstering of research and development.

Strategic foundation strengthening through consolidation of the management foundations underpinning long-term strategies.

We aim to:

- advance human resource for executing core strategies and building an ideal business portfolio;

- enhance group governance in order to create an optimal organizational structure; and

- share best practices across the entire group.

Medium- to long-term key priorities by business segment

In our Japan segment we aim to:

- expand the potential of our businesses through synergies and optimizing product portfolio in anticipation of change;

- promote smart-drinking and other initiatives to meet diversifying needs as well as create high-value-added services; and

- solve social issues such as carbon neutrality and optimize our supply chain across Japan.

In our Europe segment we aim to:

- advance our premium beer strategy with the expansion of our five global brands and selectively focusing on leading local brands;

- accelerate premium growth beyond the core lager category by seeking growth in other categories such as non-alcohol beer, RTDs and crafted beer; and

- promote initiatives to reduce environmental impact, which entails the active use of renewable energy and the adoption of recyclable containers and packages.

In our Oceania segment we aim to:

- advance our multi-beverage strategy through alcohol beverages and non-alcohol beverages while creating integration growth synergies;

- pursue a health and well-being portfolio for our non-alcohol portfolio and innovations in growth areas such as non-alcohol beer, hard seltzers and RTDs; and

- propose new value focused on sustainability through the introduction of new containers, packaging, etc., as well as advance supply chain management reforms.

In our Southeast Asia segment we aim to:

- expand into growing markets in regions with over 600 million people while maintaining growth in Malaysia as our primary cash inflow and using our own brand to expand into other markets;

- set up new segments such as the plant-based product segment to gradually diversify our portfolio into more premiumization beverages while minimizing dependency on condensed milk; and

- deliver a sustainability agenda, including the roll out of eco-friendly packaging and build value with local community partnerships through raw material procurement initiatives.

Financial policy

Our financial policy under our Medium- to Long-Term Management Policy are as follows.

Medium-term guidelines for financial policy

	Guidelines from 2022 onward
Investment for growth / debt reduction	• Prioritize allocation of free cash flow to the reduction of debt and work to enhance capacity for growth investments • Aim for Adjusted Net Debt/Adjusted EBITDA Ratio of around 3x or less in 2024 (after deducting 50% of outstanding subordinated debt to calculate Adjusted Net Debt)
Shareholder returns	• Stable increases in dividend payout ratio with a constant target of 35% (aim for payout ratio of 40% by 2025)

The disclosure under "—Strengths of the Group" and "—Medium- to Long-Term Management Policy" includes various forward-looking statements based on various assumptions and beliefs, including but not limited to the assumptions set forth above as well as the non-occurrence of the various risks set forth in "Risk Factors." Many of such assumptions and beliefs relate to matters that are outside of our control, including factors affecting the business and economic environment. In addition, there can be no assurances as to our ability to implement our various strategic initiatives. These and other unanticipated events and circumstances could affect our ability to achieve the targets set forth above on our anticipated timeframes, or at all. As a result, we cannot and do not make any representation or assurances as to the achievability of such targets or whether our underlying assumptions are appropriate. You should be aware that actual results may vary, potentially materially, from the above forward-looking statements.

Our Business Operations

The table below presents for each of our reportable segments and our other businesses our revenue, revenue contribution ratio, Core Operating Profit, Core Operating Profit contribution ratio, operating profit and operating profit contribution ratio for the year ended December 31, 2023:

	Revenue	Revenue contribution ratio	Core Operating Profit(1)	Core Operating Profit contribution ratio	Segment profit(2)	Operating profit contribution ratio
	(in millions of yen, except percentages)					
Japan segment	¥1,362,850	49.2%	¥119,535	45.3%	¥111,266	45.4%
Europe segment	688,725	24.9%	85,078	32.3%	59,437	24.3%
Oceania segment	652,154	23.6%	110,632	42.0%	89,673	36.6%
Southeast Asia segment	57,806	2.1%	1,398	0.5%	1,009	0.4%
Other	21,542	0.8%	5,321	2.0%	5,174	2.1%
Adjustments (corporate and elimination)	(13,988)	(0.5)%	(21,424)	(8.1)%	(21,562)	(8.8)%
Amortization	—	—	(36,862)	(14.0)%	—	—
Total	¥2,769,091	100%	¥263,680	100%	¥244,999	100%

Notes:

(1) Core Operating Profit = operating profit for the reportable segment + other operating expense for the reportable segment – other operating income for the reportable segment. Core Operating Profit for each reportable segment = operating profit for the segment + other operating expense for the segment – other operating income for the segment + amortization of intangible assets recognized through business combination. For a discussion of Core Operating Profit as well as reconciliations to the nearest comparable IFRS measures, see "Selected Financial and Other Data—Non-GAAP Measures." For a discussion of Core Operating Profit by reportable segment as well as reconciliations to the nearest comparable IFRS measures, see "Selected Financial and Other Data— Non-GAAP Measures."

(2) For segment profit, amortization is allocated to each reportable segment.

The table below presents our revenue and revenue (excluding liquor tax) by reportable segment and type of product for the year ended December 31, 2023:

	Revenue(1)	Revenue (excluding liquor tax)(1)
	(in billions of yen)	
Japan segment	¥1,362	¥1,059
Alcohol beverages	800	507
Non-alcohol beverages	374	374
Food	122	122
Europe segment	688	570
Oceania segment	652	481
Alcohol beverages	492	321
Non-alcohol beverages	159	159
Southeast Asia segment	57	57

Note:

(1) Revenue figures are before intersegment adjustments.

Japan segment

Our Japan segment, which is our principal segment, is primarily comprised of the manufacture and sale of alcohol beverages, non-alcohol beverages and food. For the year ended December 31, 2023, revenue (after intersegment eliminations) from the Japan segment represented 48.9% of consolidated revenue.

Alcohol beverages

We manufacture and sell a wide variety of alcohol beverages under our Japan segment, which is principally undertaken by Asahi Breweries, Ltd. in conjunction with a number of our other subsidiaries.

Beer-type beverages

We offer a portfolio of beer-type beverages through various brands in Japan, including *Asahi Super Dry*, our flagship brand of beer, *Asahi Super Dry Dry Crystal*, a lower alcohol beer brand. *Asahi Nama Beer*, a traditional style of beer brand originally launched in 1986, *Asahi Style Free*, which is a *happoshu* (low-malt beer) brand, and *Clear Asahi* and *Asahi The Rich*, which are brands within the so-called “new genre” category of beer-taste alcohol beverages. We also offer a number of non-alcohol beer products under brands such as *Asahi Dry Zero*. We also sell our global beer brands, such as *Peroni Nastro Azzurro*, *Pilsner Urquell* and *Grolsch Premium Lager* as part of our alcohol beverages business in Japan.

In recent years, we launched our *Asahi Super Dry Nama Jokki Can*, a canned beer product that produces a head of foam upon opening so that it can be enjoyed at home in the same manner as a mug of beer at a bar or restaurant, and carried out the first full renewal of our *Asahi Super Dry* brand since it was launched in 1987 to leverage the growing beer market in Japan due to the domestic liquor tax reform lowering the liquor tax for beer. Our latest releases of new products include *Asahi Nama Beer “Maru F,”* which is our second beer brand, and *Asahi Shokusai*, which utilizes the same foam producing mechanism as the *Asahi Super Dry Nama Jokki Can*, as well as *Asahi Super Dry Dry Crystal*, a lower alcohol spin on our fully renewed *Asahi Super Dry*. As a result, our revenue from beer-type beverages in Japan for the year ended December 31, 2023 increased 3% as compared to the prior year even though we saw a decrease in overall sales of our “new genre” beer products for the same period. For more information on Japan’s liquor tax reform, see “Regulation—Liquor Tax Act.”

Whisky, shochu and other spirits

We manufacture and sell a portfolio of whisky brands in Japan primarily through our subsidiary, The Nikka Whisky Distilling Co. Ltd. Our lineup of whisky brands includes, among others, *Taketsuru Pure Malt*, *Black Nikka*, *Single Malt Yoichi*, *Single Malt Miyagikyo*, *Super Nikka* and *Nikka Coffey Grain*, all of which are primarily produced in our distilleries throughout Japan. We also distribute a number of international whisky brands in Japan under distribution agreements, such as *Bushmills Irish Whiskey*. In addition, we offer a variety of *shochu* products, including those under our *Kanoka* and *Kinkuro* brands.

We also manufacture and sell a number of other spirits, such as *Nikka Coffey Vodka*, *Nikka Coffey Gin*, *Wilkinson Vodka* and *Wilkinson Gin*. In addition, we also sell several brands of international spirts in Japan under distribution agreements, such as *Jose Cuervo Tequila*, *Bols* and *Fauchon*.

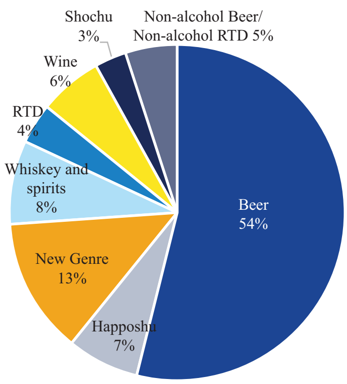
Ready-to-drink

Our ready-to-drink portfolio includes a variety of products that are primarily canned cocktails and *shochu*-based beverages. Brands within our ready-to-drink portfolio include *Zeitaku Shibori*, *Taruhai Club* and *Asahi The Craft*.

Wine

We engage in the import and wholesale of over 550 varieties of wine and the operation of retail and online wine stores through our subsidiary, Enoteca Co., Ltd.

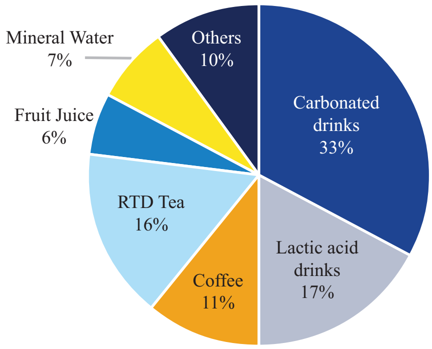
Our alcohol beverages business in Japan had revenue of ¥800 billion in the year ended December 31, 2023. The following presents a breakdown of our revenue in the alcohol beverages business by category during the year ended December 31, 2023:



Non-alcohol beverages

Our non-alcohol beverage business in Japan involves the production and sale of non-alcohol beverages, primarily through our consolidated subsidiary, Asahi Soft Drinks Co., Ltd. Our six core brands in the non-alcohol beverage business are *Mitsuya* carbonated beverage, *Calpis* lactic acid drink, *Wilkinson* sparkling water, *WONDA* RTD coffee, *Asahi Juroku-cha* blended Japanese tea and *Asahi OISHII MIZU* water. A number of these brands, including drinks sold under the *Mitsuya*, *Wilkinson* and *Calpis* brands have been embraced by Japanese consumers for over 100 years.

Our non-alcohol beverage business in Japan had revenue of ¥374 billion and Core Operating Profit Margin of 8.0% in the year ended December 31, 2023. The following presents a breakdown of our sales by volume in the non-alcohol beverage business by non-alcohol beverage category during the year ended December 31, 2023:

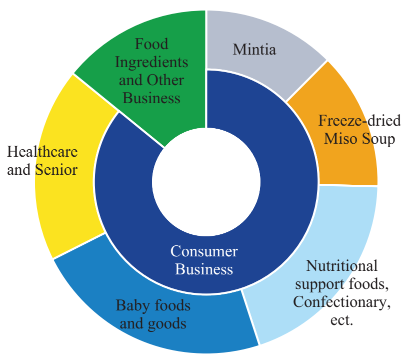


Our non-alcohol beverage business had the third largest market share in Japan for the year ended December 31, 2023 based on sales by volume according to Inryou Souken, a market research provider. Sales volume growth has also remained strong for Asahi Soft Drinks Co., Ltd., which has demonstrated consistently higher annual sales by volume compared to the industry average between 2010 and 2020, as well as between 2022 and 2023, according to Inryou Souken. The profitability of our non-alcohol beverage business is largely attributable to the strength of our six core brands and our overall sales by volume increased 2.2% year-on-year primarily from growth in our carbonated drink and tea drink products for the year ended December 31, 2023.

Food

Our food business in Japan, operated through our subsidiary Asahi Group Foods, Ltd., consists primarily of the manufacture and sale of confectioneries, health foods, supplements, powdered milk products and baby food for infants, food and other products for nursing care, freeze-dried foods and raw materials for food products. Our core brands include the *MINTIA* mint tablets, *Dear Natura* health supplement tablets, *Lebense Milk HiHi* infant formula, the *Goo Kitchen* line of baby food, *Itsumono Miso Soup* freeze-dried miso soup, and *The Umami* freeze-dried soup.

Our food and pharmaceuticals business in Japan had revenue of ¥122 billion in the year ended December 31, 2023. The following presents a breakdown of our revenue by product category for the year ended December 31, 2023:



Other

In addition to our alcohol beverages, non-alcohol beverage and food businesses above, we had revenue of ¥65 billion in the year ended December 31, 2023 from our other businesses in Japan, including our logistics business and beer hall and restaurant businesses.

Logistics business

We operate a logistics business through our subsidiary, Asahi Logistics Co., Ltd., including the shipment of Asahi Group products, management of distribution centers and storage facility management.

Beer halls and Restaurants

We also manage a number of restaurants located mostly in Japan through our subsidiary, Nadaman Co., Ltd., which is also involved in the sale of prepared foods and boxed lunches, mainly in department stores across Japan. We are currently in the process of reorganizing our restaurant business and plan to transfer this business in the near future. In addition, until December 2023, we engaged in the management of beer halls located in Japan through our subsidiary.

Europe segment

Our Europe segment is comprised of the manufacture and sale of alcohol beverages. For the year ended December 31, 2023 revenue (after intersegment eliminations) from the Europe segment represented 24.8% of consolidated revenue.

Our operations in Europe consist primarily of the manufacture and sale of beer products. In October 2016, following the acquisition by AB InBev of SABMiller, we acquired SABMiller's Italian, Dutch, and British businesses as well as intellectual property rights for brands such as *Peroni Nastro Azzurro* and *Grolsch*. We also acquired *Meantime*, a pioneer U.K. craft beer brand, from SABMiller plc in October 2016. In March 2017, we acquired former SABMiller's Czech, Slovak, Polish, Hungarian, and Romanian businesses and the intellectual property rights for brands such as *Pilsner Urquell,* and in April 2019, we completed the acquisition of The Fuller's Beer Company Limited of the United Kingdom. During the year ended December 31, 2020, we engaged in the reorganization of our international beer business, which allowed us to expand and enhance our brand portfolio in local markets in Europe through premiumization while also allowing us to increase the presence of our global brands which have a focus on premium brands. Our main countries of our Europe segment and main brands offered within them include the following:

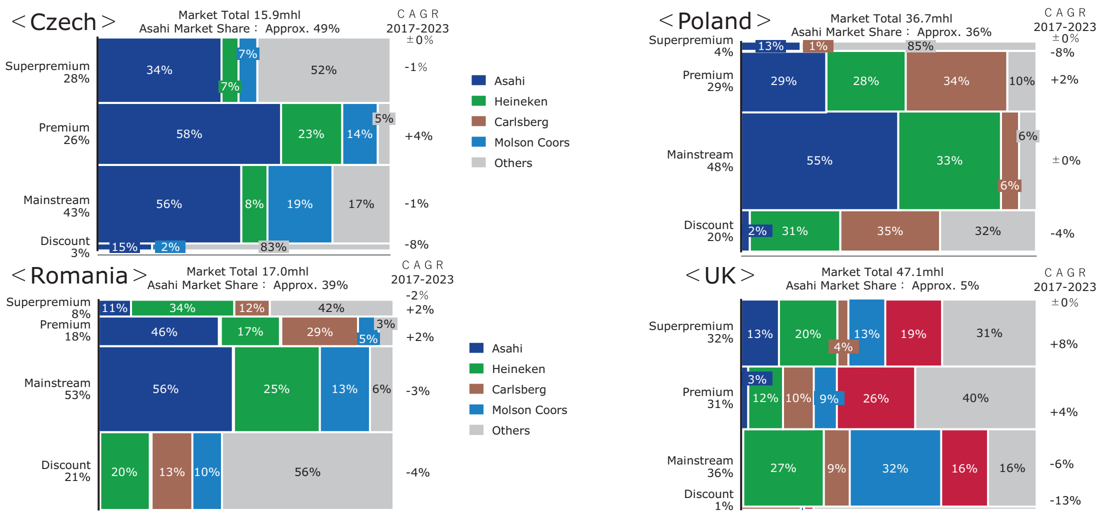
- Czech Republic: *Pilsner Urquell, Kozel* and *Birell*
- Poland: *Tyskie, Zubr* and *Lech*
- Romania: *Ursus, Timisoreana* and *Ciucas*
- Italy: *Peroni Nastro Azzurro* and *Peroni Nastro Azzurro Stile Capri*
- United Kingdom: *Peroni Nastro Azzurro, Asahi Super Dry* and *Cornish Orchards*

The diagram below presents a breakdown of the revenue (excluding liquor tax) composition of our Europe segment by country for the year ended December 31, 2023. Our beer business in the United States and China are accounted for under our Europe segment:

The following table presents Asahi's market share ranking on a volume basis according to GlobalData Plc in the countries in which we operate in Europe and the percentage of segment revenue excluding liquor tax for our Europe business attributable to each country, in each case for the year ended December 31, 2023:

Country	Market Share Ranking	Market Share (%)	% of Europe business segment revenue excluding liquor tax
Czech Republic	#1	49%	26% (combined figure for the Czech Republic and Slovakia)
Slovakia	#1	36%	
Poland	#1	36%	22%
Italy	#2	19%	10%
Romania	#1	39%	12%
United Kingdom	#7	5%	11%

The following presents market share data by GlobalData Plc on a volume basis in our larger European markets by revenue for the year ended December 31, 2023 within various price segments:



Note:

(1) Categories are based on price of the product relative to the price of the leading brand in the most popular pack type in each country, with products in the "Superpremium" category being defined as being at least 51% more expensive, products in the "Premium" category being defined as being between 15% and 50% more expensive, products in the "Mainstream" category being defined as being between 14% more expensive and 9% less expensive and products in the "Discount" category being defined as products that are at least 10% less expensive. For market data for the Czech Republic, the *Birell* series brand has been reclassified to the "Premium" category from the "Mainstream" category and the *Kozel 10 degrees* and *Radegast Original* brands have been reclassified to the "Mainstream" category from the "Discount" category, based on GlobalData Plc classifications. For market data for Poland, the *Kozell 11* and *Kozel Cerney* brands have been reclassified to the "Premium" category from the "Superpremium" category and the *Captain Jack* series, *Lech Free* series and *Lech Pils* brands have been reclassified to the "Premium" category from the "Mainstream" category, based on GlobalData Plc classifications. For market data for Romania, the *Ursus Cooler* series, *Ciuc Premium*, *Ciuc Radler* series and *Tuborg* brands have been reclassified to the "Premium" category from the "Mainstream" category, the *Skol* brand has been reclassified to the "Premium" category from the "Superpremium" category, the *Neumarkt* brand has been reclassified to the "Mainstream" category from the "Premium" category, the *Golden Brau* brand has been reclassified to the "Mainstream" category from the "Discount" category, the *Holsten* brand has been reclassified to the "Discount" category from the "Premium" category and the *Bucegi* brand has been reclassified to the "Discount" category from the "Mainstream" category, based on GlobalData Plc classifications.

Oceania segment

Our Oceania segment is comprised of the manufacture and sale of alcohol beverages and non-alcohol beverages, principally in Australia. For the year ended December 31, 2023 revenue (after intersegment eliminations) from the Oceania segment represented 23.5% of consolidated revenue.

For the year ended December 31, 2023, 64%, 29% and 7% of our revenue (excluding liquor tax and container deposits) from our Oceania segment was from our Australian alcohol beverages business, Australian non-alcohol beverage business and New Zealand business, respectively. Our first major push into the alcohol beverages business in the Oceania region began in 2011 with our acquisition of the Independent Liquor Group. In June 2020, we completed our acquisition of CUB, an Australian brewing company that manufactures and sells popular brands of beer and cider, enabling us to build a robust brand portfolio under this segment covering a wide range of mainstream as well as premium brands. We sell a number of beer, RTD beverages, ciders and hard seltzers in Oceania. Our main alcohol beverage brands in the Oceania region include the following:

- Beer: *Victoria Bitter*, *Carlton Draught*, *Great Northern*, *Asahi Super Dry*, *Peroni Nastro Azzurro, Corona* and *Great Northern Zero*
- RTD: *Vodka Cruiser* and *Long White*
- Cider: *Somersby*
- Craft beer: *Balter and Mountain Goat*

In Australia, for the year ended December 31, 2023, sales volume of *Great Northern* products and *ASD* and *Peroni* products (*Peroni* products include all the products under *Peroni* brands) increased by 40.3% and 24.2%, respectively, each compared to the year ended December 31, 2019.

In addition, we also offer a variety of non-alcohol beverages within Australia and New Zealand, primarily through brands that we acquired, including those previously owned by Schweppes Australia Pty Ltd. and the juice and water businesses of P&N Beverages Australia Pty. Ltd. and Mountain H2O Pty Ltd. Our main brands of non-alcohol beverages in the region include the following: *Cool Ridge*, *Gatorade*, *Lipton*, *Cottee's*, *Pepsi Max*, *Phoenix*, *Schweppes* and *Solo*.

Southeast Asia segment

Our Southeast Asia segment is comprised of the manufacture and sale of non-alcohol beverages. For the year ended December 31, 2023 revenue (after intersegment eliminations) from the Southeast Asia segment represented 2.1% of consolidated revenue. Our main market in the region is currently Malaysia and Singapore, which made up approximately 70% of our sales in the region during the year ended December 31, 2023. We also offer our products in the Philippines and Indonesia. Our main brands in the region include our WONDA and CALPIS brands, several dairy brands, including Goodday and Dairy Champ, as well as a number of brands for which we have bottling and sale rights, including Pepsi, Mountain Dew and Tropicana.

Other

Our other businesses and operations not included in the above four reportable segments includes research and development activities performed by Asahi Quality & Innovations, Ltd. and the sale of feed ingredients and biostimulants for agriculture as well as product and service offerings using microorganisms by Asahi Biocycle Co., Ltd., in addition to a startup investment fund operated by Asahi Group Beverages & Innovation, LLC, which is in the business of investing in low-alcohol beverages, non-alcohol beer-like beverages, and other non-alcohol beverages for adults.

Competition

In our Japan segment, for our alcohol beverages business, we primarily compete with three other major Japanese companies: Kirin Brewery Company, Limited, Suntory Spirits Ltd. and Sapporo Breweries Limited. Although competition in the Japanese alcohol beverages market is intense, we enjoy a high market share in beer-type beverages. We believe that the main competitive factors in the alcohol beverages market are taste and quality, pricing, brand loyalty and consumer perception, the ability to introduce new products successfully, packaging, logistics and distribution and marketing and promotional activities.

Our non-alcohol beverage brands under our Japan segment compete against both Japanese and international manufacturers. Our main competitors include Coca-Cola (Japan) Company, Limited, Suntory Beverage & Food Limited, Kirin Beverage Company, Limited and ITO EN, LTD., among others. We compete in the non-alcohol beverage market on the basis of price, quality, product variety and distribution. Success in this competitive environment is dependent on, among other factors, effective promotion of existing products, introduction of new products to capture changing consumer preferences, effective advertising campaigns, marketing programs and product packaging, competitive pricing, efficiency in production techniques, and development and protection of brands and trademarks.

Our food products under our Japan segment compete primarily with other manufacturers of candy tablets and confectioneries, baby food and instant miso soup in Japan. Our main competitors in the Japanese candy tablets and confectioneries market, are Kracie Foods, Ltd. and Morinaga & Co., Ltd., and we compete primarily with Pigeon Corporation and Kewpie Corporation in the Japanese baby food market. Our main competitors in the Japanese instant miso soup market are NAGATANIEN CO., LTD. and Marukome Co., Ltd.

In our Europe, Oceania and Southeast Asia segments, we compete in each of our markets with local and international alcohol beverage manufacturers. Our main competitors in our European markets are Heineken N.V., Carlsberg Breweries A/S and AB InBev. In Oceania, we compete primarily with Kirin Holdings Company, Limited in alcohol beverages and with affiliates of The Coca-Cola Company in non-alcohol beverages. In Southeast Asia, our main competitor is Fraser & Neave Holdings Bhd.

Distribution

In our domestic alcohol beverages business, our primary sales channels are supermarkets, convenience stores, discount stores, commercial liquor stores, drugstores, bars and restaurants. In our domestic non-alcohol beverage business, our principal sales channels consist of supermarkets, vending machines and convenience stores. In our domestic food business, our products are primarily sold to consumers through commercial retailers, though we also engage in sales of certain products on a business-to-business basis.

In our overseas businesses, we possess a strong and diverse distribution network through our acquisitions and partnerships. Throughout Europe, Oceania and Southeast Asia, we generally possess local manufacturing facilities and sales teams that facilitate the distribution of our products through various sales channels in each of our countries of operation. We also utilize our overseas distribution networks to sell our core brands, such as *Asahi Super Dry*, in our international markets and utilize our domestic sales channels to distribute our international brands, such as *Peroni Nastro Azzurro* and *Pilsner Urquell*, in Japan.

Procurement

The principal raw materials and ingredients for manufacturing our products vary depending on the relevant product category. The principal ingredients used in our beer-type beverages are barley and hops, while sugar, dairy products, fruit concentrate and sweeteners are the principal ingredients used in our non-alcohol beverages. Our key packaging materials include aluminum cans, PET beverage bottles and cardboard.

In our overseas businesses, we primarily acquire our ingredients and supplies locally from the relevant producer or manufacturer, though in our domestic business we import certain ingredients such as barley and hops from Europe, North America and Australia. We reduce our exposure to fluctuations in the cost of ingredients and supplies through a variety of methods, including the use of multiple suppliers, medium-term supply contracts, commodity swaps and currency hedges.

In order to enhance our group’s procurement functions, we established Asahi Global Procurement Pte. Ltd. and it commenced operation in January 2024 that aims to consolidate category management and sourcing activities for items that can be globally managed (preselected raw materials, packaging material including indirect products and services).

Production and Inventory

We own and operate a global network of production facilities that carry out our manufacturing and production activities in Japan as well as in Europe, Oceania and Southeast Asia. The key production facilities of our Japan segment alcohol beverages, non-alcohol beverages and food businesses are located in Japan. The key production facilities of our other segments are located in Europe, Oceania and Southeast Asia.

The table below presents our production bases in Japan as of December 31, 2023. We are currently planning for the relocation of our Hakata Brewery to Shin-Kyushu, after which we plan to transition to a hybrid factory in Shin-Kyushu (the "Tosu Brewery") that will produce beer as well as other beverages. In November 2023, we announced our decision to postpone the commencement of operations at the Tosu Brewery in 2026 and aim to achieve commencement of operations in 2029 due to higher than anticipated construction and facility costs.

Name	Main Products and Operations	Location	Start of Operations
Asahi Breweries Ltd. (six breweries)			
Hokkaido Brewery	Beer, *happoshu*, liqueurs	Sapporo, Hokkaido Pref.	1966
Fukushima Brewery	Beer, *happoshu*, liqueurs, RTD, non-alcohol beer-taste beverages	Motomiya, Fukushima Pref.	1972
Ibaraki Brewery	Beer, *happoshu*, liqueurs, RTD, non-alcohol beer-taste beverages, non-alcohol beverages	Moriya, Ibaraki Pref.	1991
Nagoya Brewery	Beer, *happoshu*, liqueurs, non-alcohol beverages	Nagoya, Aichi Pref.	1973
Suita Brewery	Beer, *happoshu*, liqueurs, non-alcohol beer-taste beverages	Suita, Osaka Pref.	1891
Hakata Brewery	Beer, *happoshu*, liqueurs, non-alcohol beer-taste beverages	Fukuoka, Fukuoka Pref.	1921
The Nikka Whisky Distilling Co., Ltd. (three distilleries and five plants)			
Yoichi Distillery	Malt whisky	Yoichi, Hokkaido Pref.	1934
Hirosaki Plant	Cider, brandy, apple wine, syrup	Hirosaki, Aomori Pref.	1960
Miyagikyo Distillery	Malt whisky, coffey grain whiskey	Sendai, Miyagi Pref.	1969
Tochigi Plant	Aging and blending of whisky	Sakura, Tochigi Pref.	1977
Kashiwa Plant	Filling of whisky and *shochu* bottles, RTD low-alcohol beverages	Kashiwa, Chiba Pref.	1967
Nishinomiya Plant	Filling of kegged *shochu* cocktails products	Nishinomiya, Hyogo Pref.	1959
Moji Plant	*Shochu*, filling of undistilled *shochu* and whisky, "*umeshu*" plum liqueur	Kiyakyushu, Fukuoka Pref.	1914
Satsuma Tsukasa Distillery	Singly distilled *shochu*	Aira, Kagoshima Pref.	—
Asahi Soft Drinks Co., Ltd. (seven factories)			
Fujisan Factory	Tea, water, carbonated drinks	Fujinomiya, Shizuoka Pref.	2001
Hokuriku Factory	Coffee, tea	Shimoniikawa, Toyama Pref.	1994
Akashi Factory	Carbonated drinks, coffee, tea, RTD	Akashi, Hyogo Pref.	1990
Rokko Factory	Water, carbonated drinks	Kobe, Hyogo Pref.	2004
Fujiyoshida Factory	Water, carbonated drinks	Fujiyoshida, Yamanashi Pref.	1990
Okayama Factory	Lactic acid drinks, carbonated drinks, fruit juice drinks, butter	Soja, Okayama Pref.	1968
Gunma Factory	Lactic acid drinks, carbonated drinks, fruit juice drinks, butter	Tatebayashi, Gunma Pref.	1972

Name	Main Products and Operations	Location	Start of Operations
Asahi Group Foods, Ltd. (five factories)			
Ibaraki Factory	Dietary supplements	Hitachinomiya, Ibaraki Pref.	—
Osaka Factory	Gastrointestinal nutritional supplements	Suita, Osaka Pref.	—
Tochigi Koganei Factory	Yeast extract	Shimotsuke, Tochigi Pref.	—
Tochigi Sakura Factory	Infant formula, baby food, foods for vending machine, etc.	Sakura, Tochigi Pref.	—
Okayama Factory	Freeze-dried foods, baby foods	Asakuchi, Okayama Pref.	—
Asahi Beer Malt, Ltd. (two factories)			
Yasu Factory	Malt, powdered malt, barley tea	Yasu, Shiga Pref.	—
Koganei Factory	Same as above	Shimotsuke, Tochigi Pref.	—

The table below presents the main production bases that we operate overseas as of December 31, 2023.

Area/business	Factories	Number
Europe		
Alcohol Beverages business	Italy: 3, Netherlands: 1, Poland: 3, Czech: 3, Slovakia: 1, Romania: 3, Hungary: 1, UK: 2	17
Oceania		
Non-Alcohol Beverages business	Australia: 6	6
Alcohol Beverages business	Australia: 5, New Zealand: 1	6
Southeast Asia		
Non-Alcohol Beverages business	Malaysia: 2, Indonesia: 2, Myanmar: 1	5
Others		
Asahi Calpis Wellness (Feed)	USA: 1	1

Research and Development

We seek to build up our technological know-how to continuously strengthen our existing brands and launch new products that meet the ever-diversifying needs of our customers. We are also working to develop products and technologies that create new value and mitigate risks, with an eye to changes in the social and competitive environment over the medium- to long-term. During the year ended December 31, 2023, we invested ¥17,470 million on research and development on a group-wide basis.

Our research and development is focused on the four areas of “alcohol,” “health & wellness,” “sustainability,” and “new businesses,” which we defined as key domains of our R&D strategy in 2021, as follows:

- *Alcohol*. In addition to establishing a market position and enhancing its presence in the alcohol-related business, we actively promote “smart drinking” and break down the barrier between those who drink alcohol and those who do not by utilizing the technologies and knowledge we have cultivated in alcohol beverages. We also focus on research on alcohol value substitution and creation of new value, such as BACs, RTD low-alcohol beverages, non-alcohol beer-taste beverages, and adult non-alcohol beverages.

- *Health & Wellness*. We strive to help people live healthier lives by providing different types of solutions to meet the growing needs of consumers in terms of physical and mental health. We develop health functions centered on lactic acid bacteria materials we have cultivated over many years leading to new value proposals. In addition, we continue to develop technologies for reducing sugar and develop new forms of services with the aim of strengthening new value propositions that encourage behavioral changes to produce a better state for both mind and body.

- *Sustainability*. To achieve Asahi Group Environmental Vision 2050 and Asahi Carbon Zero, we are actively engaging in reducing CO_2 emissions; conducting verification tests for various solutions, such as biomethane fuel cells that are in continuous operation at a world-class level. Furthermore, we contribute to reducing our adverse environmental impact by utilizing our agricultural production technology taking into account. We also promote the effective use of resources and the reduction of waste emissions in the manufacturing process of our products and work on the upcycle of by-products, including cooperation with external organizations in our aim for improving the resource utilization rate.

- *New Businesses*. In order to prepare for further acceleration of changes to the business environment surrounding us, including the progress of emerging technology, we believe that innovative external technology and knowledge, in addition to our in-house technology, are vital for realizing our medium- to long-term business portfolio as well as actively incorporating new technology and business models, that promote social implementation and enhance the market value of these results.

Each of Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd., Asahi Group Foods, Ltd. and Asahi Biocycle Co., Ltd. has research and development divisions that are tied to one or more of our business segments. Furthermore, in 2019, we established an independent research subsidiary, Asahi Quality & Innovations, Ltd. ("AQI"), to improve the independence and flexibility of our group-wide decision-making capabilities relating to research. AQI focuses on drafting and carrying out mid- to long-term research strategies and working to create new businesses, in each case on a group-wide basis.

The following highlights some of our group's recent research and development activities:

- At Asahi Breweries, Ltd., we recently engaged in the first full renewal of our Asahi Super Dry, which had never been changed since its debut in 1987. The full renewal called for a fully renewed recipe, which required repeated in-depth interviews with individual customers to evaluate taste and over six months of testing at our plants in preparation for mass production after test production at our laboratories was complete. The launch of our *Super Dry Nama Jokki Can* was another notable example of our recent research and development efforts at Asahi Breweries, Ltd. We developed a material with a special surface structure for the beer can to produce a head of foam upon opening and designed the can to pull off the entire top to resemble a mug, which also required a double safety structure at the rim of the can. Asahi Breweries, Ltd. has also introduced *Asahi Super Dry Dry Crystal* in August 2023, a low-alcohol version of *Asahi Super Dry*. While the standard *Asahi Super Dry* contains 5 percent alcohol by volume, *Asahi Super Dry Dry Crystal* has 3.5 percent.

- At Asahi Soft Drinks Co., Ltd., we have developed our *Mitsuya* brand to strengthen its essential value of "refreshing feel" and its lineup has been diversified with flavor variations and differing carbonation levels to suit the tastes and needs of all generations. For our *Wilkinson* brand, we have enhanced its brand value of "intense and refreshing stimulation" as a top soda brand to capture changing consumer needs. In order to quantify the various effects of carbonated drinks on our customers, we engaged in joint research with Keio University using electroencephalogram (EEG) signals analysis to measure and quantify the EEG signals of a test group of office workers while drinking carbonated drinks. Asahi Soft Drinks Co., Ltd. has released a new green tea product, *Asahi So*, in April 2023, for the first time in 12 years, aiming to differentiate itself by promoting the value of new green tea to revitalize the mature green tea market.

- At Asahi Group Foods, Ltd., we develop proprietary food ingredients and materials such as yeast extract seasoning and dairy ingredients, such as for adding the flavor of dairy products. We support product development in the wider market by tailoring each ingredient to the specific needs of our customers. As part of our renewal of four staple *MINTIA* products, in the spring of 2022, we promoted a manufacturing technique unique to the *MINTIA* brand, called "Instantaneous Feel Mint Tableting," that delivers an instantaneous cooling sensation and mint flavor by adding tiny flavor capsules, in which flavoring agents are encapsulated with gelatin and tableted to prevent temporal changes.

Sustainability

We have a strong culture of corporate social responsibility that is based on the Asahi Group Philosophy and the Asahi Group Code of Conduct. Our Medium- to Long-Term Management Policy, which was updated in 2022, reinforces our goal of integrating sustainability into our management in order to positively impact both society and our businesses. Some of our key ESG-related initiatives and accomplishments include the following:

- *Environmental*: We actively promote initiatives to reduce CO_2 emissions across society and aim to achieve carbon neutrality in Scopes 1, 2 and 3 by 2040. We are implementing various measures, including finalizing early-stage introduction of renewable energy, promoting decarbonization in fuel used in manufacturing processes and the development and deployment of technologies related to carbon emissions reduction, absorption and collection. We are also committed to achieve 100% of electricity from renewable sources in all our operations by 2040.

- *Social*: We believe it is essential to closely link our human resource strategy with the implementation of our management strategy. Our human resource strategy is based on three approaches to enhance human capital: fostering the ideal corporate culture; continuously fostering leadership; and securing essential capabilities. Promoting diversity, equity and inclusion as well as placing respect for human rights at the core of our business activities are some of our key priorities. We are aiming to implement human rights due diligence for all of our employees in all countries in which we operate, excluding export operations conducted through distributors, and for all of our existing suppliers of raw materials and packaging with procurement transactions of $100,000 or more by 2030. Furthermore, in order to promote appropriate drinking in our society, we promote initiatives to achieve our sales composition ratio of non-alcohol and low-alcohol beverages to major alcohol beverage products to 20% or more by 2030.

- *Governance*: We have introduced an enterprise risk management system to systematically manage our risks across all of our businesses. We have also established a risk management policy that supports appropriate risk-taking. Since 2018, we have made significant progress in separating management supervision and execution, including implementing a third-party evaluation of board effectiveness, establishing standards and guidelines for the resignation of the CEO and creating a skill matrix for the board of directors.

Our initiatives to create a stronger corporate social responsibility framework within which we operate our businesses require us to comply with new and evolving laws and regulations. See "Risk Factors—We may incur additional costs to comply with laws and regulations related to sustainability."

Intellectual Property and Know-How

We own various intellectual property rights for our business, including trademarks associated with our brands, as well as other intellectual property rights such as patents relating to equipment for production processes and know-how. In order to maintain strategic and effective management and use of intellectual property, we own most of the rights to our trademarks, including a registered trademark for our *Asahi Super Dry* beer brand. We also use a number of third-party trademarks under licensing agreements.

The trademarks we own and/or license are valuable assets that reinforce the distinctiveness of our brands and consumers' favorable perception of our products, while our patents and designs provide additional competitive advantages. Accordingly, we work to maintain the integrity of our intellectual property rights and ensure that third parties do not infringe on them. We take, and intend to continue to take, appropriate measures if we become aware of material infringements on our intellectual property rights. We have an internal clearing process for new designs to reduce the risk of any unintentional infringement on other parties' intellectual property rights.

Employees

As of December 31, 2023, we had 28,639 employees, excluding temporary employees, on a consolidated basis. During the year ended December 31, 2023, we employed an average of 6,089 temporary employees. We believe our labor relations are good.

Legal Proceedings

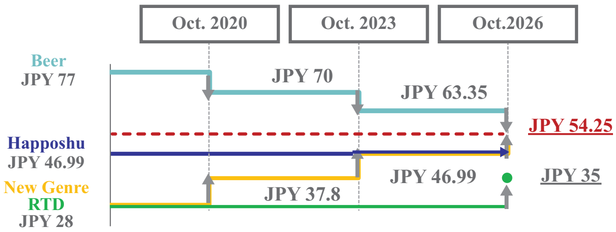
From time to time, we are involved in litigation and other legal proceedings in connection with the ordinary course of our business. We are not currently involved in any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our results of operations or financial condition.

REGULATION

Our business and operations are subject to various forms of governmental regulation in the countries in which we operate, including laws and regulations relating to liquor tax, food sanitation, health, standardization, labeling, representation, recycling, and personal information. The following are some of the major laws and regulations applicable to our businesses:

Liquor Tax Act

Alcohol beverages are subject to the Liquor Tax Act in Japan. Under the Liquor Tax Act, the production and sale of alcohol beverages require a liquor license issued by the superintendent of the competent tax office. Such licenses may be revoked under certain circumstances. The manufacturers of alcohol beverages are required to pay liquor taxes, with the current tax rates for beer, low-malt *happoshu* (with less than 25% malt content) and new-genre beer-taste beverages being ¥181,000, ¥134,250 and ¥134,250 per kiloliter, respectively. The Liquor Tax Act was amended in 2017 to apply the same liquor tax rates on beer, low-malt *happoshu* and new-genre beer-taste beverages by October 2026, with changes carried out in three stages and the rate eventually being unified at ¥155,000 per kiloliter. The changes will effectively lower taxes on beer, while raising taxes on low-malt *happoshu* and new-genre beer-taste beverages. The chart below shows the schedule of changes to the liquor tax per 350ml can or bottle:



Act Regarding Protection of Liquor Tax and Alcohol Beverages Business Union, etc.

Manufacturers, distributors, wholesalers and retailers of alcohol beverages are subject to the Act regarding Protection of Liquor Tax and Alcohol Beverages Business Union, etc. of Japan, as amended (the "Liquor Tax Protection Act"). Under the Liquor Tax Protection Act, the manufacturers and distributors of alcohol beverages are required to label certain matters including items. Also, pursuant to the Standards regarding Fair Transactions in Liquor, which have been prescribed under the Liquor Tax Protection Act, alcohol beverages business operators are prohibited from selling alcohol beverages repeatedly and over a considerable period (i) at a price below the total sales cost (calculated as the sum of the cost of goods sold plus sales, general and administrative expenses) without justifiable reasons and (ii) in a manner which might have a significant effect on their alcohol beverages business or the alcohol beverages business of other operators.

Food Sanitation Act

Food and beverages, additives, and apparatus used for the production, processing and preparation of food and beverages and additives, and containers and packaging used for food and beverages and additives, are subject to the Food Sanitation Act of Japan, as amended (the "Food Sanitation Act"). Under the Food Sanitation Act, food and beverages and additives available for purchase, as well as apparatus and containers and packaging available for purchase or used for operation of business, are required to meet certain sanitary standards. The Prime Minister is empowered to establish necessary standards for labeling in relation to apparatus used for the production, processing and preparation of food and beverage and additives, and containers and packaging used for food and beverage and additives, in consultation with the consumer commission. False labeling or advertising, which may cause harm to public health, is prohibited. The operation of restaurants is also subject to the Food Sanitation Act.

Health Promotion Act

Certain of the Group's products are approved as TOKUHO, an abbreviation for "*Tokutei Hokenyo Shokuhin*" (meaning "Food for Specified Health Uses" (FOSHU) in English), which refers to food containing health-functioning ingredients that have physiological effects on the human body and is approved to claim its appropriateness for specified health uses under the Health Promotion Act of Japan, as amended (the "Health Promotion Act"). Under the Health Promotion Act, permission from the Secretary General of Consumer Affairs

Agency is required to sell food and beverages as TOKUHO. The Health Promotion Act also requires manufacturers to label certain health claims on TOKUHO. Such matters include the fact that food and beverages are categorized as a TOKUHO, amount per package, daily adequate intake, how to ingest, ingesting considerations, wording for dissemination and public awareness with regard to well-balanced dietary life.

Law Concerning Standardization, etc. of Agricultural and Forestry Products

The Law Concerning Standardization, etc. of Agricultural and Forestry Products of Japan, as amended (the "JAS Law") provides for regulations regarding proper and reasonable standards for the quality of agricultural and forestry products, process of production or distribution, methods of product handling and business management and performance evaluation.

Food Labeling Act

The provisions for food and beverages labeling in the Food Sanitation Act, the Health Promotion Act and the JAS Law were integrated into a single act, the Food Labeling Act of Japan, as amended (the "Food Labeling Act") which was established to create a unified, comprehensive system for food and beverages labeling. Under the Food Labeling Act, the Prime Minister must establish standards that cover certain matters for the labeling of food and beverages that are intended for sale, after consulting with the Minister of Health, Labor and Welfare, the Minister of Agriculture, Forestry and Fisheries and the Minister of Finance and hearing the opinions of the consumer committee. Such matters include the names of food and beverages, substances that cause food allergies, preservation method, expiration date, raw materials, additives, nutrient value and caloric value, country of origin, labeling method and indication of TOKUHO. The Food Labeling Act also introduced a requirement to label certain function claims on food and beverages that contain ingredients that work effectively for the purpose of maintaining and improving the health of a person who does not suffer from sickness. Such labeling includes the fact that food and beverages are categorized as food and beverages with certain function claims, the ingredients of the food or beverages that work effectively in respect of certain functions based on a scientific background, the daily adequate intake of the food or beverages, food that does not have the approval of the Secretary General of Consumer Affairs Agency in respect of its effectiveness and safety, how to ingest, ingesting considerations, and wording for dissemination and public awareness regarding a well-balanced dietary life. Persons engaged in the manufacturing, processing, import or sale of food and beverages are prohibited from selling food and beverages that are not labeled according to the standards regarding the labeling. If a person fails to indicate the labeling matters or comply with the compliance matters set forth in the Food Labeling Act, the Prime Minister, Minister of Finance or Minister of Agriculture, Forestry and Fisheries may give certain instructions or issue an order to such person and make a public announcement to that effect. A person who has violated any such order or sold food and beverages that are not labeled with regard to certain matters including the names of food and beverages, substances that cause food allergies, preservation method, expiration date and notes for consumption of TOKUHO may be punished. If a person who sold food and beverages without compliant labeling voluntarily recalls such food and beverages, such person needs to report to the Prime Minister and the Prime Minister needs to make a public announcement on such report.

Act Against Unjustifiable Premiums and Misleading Representations

The Act Against Unjustifiable Premiums and Misleading Representations of Japan, as amended, is a law designed to prevent inducement of customers by means of unjustifiable premiums and misleading representations in connection with transactions of goods and services, by setting forth the restriction and prohibition of acts that are likely to interfere with general consumer's voluntary and rational choice-making, and thereby to protect the interests of general consumers. This Act provides (i) the restriction or the prohibition of offering of certain premium, and (ii) the prohibition of certain representation that are likely to interfere with general consumer's voluntary and rational choice-making.

Promotion of Sorted Collection and Recycling of Containers and Packaging Act

The Promotion of Sorted Collection and Recycling of Containers and Packaging Act of Japan, as amended (the "Collection and Recycling Act"), is a law designed to reduce waste and to promote the utilization of recycled resources relating to waste containers and packaging. The Minister of the Environment and other relevant Ministers are obliged to establish basic standards for the sorted collection and recycling of waste containers and packaging emitted from general households. Under the Collection and Recycling Act, enterprises which use specified containers and packaging are required to recycle them. The Group's glass and plastic bottles and paper containers used in alcohol beverages and non-alcohol beverages fall under the specified containers or packaging as provided for in the ministerial ordinances of the Minister of the Environment and other relevant Ministers.

The Protection of Personal Information Act

The Group receives and manages personal information from a large number of customers, especially in connection with its product campaigns. The Protection of Personal Information Act of Japan, as amended, and its related rules, regulations and guidelines impose various requirements on businesses that use databases, including the Group, containing personal information, such as appropriate custody of such information and restrictions of information sharing with third parties.

MANAGEMENT

Our articles of incorporation provide for a board of directors consisting of no more than fifteen members and provide for no more than six audit and supervisory board members. All directors and audit and supervisory board members are elected by our shareholders at a general meeting of shareholders. The term of office for directors is one year, and the term of office for audit and supervisory board members is four years, but directors and audit and supervisory board members may serve any number of consecutive terms. We currently have eleven directors, including six outside directors, and five audit and supervisory board members, including three outside members.

We have introduced an executive officer system in order to facilitate efficient and more responsive decision-making and draw clearer lines of responsibility. Executive officers are responsible for managing our business operations. The board of directors oversees the executive officers and sets fundamental strategies.

By its resolution, our board of directors may elect, from among its members, a Chairman of the Board (*torishimariyaku kaicho*) and a President (*torishimariyaku shacho*), along with one or more Vice Chairmen (*torishimariyaku fukukaicho*), Executive Vice Presidents (*torishimariyaku fukushacho*), Senior Managing Directors (*senmu torishimariyaku*) and Managing Directors (*joumu torishimariyaku*). Our board of directors also elects one or more Representative Directors from among its members. Each of the Representative Directors has the authority to represent us in conducting our affairs.

Under the Companies Act of Japan and our articles of incorporation, we may exempt, by resolution of the board of directors, our directors (excluding those who are executive directors) and audit and supervisory board members from liabilities to the company arising in connection with their failure to execute their duties in good faith and without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, we have entered into a liability limitation agreement with each outside director and outside audit and supervisory board member which limits the maximum amount of their liability to the company arising in connection with a failure to execute their duties in good faith and without gross negligence to the minimum amount stipulated by applicable laws and regulations.

Our audit and supervisory board members are not required to be certified public accountants. Our audit and supervisory board members may not at the same time be directors, accounting advisors, managers or any other type of employees of us or any of our subsidiaries or corporate executive officers of any of our subsidiaries, and at least one-half of them must be persons who satisfy the requirements for an outside audit and supervisory board member under the Companies Act of Japan. Each audit and supervisory board member has a statutory duty to supervise the administration by the directors of our affairs, to examine the financial statements and business reports to be submitted to the shareholders by a Representative Director and to prepare an audit report. They are obligated to participate in meetings of the board of directors and, if necessary, to express their opinion at such meetings, but are not entitled to vote.

The audit and supervisory board members form the audit and supervisory board. The audit and supervisory board has a statutory duty to prepare an audit report based on the audit reports issued by the individual audit and supervisory board members each year. An audit and supervisory board member may note his opinion in the audit report if the opinion expressed in his audit report is different from the opinion expressed in the audit report issued by our audit and supervisory board. The audit and supervisory board must establish the audit principles, the method of examination by the audit and supervisory board members of our affairs and financial position and any other matters relating to the performance of the audit and supervisory board members' duties. The audit and supervisory board is required to elect from among its members at least one standing audit and supervisory board member.

We are required to appoint and have appointed an independent auditor, who has the statutory duties of examining the financial statements to be submitted to the shareholders by a Representative Director and preparing its audit report thereon. KPMG AZSA LLC currently acts as our independent auditor.

Directors and Audit and Supervisory Board Members

The names and titles of our directors and audit and supervisory board members as of the date of this Offering Circular are as set forth below.

Name	Title	Director or Audit and Supervisory Board Member Since
Akiyoshi KOJI	Chairman of the Board	March 2007
Atsushi KATSUKI	President and Group CEO, Representative Director	March 2017
Keizo TANIMURA	Director and Executive Vice President, Group CPO	March 2019
Kaoru SAKITA	Director and Executive Vice President, Group CFO	March 2022
Naoko NISHINAKA	Director and Executive Vice President	March 2020
Christina L. AHMADJIAN	Outside Director	March 2019
Kenichiro SASAE	Outside Director	March 2022
Tetsuji OHASHI	Outside Director	March 2022
Mari MATSUNAGA	Outside Director	March 2023
Chika SATO	Outside Director	March 2024
Melanie BROCK	Outside Director	March 2024
Yukitaka FUKUDA	Standing Audit and Supervisory Board Member	March 2023
Akiko OSHIMA	Standing Audit and Supervisory Board Member	March 2024
Yutaka KAWAKAMI	Outside Audit and Supervisory Board Member	March 2017
Shigeo OHYAGI	Outside Audit and Supervisory Board Member	March 2022
Sanae TANAKA	Outside Audit and Supervisory Board Member	March 2023

Notes:

(1) Christina L. Ahmadjian, Kenichiro Sasae, Tetsuji Ohashi, Mari Matsunaga, Chika Sato and Melanie Brock satisfy the requirements for outside director under the Companies Act of Japan.

(2) Yutaka Kawakami, Shigeo Ohyagi and Sanae Tanaka satisfy the requirements for outside audit and supervisory board members under the Companies Act of Japan.

SUBSIDIARIES AND AFFILIATES

As of December 31, 2023, we had 199 consolidated subsidiaries and 32 equity-method affiliates. The following table sets forth information with respect to our principal subsidiaries and equity-method affiliates as of December 31, 2023.

Name	Location	Main business	Issued capital	Percentage of voting rights directly or indirectly held by us
Consolidated subsidiaries				
Asahi Group Japan. Ltd.	Tokyo, Japan	Business planning and management in Japan	¥50 million	100.0%
Asahi Breweries, Ltd.	Tokyo, Japan	Production and sales	¥20,000 million	100.0%
The Nikka Whisky Distilling Co. Ltd.	Tokyo, Japan	Whisky production	¥100 million	100.0%
ENOTECA CO., LTD.	Tokyo, Japan	Wine import and wholesale	¥1,761 million	100.0%
Asahi Soft Drinks Co., Ltd.	Tokyo, Japan	Production and sales	¥11,081 million	100.0%
Calpis Co., Ltd.	Tokyo, Japan	Production and sales	¥90 million	100.0%
Asahi Group Foods, Ltd.	Tokyo, Japan	Food marketing and sales	¥500 million	100.0%
Asahi Logistics Co., Ltd.	Tokyo, Japan	Warehouse and logistics	¥80 million	100.0%
NADAMAN CO., LTD.	Tokyo, Japan	Restaurant operation	¥41 million	100.0%
Asahi Professional Management Co., Ltd.	Tokyo, Japan	Group administration	¥50 million	100.0%
Asahi Europe & International Ltd.	U.K.	Beverage production and sales	€9,838 million	100.0%
Plzeňský Prazdroj, a.s.	Czech Republic	Pilsner Urquell brewing and sales	CZK2,000 million	100.0%
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	Marketing and distribution	RMB 737,487 thousand	100.0%
Asahi Holdings (Australia) Pty Ltd.	Australia	Business management in Oceania	A$18,926 million	100.0%
CUB Pty Ltd.	Australia	Beverage marketing and sales	A$4,019 million	100.0%
Asahi Beverages Pty Ltd.	Australia	Beverage marketing and sales	A$372 million	100.0%
Asahi Beverages (NZ) Limited.	New Zealand	Beverage marketing and sales	NZ$392 million	100.0%
Asahi Holdings Southeast Asia Sdn. Bhd.	Malaysia	Business management in Southeast Asia	RM 377,010 thousand	100.0%
Etika Beverages Sdn. Bhd.	Malaysia	Beverage production and sales	RM112,005 thousand	100.0%
Etika Dairies Sdn. Bhd.	Malaysia	Dairy product production and sales	RM89,315 thousand	100.0%
Asahi Loi Hein Company Limited	Myanmar	Beverage production and sales	MMK44,620 million	51.0%
Asahi Global Procurement Pte. Ltd.	Singapore	Procurement management	$20 million	100.0%
Asahi Quality & Innovations, Ltd.	Ibaraki, Japan	Research and development	¥50 million	100.0%
Equity-method affiliates				
Asahi Beer Communications Co., Ltd.	Tokyo, Japan	Business promotion and training	¥50 million	49.0%
Dynamic Vending Network, Inc	Osaka, Japan	Beverage sales	¥50 million	33.4%
Asahi Business Solutions Corp.	Tokyo, Japan	Information technology	¥110 million	49.0%
SHENZHEN TSINGTAO BEER Asahi CO., LTD.	China	Beer brewing and sales	RMB248,522 thousand	29.0%

TAXATION

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments of principal of and interest on the Bonds. It does not purport to be a comprehensive description of the tax treatment of the Bonds. Prospective investors should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective investors are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan all as in effect on the date of this Offering Circular and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this Offering Circular are to be regarded as advice on the tax position of any holder or beneficial owner of the Bonds or any person subscribing for, purchasing, selling or otherwise dealing in the Bonds or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the Bonds.

In the following statements, a "Resident Holder" is an individual resident of Japan or a Japanese corporation and a "Non-Resident Holder" is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes.

The Bonds

The Bonds do not fall under the concept of so called "taxable linked notes" as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, being notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order.

Interest Payments on the Bonds

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Bonds, where the Bonds are issued by the Issuer outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-Resident Holders that are not specially-related persons of Asahi Group Holdings, Ltd.

   If the recipient of interest on the Bonds is a Non-Resident Holder for Japanese tax purposes, as described below, the Japanese tax consequences on such Non-Resident Holder are significantly different depending upon whether such Non-Resident Holder is a specially-related person of Asahi Group Holdings, Ltd. Most importantly, if such Non-Resident Holder is a specially-related person of Asahi Group Holdings, Ltd., income tax at the rate of 15.315% of the amount of such interest will be withheld by the Issuer under Japanese tax law.

   (1) If the recipient of interest on the Bonds is a Non-Resident Holder that is not a specially-related person of Asahi Group Holdings, Ltd. having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Bonds is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:

      (i) if the relevant Bonds are held through certain participants in an international clearing organization such as Euroclear and Clearstream, Luxembourg or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the "Law") (each such participant or financial intermediary, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Bonds, certain information (the "Interest Recipient Information") prescribed by the

Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such Non-Resident Holder ceases to be so exempted (including the case where it became a specially-related person of Asahi Group Holdings, Ltd.); and

(ii) if the relevant Bonds are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) or certain information to be stated in such written application in an electronic form (the "Written Application for Tax Exemption") together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by the Issuer of income tax at the rate of 15.315% of the amount of such interest.

(2) If the recipient of interest on the Bonds is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315% withholding tax by the Issuer, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by the Issuer of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2. Resident Holders, and Non-Resident Holders that are specially-related persons of Asahi Group Holdings, Ltd.

Payments of interest on the Bonds to be made to a Resident Holder (except for (a) a designated Japanese financial institution described in Article 6, Paragraph (11) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act and which has received interest through a Japanese Payment Handling Agent), or to a Non-Resident Holder that is a specially-related person of Asahi Group Holdings, Ltd. will be subject to deduction in respect of Japanese income tax at the rate of 15.315%.

For an individual resident of Japan and an individual non-resident of Japan that is a specially-related person of Asahi Group Holdings, Ltd. having a permanent establishment in Japan, interest on the Bonds in general constitutes taxable income, together with other interest, dividends and capital gains arising from certain specified bonds and listed shares, and is subject to income taxation by reporting at the rate of 15.315%. Such interest income may be offset against capital losses arising from sale of certain specified bonds or listed shares by filing a tax return. The withholding tax referred to above will in general be credited against their income tax liability reportable by their tax return. Alternatively, they may elect to finalize their income tax liability only by the withholding tax referred to above without filing a tax return.

For a Non-Resident Holder that in either case is a specially related person of the Issuer having no permanent establishment in Japan, the Japanese taxation is finalized only by the withholding tax referred to above.

Under the Law, if a Non-Resident Holder becomes a specially-related person of Asahi Group Holdings, Ltd., and if such Bonds are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the Bonds. As the status of such Non-Resident Holder as a specially-related person of Asahi Group Holdings, Ltd. for Japanese withholding tax purposes is determined based on the status as at the beginning of the fiscal year of the Issuer in which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a specially-related person of Asahi Group Holdings, Ltd.

The Japanese withholding tax imposed upon interest on the Bonds paid to a Non-Resident Holder that is a specially-related person of Asahi Group Holdings, Ltd. as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such Non-Resident Holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of Bonds outside Japan by a Non-Resident Holder having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Bonds in connection with the issue of the Bonds, or will such taxes be payable by holders of the Bonds in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the Bonds from another individual as legatee, heir or donee.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated April 9, 2024 in respect of the Bonds (the "Subscription Agreement") between us and Nomura International plc, J.P. Morgan Securities plc, BNP Paribas and Citigroup Global Markets Limited (together, the "Joint Lead Managers"), the Joint Lead Managers have agreed, subject to the satisfaction of certain conditions, to purchase severally but not jointly, from us the aggregate principal amount of the Bonds as indicated in the table below and to offer the Bonds at the offer price as stated on the cover page of this Offering Circular.

Joint Lead Managers	Principal Amount of the 2029 Bonds	Principal Amount of the 2032 Bonds
Nomura International plc	€166,500,000	€166,500,000
J.P. Morgan Securities plc	166,500,000	166,500,000
BNP Paribas	142,000,000	142,000,000
Citigroup Global Markets Limited	25,000,000	25,000,000
Total	€500,000,000	€500,000,000

We have agreed to pay certain costs in connection with the issue and offering of the Bonds. The Joint Lead Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to us as set out therein. We have agreed to indemnify the Joint Lead Managers, any of their affiliates, controlling persons, representatives, directors, officers, employees or agents against certain liabilities in connection with the issue and offering of the Bonds.

Selling Restrictions

General

Neither we nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or us that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering or publicity material relating to the Bonds may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, any offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to Retail Investors in the EEA

The Bonds have not been, and may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

   (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

   (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

   (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Prohibition of Sales to UK Retail Investors

The Bonds have not been, and may not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law; or

(iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

This Offering Circular is being distributed only to, and is directed only at (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or (ii) high net worth entities falling within Article 49(2)(a) to (e) of the Order (all such persons together being referred to as "relevant persons"). This Offering Circular must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this Offering Circular relates is only available to, and will be engaged in with, relevant persons.

Japan

The Bonds have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. Each Joint Lead Manager has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell, Bonds in Japan or to, or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan; and (ii) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any of the Bonds to, or for the benefit of, any person other than (a) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of Asahi Group Holdings, Ltd., (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order relating to the Special Taxation Measures Act that will hold the Bonds for its own proprietary account, or (c) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds may not be circulated or distributed, nor may any Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, we have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Any reference to the "SFA" is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Hong Kong

This Offering Circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Bonds have not been and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "Securities and Futures Ordinance") and any rules made under that Ordinance or (b) in other circumstances which do not result in this Offering Circular being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance have been or will be issued, whether in Hong Kong or elsewhere.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described in this Offering Circular. The Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Other Relationships

Some of the Joint Lead Managers and their respective affiliates have engaged in, and may in the future engage in, various activities, which may include securities trading, commercial and investment banking, financial advisory, investment research, hedging, financing, and brokerage activities, and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates may act as investors for their own accounts and may take up the Bonds in the offering and in that capacity, may retain, purchase or sell for their own accounts such securities and any other of our securities or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references in this Offering Circular to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such person does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their respective affiliates may purchase or sell, make or hold long or short positions in, a broad array of investments and debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve our securities and/or instruments or those of our affiliates. Certain of the Joint Lead Managers or their respective affiliates that have a lending relationship with us or our affiliates routinely hedge their credit exposure to us or our affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

(1) We have obtained all necessary consents, approvals and authorizations in Japan in connection with the issue and performance of the Bonds. The issue of the Bonds was authorized by a resolution of our board of directors dated January 29, 2024.

(2) The Issuer's Legal Entity Identifier (LEI) is 353800KAJ02XNHLCJW79.

(3) The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Securities Identification Number (ISIN) is XS2799473637 and the Common Code is 279947363 in respect of the 2029 Bonds and XS2799473801 and 279947380 in respect of the 2032 Bonds.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

(4) Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds of each Series on the Official List of the SGX-ST.

For so long as the Bonds of each Series are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate for such Series is exchanged for definitive Certificates, we will appoint and maintain a paying agent in Singapore, where the definitive Certificates in respect of such Series may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate for a Series is exchanged for definitive Certificates, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore. The Bonds of each Series will be traded on the SGX-ST in a minimum board lot size of €100,000 with a minimum of 2 lots to be traded in a single transaction for so long as any of the Bonds for that Series are listed on the SGX-ST and the rules of the SGX-ST so require.

(5) Except as disclosed elsewhere in this Offering Circular, there has been no significant change in our financial or trading position and no material adverse change in our financial position or prospects since December 31, 2023.

(6) There are no, nor have there been any, governmental, legal, arbitral, administrative or other proceedings involving us or any other member of the Group which may have, or have had during the 12 months immediately preceding the date of this Offering Circular, a material effect on the our financial position or the profitability and, so far as we are aware, there are no such proceedings pending or threatened.

(7) Copies of the latest annual report in English (including our audited consolidated financial statements) and English translations of our latest unaudited consolidated interim financial results announcement (*kessan tanshin*) published subsequently to such annual report, may be obtained, and copies of the Fiscal Agency Agreement (as defined in the Conditions) will be available for inspection, at the specified offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.

(8) The consolidated financial statements of Asahi Group Holdings, Ltd. as of and for the years ended December 31, 2023 and 2022, including corresponding figures as of and for the year ended December 31, 2021, included in this Offering Circular, have been audited by KPMG AZSA LLC, independent auditors, as stated in their reports appearing in this Offering Circular.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Independent auditor's report

To the Board of Directors of Asahi Group Holdings, Ltd.:
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Asahi Group Holdings, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill related to the Oceania business

The key audit matter	How the matter was addressed in our audit
As described in Note 13, "Goodwill and Intangible Assets" to the consolidated financial statements, Asahi Group Holdings, Ltd. and its consolidated subsidiaries recognized goodwill of ¥1,358,310 million in their consolidated statement of financial position for the current fiscal year, allocated to the Oceania business, which represented approximately 25.7% of total assets in the consolidated financial statements. A group of cash-generating units to which goodwill is allocated is tested for impairment annually and whenever it is determined that there is any indication of impairment. When the recoverable amount of a group of cash-generating units is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or the fair value less costs of disposal. In the current fiscal year, fair value less costs of disposal was used as the recoverable amount in the impairment testing on the group of cash-generating units related to the Oceania business. The future cash flows used to measure the fair value less costs of disposal were estimated based on the business plan of the Oceania business approved by management and the growth rate applied to the periods subsequent to those covered by the business plan. Key assumptions, such as increases in future revenue and the growth rate applied to the periods subsequent to those covered by the business plan, used in estimating the future cash flows, involved a high degree of uncertainty as they are affected by changes in factors such as the business conditions and competitive environment in Oceania, and management's judgment thereon had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the fair value required a high degree of expertise in valuation. We, therefore, determined that the valuation of goodwill related to the Oceania business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	In order to assess whether the valuation of goodwill related to the Oceania business was reasonable, we requested the component auditor of the consolidated subsidiary that oversees the Oceania business to perform an audit. We evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures, among others: **(1) Assessment of estimation uncertainty** Assessed whether key assumptions used to prepare the business plan were appropriately selected by evaluating whether there was any effect on the determination of an impairment loss to be recognized when the effect of specific uncertainties were incorporated into key assumptions. **(2) Internal control testing** Tested the design and operating effectiveness of certain internal controls relevant to the valuation of goodwill, with a greater focus on controls designed to ensure the appropriateness of the estimated future cash flows. **(3) Assessment of the reasonableness of the estimated fair value less costs of disposal** Assessed whether key assumptions adopted in estimating the fair value less costs of disposal is appropriate primarily by performing the following procedures: • Assessment of the consistency of the projected increase in revenue with the business plan through inquiry of the personnel responsible for the Oceania business and inspection of relevant documents; • Trend analysis of revenue for previous years including comparison of latest actuals, as well as comparison of the projected increase in revenue with relevant forecast data on the alcohol beverage and soft drink markets in Oceania published by external organizations; • Comparison of the growth rate applied to the periods subsequent to those covered by the business plan with relevant market data forecasts published by external organizations with the assistance of a valuation specialist within the network firms of the auditor of the consolidated subsidiary; and • Assessment of the appropriateness of the model adopted by management to estimate the discount rate with the assistance of a valuation specialist within the network firms of the auditor of the consolidated subsidiary, as well as the assessment of the reasonableness of the discount rate through comparison with an estimate independently developed by the specialist.

Valuation of goodwill related to the Europe (International) business

The key audit matter	How the matter was addressed in our audit
As described in Note 13, "Goodwill and Intangible Assets" to the consolidated financial statements, Asahi Group Holdings, Ltd. and its consolidated subsidiaries recognized goodwill of ¥113,145 million in their consolidated statement of financial position for the current fiscal year, allocated to the Europe (International) business, which represented approximately 2.1% of total assets in the consolidated financial statements. A group of cash-generating units to which goodwill is allocated is tested for impairment annually and whenever it is determined that there is any indication of impairment. When the recoverable amount of a group of cash-generating units is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or the fair value less costs of disposal. In the current fiscal year, the value in use was used as the recoverable amount in the impairment testing on the group of cash-generating units related to the Europe (International) business. The future cash flows used to measure the value in use were estimated based on the business plan of the Europe (International) business approved by management and the growth rate applied to the periods subsequent to those covered by the business plan. Key assumptions, such as increases in future revenue and the growth rate applied to the periods subsequent to those covered by the business plan, used in estimating the future cash flows, involved a high degree of uncertainty as they are affected by changes in factors such as the business conditions and competitive environment in each region of the export destination markets, and management's judgment thereon had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the value in use required a high degree of expertise in valuation. We, therefore, determined that the valuation of goodwill related to the Europe (International) business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	In order to assess whether the valuation of goodwill related to the Europe (International) business was reasonable, we requested the component auditor of the consolidated subsidiary that oversees the Europe (International) business to perform audit procedures. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained from the procedures, and performed the following procedures, among others: **(1) Assessment of estimation uncertainty** Assessed whether key assumptions used to prepare the business plan were appropriately selected by evaluating whether there was any effect on the determination of an impairment loss to be recognized when the effect of specific uncertainties were incorporated into key assumptions. **(2) Internal control testing** Tested the design and operating effectiveness of certain internal controls relevant to the valuation of goodwill, with a greater focus on controls designed to ensure the appropriateness of the estimated future cash flows. **(3) Assessment of the reasonableness of the estimated value in use** Assessed whether key assumptions adopted in estimating the value in use is appropriate primarily by performing the following procedures: • Assessment of the consistency of the projected increase in revenue with the business plan through inquiry of the personnel responsible for the Europe (International) business and inspection of relevant documents; • Trend analysis of revenue for previous years including comparison of latest actuals, as well as comparison of the projected increase in revenue with forecast data on the alcohol beverage markets for major export destinations published by external organizations; • Comparison of the growth rate applied to the periods subsequent to those covered by the business plan with relevant market data forecasts published by external organizations with the assistance of a valuation specialist within our domestic network firms; and • Assessment of the appropriateness of the model adopted by management to estimate the discount rate with the assistance of a valuation specialist within our domestic network firms, as well as the assessment of the reasonableness of the discount rate through comparison with an estimate independently developed by the specialist.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & supervisory board members and the audit & supervisory board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit & supervisory board members and the audit & supervisory board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit & supervisory board members and the audit & supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with audit & supervisory board members and the audit & supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and network firms for audit and non-audit services provided to the Company and its consolidated subsidiaries for the current year are 1,035 million yen and 80 million yen, respectively.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/s/ Kanako Ogura
Designated Engagement Partner
Certified Public Accountant

/s/ Hiroshi Tani
Designated Engagement Partner
Certified Public Accountant

/s/ Masahiro Morita
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
March 26, 2024

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Consolidated Statement of Financial Position

Millions of yen

	Notes	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Assets			
Current assets			
Cash and cash equivalents	8	37,438	59,945
Trade and other receivables	9 32	415,676	465,633
Inventories	10	234,969	267,317
Income tax receivables		7,354	2,930
Other financial assets	14	10,028	10,469
Other current assets	15	32,062	40,655
Total current assets		737,529	846,953
Non-current assets			
Property, plant and equipment	12	834,721	888,070
Goodwill and intangible assets	13	3,027,929	3,283,948
Investments accounted for using equity method	38	6,722	11,081
Other financial assets	14	125,780	151,168
Deferred tax assets	29	54,888	48,544
Net defined benefit assets	19	24,004	36,515
Other non-current assets	15	18,767	19,629
Total non-current assets		4,092,815	4,438,960
Total assets		4,830,344	5,285,913

Millions of yen

	Notes	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	591,869	714,781
Bonds and borrowings	17 32 35	367,267	389,848
Income tax payables		30,906	26,263
Provisions	20	14,103	17,429
Other financial liabilities	17	135,983	113,642
Other current liabilities	21	125,816	134,984
Total current liabilities		1,265,946	1,396,950
Non-current liabilities			
Bonds and borrowings	17 32 35	1,130,042	1,020,950
Net defined benefit liabilities	19	20,349	17,242
Deferred tax liabilities	29	213,494	233,190
Other financial liabilities	17	131,792	143,156
Other non-current liabilities	20 21	5,774	8,642
Total non-current liabilities		1,501,452	1,423,181
Total liabilities		2,767,399	2,820,131
Equity			
Issued capital	22	220,044	220,044
Share premium	22	161,793	161,867
Retained earnings	22	1,165,542	1,282,432
Treasury shares	22	(1,178)	(1,190)
Other components of equity		514,532	797,393
Total equity attributable to owners of parent		2,060,734	2,460,548
Non-controlling interests		2,210	5,233
Total equity		2,062,945	2,465,781
Total liabilities and equity		4,830,344	5,285,913

Consolidated Statement of Profit or Loss

Millions of yen

	Notes	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Revenue	25	2,511,108	2,769,091
Cost of sales		(1,589,272)	(1,770,157)
Gross profit		921,835	998,933
Selling, general and administrative expenses	26	(678,018)	(735,252)
Other operating income	27	16,850	8,300
Other operating expense	13 27	(43,619)	(26,981)
Operating profit		217,048	244,999
Finance income	28	5,498	14,118
Finance costs	28	(17,221)	(18,121)
Share of profit (loss) of investments accounted for using equity method	38	667	875
Profit before tax		205,992	241,871
Income tax expense	29	(54,275)	(75,840)
Profit		151,717	166,031
Profit attributable to:			
Owners of parent		151,555	164,073
Non-controlling interests		162	1,957
Total		151,717	166,031
Basic earnings per share (Yen)	30	299.10	323.82
Diluted earnings per share (Yen)	30	299.06	323.77

Consolidated Statement of Comprehensive Income

Millions of yen

	Notes	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Profit		151,717	166,031
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value of financial instruments measured at fair value through other comprehensive income	31	(991)	13,370
Remeasurements of defined benefit plans	19 31	3,776	10,599
Items that might be reclassified to profit or loss			
Cash flow hedges	31 32	(2,865)	(1,599)
Costs of hedging	31 32	122	53
Translation differences on foreign operations	31	209,867	271,916
Share of other comprehensive income of entities accounted for using equity method	31	155	133
Total other comprehensive income	31	210,063	294,473
Total comprehensive income		361,781	460,504
Total comprehensive income attributable to:			
Owners of parent		361,604	458,266
Non-controlling interests		177	2,238

Consolidated Statement of Changes in Equity

Millions of yen

	Notes	Equity attributable to owners of parent						
						Other components of equity		
		Issued capital	Share premium	Retained earnings	Treasury shares	Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2022		220,044	161,731	1,064,644	(923)	37,975	—	7,486
Comprehensive income								
Profit				151,555				
Other comprehensive income						(991)	3,765	(2,866)
Total comprehensive income		—	—	151,555	—	(991)	3,765	(2,866)
Transfer to non-financial assets								(2,042)
Transactions with owners								
Dividends	23			(55,738)				
Purchase of treasury shares					(263)			
Disposal of treasury shares			0		8			
Changes through business combination								
Share-based payment transaction	24		61					
Transfer from other components of equity to retained earnings				5,081		(1,316)	(3,765)	
Other increase (decrease)								
Total contributions by owners and distribution to owners		—	62	(50,657)	(255)	(1,316)	(3,765)	—
Total transactions with owners		—	62	(50,657)	(255)	(1,316)	(3,765)	—
Balance as of December 31, 2022		220,044	161,793	1,165,542	(1,178)	35,667	—	2,577

Millions of yen

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity			Total equity attributable to owners of parent		
		Costs of hedging	Translation differences on foreign operations	Total other components of equity			
Balance as of January 1, 2022		(601)	266,746	311,607	1,757,104	2,043	1,759,148
Comprehensive income							
Profit				—	151,555	162	151,717
Other comprehensive income		122	210,019	210,048	210,048	15	210,063
Total comprehensive income		122	210,019	210,048	361,604	177	361,781
Transfer to non-financial assets				(2,042)	(2,042)		(2,042)
Transactions with owners							
Dividends	23			—	(55,738)	(15)	(55,753)
Purchase of treasury shares				—	(263)		(263)
Disposal of treasury shares				—	8		8
Changes through business combination				—	—		—
Share-based payment transaction	24			—	61		61
Transfer from other components of equity to retained earnings				(5,081)	—		—
Other increase(decrease)				—	—	4	4
Total contributions by owners and distribution to owners		—	—	(5,081)	(55,931)	(10)	(55,941)
Total transactions with owners		—	—	(5,081)	(55,931)	(10)	(55,941)
Balance as of December 31, 2022		(478)	476,765	514,532	2,060,734	2,210	2,062,945

Millions of yen

	Notes	Equity attributable to owners of parent						
						Other components of equity		
		Issued capital	Share premium	Retained earnings	Treasury shares	Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2023		220,044	161,793	1,165,542	(1,178)	35,667	—	2,577
Comprehensive income								
Profit				164,073				
Other comprehensive income						13,370	10,626	(1,600)
Total comprehensive income		—	—	164,073	—	13,370	10,626	(1,600)
Transfer to non-financial assets								(752)
Transactions with owners								
Dividends	23			(57,761)				
Purchase of treasury shares					(25)			
Disposal of treasury shares			0		13			
Changes through business combination								
Share-based payment transaction	24		74					
Transfer from other components of equity to retained earnings				10,578		48	(10,626)	
Other increase (decrease)				(0)				
Total contributions by owners and distribution to owners		—	74	(47,183)	(12)	48	(10,626)	—
Total transactions with owners		—	74	(47,183)	(12)	48	(10,626)	—
Balance as of December 31, 2023		220,044	161,867	1,282,432	(1,190)	49,086	—	224

Millions of yen

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity			Total equity attributable to owners of parent		
		Costs of hedging	Translation differences on foreign operations	Total other components of equity			
Balance as of January 1, 2023		(478)	476,765	514,532	2,060,734	2,210	2,062,945
Comprehensive income							
Profit				—	164,073	1,957	166,031
Other comprehensive income		53	271,742	294,192	294,192	281	294,473
Total comprehensive income		53	271,742	294,192	458,266	2,238	460,504
Transfer to non-financial assets				(752)	(752)		(752)
Transactions with owners							
Dividends	23			—	(57,761)	(16)	(57,778)
Purchase of treasury shares				—	(25)		(25)
Disposal of treasury shares				—	13		13
Changes through business combination				—	—	800	800
Share-based payment transaction	24			—	74		74
Transfer from other components of equity to retained earnings				(10,578)	—		—
Other increase(decrease)				—	(0)	0	(0)
Total contributions by owners and distribution to owners		—	—	(10,578)	(57,700)	784	(56,916)
Total transactions with owners		—	—	(10,578)	(57,700)	784	(56,916)
Balance as of December 31, 2023		(425)	748,508	797,393	2,460,548	5,233	2,465,781

Consolidated Statement of Cash Flows

Millions of yen

	Notes	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Cash flows from (used in) operating activities			
Profit before tax		205,992	241,871
Depreciation and amortization expenses		140,419	147,992
Impairment losses	13	18,490	2,183
Interest and dividend income		(2,656)	(7,450)
Interest expenses		12,306	14,269
Share of loss (profit) of investments accounted for using equity method		(667)	(875)
Loss (gain) on sales and disposals of property, plant and equipment		(9,540)	3,564
Decrease (increase) in trade receivables		(826)	(23,608)
Decrease (increase) in inventories		(27,957)	(24,447)
Increase (decrease) in trade payables		25,737	32,898
Increase (decrease) in accrued alcohol tax		(4,062)	2,984
Increase (decrease) in net defined benefit assets and liabilities		1,441	1,073
Other		3,369	36,027
Subtotal		362,049	426,484
Interest and dividends received		3,344	7,624
Interest paid		(10,839)	(12,646)
Income taxes paid		(88,562)	(73,914)
Net cash flows from (used in) operating activities		265,991	347,547

Millions of yen

	Notes	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(83,049)	(89,580)
Proceeds from sales of property, plant and equipment		25,109	11,710
Purchase of intangible assets		(16,796)	(20,248)
Proceeds from sales of intangible assets		868	—
Purchase of investment securities		(552)	(1,292)
Proceeds from sales of investment securities		8,483	3,387
Proceeds from sales of investment in an entity accounted for using equity method		676	—
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	34	(2,661)	(3,551)
Payments for contingent consideration	32	(2,357)	(18,574)
Other		1,091	434
Net cash flows from (used in) investing activities		(69,186)	(117,713)
Cash flows from (used in) financing activities			
Increase (decrease) in short-term borrowings	35	(8,527)	(200,705)
Payments of lease liabilities	35	(23,307)	(24,555)
Proceeds from long-term borrowings	35	—	50,000
Repayments of long-term borrowings	35	(51,460)	(43,062)
Proceeds from issuance of bonds	35	60,000	150,000
Redemption of bonds	35	(140,000)	(100,000)
Purchase of treasury shares		(263)	(25)
Dividends paid	23	(55,738)	(57,761)
Other		(258)	(635)
Net cash flows from (used in) financing activities		(219,556)	(226,746)
Effect of exchange rate changes on cash and cash equivalents		7,447	20,004
Net increase (decrease) in cash and cash equivalents		(15,304)	23,093
Cash and cash equivalents at beginning of period	8	52,743	37,438
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		—	(586)
Cash and cash equivalents at end of period	8	37,438	59,945

Notes to the Consolidated Financial Statements

1. Reporting Entity

Asahi Group Holdings, Ltd. ('the Company') is a corporation domiciled in Japan. The Company and its subsidiaries ('the Group') are engaged primarily in manufacturing and marketing of alcohol beverages, soft drinks, and food.

2. Basis of Preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The Company is qualified as a "Specified Company" as provided in Article 1-2 of "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976). Article 93 of this ordinance allows Specified Companies to prepare consolidated financial statements under IFRS. The Group's consolidated financial statements for the year ended December 31, 2023 were authorized for issue by Atsushi Katsuki, President and Representative Director, Group CEO, and Kaoru Sakita, Director EVP and Group CFO on March 26, 2024.

The Group's consolidated financial statements are prepared on the cost basis, except for the financial instruments and other items as described in "5. Material Accounting Policies".

The preparation of consolidated financial statements in conformity with IFRS requires accounting estimates on certain critical items. It also requires management to make judgments in applying the Group's accounting policies.

The Group's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company.

Amounts presented in the consolidated financial statements are rounded down to the nearest million yen.

3. Change in accounting policy

(IAS 12 "Income Taxes")

(1) International Tax Reform—Pillar Two Model Rules

The "International Tax Reform—Pillar Two Model Rules (amendments to IAS 12)" issued on May 23, 2023 provides a temporary mandatory exception for the recognition and disclosure of deferred taxes relating to taxes arising from the system associated with the Pillar Two Model Rules.

The Group applies the exception retrospectively upon the announcement of the amendments to IAS 12 in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The adoption of the amendments to IAS 12 does not have a material impact on the Group's consolidated financial statements.

(2) Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted the amendment to IAS 12 "Income Taxes" (Clarifying accounting treatment for deferred taxes related to assets and liabilities arising from a single transaction) from the beginning of this fiscal year.

The adoption of the amendments to IAS 12 does not have a material impact on the Group's consolidated financial statements except the impact on the Note29 Income Taxes (1) Deferred Tax Assets and Deferred Tax Liabilities.

The Group applied the amendments to IAS 12 retrospectively and restated previous year amounts in Note 29.

4. Standards and Interpretations that have been issued but not yet applied

There are no major published standards and interpretations that are new or revised that are material and have not been applied.

5. Material Accounting Policies

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group assesses that it controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control is lost. Amounts reported by subsidiaries are adjusted to conform to the Group's accounting policies.

Intra-group transactions, balances and any unrealized gains or losses arising from transactions within the Group are eliminated to prepare the consolidated financial statements.

Subsidiaries whose reporting date is different from that of the Group are consolidated based on the provisional closing information as of the Group's reporting date.

(ii) Associates and Joint Ventures

Associates are entities where the Group has significant influence over the financial and operating policies. It is presumed that the Group has significant influence when it holds more than 20 percent of the voting power of the investee. A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method ('equity-accounted investees'). Under the equity method, an investment is initially recognized at cost.

The consolidated financial statements include the Group's share of changes equity-accounted investees from the date that the Group obtained significant influence or joint control until the date on which the Group loses significant influence or joint control.

The Group's investments include goodwill recognized on the acquisition.

Necessary adjustments are made when accounting policies of the associates and joint ventures are different from those of the Group to retain consistency.

(2) Business Combinations

The Group applies the acquisition method to business combinations. The consideration is measured at fair value on the acquisition date which represents the total fair value of the assets transferred, the liabilities assumed and the equity instruments issued by the Group. The Group recognizes goodwill for the excess of total consideration paid, amount of non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net value of identifiable assets and assumed liabilities as of the date of the combination. Negative goodwill is recognized immediately in profit or loss.

The Group elects to recognize non-controlling interests in the acquiree for each business combination, either at fair value or at the proportionate share of the identifiable net assets at the acquisition date, elected on a transaction-by-transaction basis.

Acquisition-related costs are expensed as incurred. Additional acquisition of non-controlling interest after the control obtained is accounted as equity transactions, and goodwill does not arise from such transactions accordingly.

The Group applies book value accounting to acquisitions under common control, which are business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combinations, and that control is not transitory.

(3) Foreign Currency Translation

(i) Functional currency and presentation currency

Items included in financial statements of each company of the Group are measured using the currency of the primary economic environment in which the company operates (hereinafter referred to as the "functional currency"). The consolidated financial statements are presented in Japanese Yen, which is the presentation currency of the Group.

(ii) Transactions and Balances

Foreign currency transactions are translated into functional currencies using the exchange rate at the date of the transactions. Foreign exchange differences arising from settlement of transactions and those arising from the translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the end of the fiscal year are recognized in profit or loss. However, exchange differences arising from financial assets measured through other comprehensive income, qualifying cash flow hedges and hedges of net investments in foreign operations are recognized in other comprehensive income.

(iii) Foreign operation

Operating results and financial position of all the foreign operations using a functional currency that is not the presentation currency are translated into the presentation currency in the ways described below. Among the foreign operations, there is no company that uses a currency of a hyperinflationary economy.

(a) Assets and liabilities are translated using the closing rate as of the end of the fiscal year.

(b) Income and expenses are translated using the average rate (unless the average rate is not a reasonable approximation of the cumulative effect of the exchange rates prevailing on the transaction date, in which case income and expenses are translated using the rate on the transaction date).

(c) All resulting exchange differences are recognized in other comprehensive income and accumulated in exchange differences on foreign operations, which is other components of equity.

When a foreign operation is partially disposed of or sold, the exchange differences recognized in other comprehensive income are recognized in profit or loss as part of a gain or loss on the sale.

(4) Property, Plant and Equipment

Buildings and structures, machinery and vehicles, tools, furniture and fixtures, and land mainly consist of production and processing equipment and facilities for the head office. Property, plant and equipment are recognized at cost, and carried at cost less accumulated depreciation and accumulated impairment losses. The cost includes the purchase price, the costs directly related to acquisition of the asset, costs for asset dismantlement and removal and site restoration, and borrowing costs that are required to be capitalized.

Concerning expenditure after acquisition, in cases when it is highly probable that future economic benefit relating to the item will flow to the Group, and the item has a cost that can be measured reliably, such costs are recognized either together in the carrying amount of the asset, or when deemed appropriate, as a separate asset. The carrying amounts of parts that are replaced are derecognized. Other repair and maintenance costs are recognized in profit or loss in the accounting period in which the cost was incurred.

Land is not depreciated. The amount of depreciation of other assets is calculated by allocating the cost of each asset less the residual value using the straight-line method over the following major estimated useful lives:

Buildings and structures 3–50 years

Machinery and vehicles 2–15 years

Tools, furniture and fixtures 2–20 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each fiscal year, and revised where necessary.

Gains or losses on disposal are computed by comparing the carrying amount with the proceeds from disposal, and then recognized in profit or loss.

(5) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalized until the assets get ready for their intended use or sale. Income earned on a temporary investment of specific borrowings until they are used for qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss as incurred.

(6) Goodwill and Intangible Assets

(i) Goodwill

Goodwill is tested for impairment annually, and the carrying amount is the cost less accumulated impairment losses. Impairment losses of goodwill are not reversed. Gain or loss on sales of business operations includes carrying amount of goodwill related to the business operation.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

(ii) Trademarks

Separately acquired trademarks are recognized at cost. Trademarks acquired through business combinations are recognized at fair value as of the acquisition date. Trademarks, for which a certain useful life is determined, except for those with indefinite useful lives, are recorded at cost less accumulated amortization and accumulated impairment losses. The amount of amortization is calculated by allocating the cost of trademarks using the straight-line method mainly over the estimated useful life of 20 to 40 years.

(iii) Software

Software is carried at cost less accumulated amortization and accumulated impairment losses.

Development costs directly related to design and testing of the Group's proprietary software are recognized as intangible assets only when they are reliably measurable, they are technically feasible, it is highly probable to generate future economic benefits, and the Group has an intention and adequate resources to complete the development and use the assets.

Other development costs that do not satisfy these requirements are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent fiscal years.

Software is amortized mainly using the straight-line method over the estimated useful life of 5 years.

Expenses related to maintenance of software are recognized as expenses as incurred.

(iv) Other Intangible Assets

Other intangible assets are initially recognized at cost. The costs of intangible assets acquired through a business combination and recognized separately from goodwill are measured at fair value at the acquisition date. Other intangible assets, for which a useful life is determined, are carried at the cost less accumulated amortization and accumulated impairment losses. However, some intangible assets (such as leasehold interests in land) are determined to have indefinite useful lives and are not amortized, because they exist fundamentally as long as the business continues. The amount of amortization is calculated by allocating the cost of each other intangible asset using the straight-line method over the estimated useful life.

Residual values, useful lives and amortization methods of intangible assets are reviewed at the end of each fiscal year, and revised where necessary.

(7) Leases

(i) Leases as Lessee

A right-of-use asset is initially measured at cost. The cost of the right-of-use asset is measured using the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. In its consolidated statement of financial position, the Group presents right-of-use assets in "Property, plant and equipment" and "Intangible assets," lease liabilities in "Other financial liabilities."

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of the equivalent property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group applies the recognition exemption on short-term leases and leases for which the underlying asset is of low value.

(ii) Leases as Lessor

For leases where the Group is the lessor, it determines whether each lease is a finance lease or an operating lease at contract inception.

When classifying each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards of ownership of the underlying asset. The lease is classified as a finance lease in cases where the risks and rewards are transferred and as an operating lease in cases where they are not transferred. As part of this assessment, the Group considers certain indicators, such as whether the lease term covers the major part of the economic useful life of the underlying asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification by reference to right-of-use assets arising from the head lease, not by reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease. In its consolidated statement of financial position, the Group presents finance leases as a lessor pertaining to the subleases under "trade and other receivables" and "other non-current assets."

(8) Impairment of Non-financial Assets

Goodwill and intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually. Other non-financial assets are examined for impairment if there is an indication that the carrying amount may not be recovered due to occurrence of an event or change in the circumstances. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized at the excess amount. The recoverable amount is the higher of its fair value less costs of disposal of the asset and value in use. To assess impairment, an asset is grouped at the smallest unit which generates separately identifiable cash flows (cash-generating units). Non-financial assets for which impairment losses are recognized, excluding goodwill, are reassessed at the end of each fiscal year for the possibility that the impairment losses may be reversed.

(9) Financial Instruments

(i) Financial Assets

a. Initial Recognition and Measurement

The Group recognizes financial assets when it becomes a party to the contract. Financial assets purchased or sold in a regular way are recognized on the transaction date which the group becomes a party to the contract. Financial assets are subsequently classified as financial assets measured at amortized cost or financial assets measured at fair value.

Financial assets measured at fair value through profit or loss are initially recognized at fair value. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. However, trade receivables that do not contain a significant financing component are initially recognized at the transaction price.

(a) Financial Assets measured at Amortized Cost

Financial assets are classified as financial assets measured at amortized cost only when the requirements that the objective of the Group's business model is to hold assets in order to collect the contractual cash flows and that the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are both met.

(b) Financial Assets measured at Fair Value

Financial assets that do not satisfy either of the two requirements above are classified as financial assets measured at fair value.

With regard to financial assets measured at fair value, the Group decides to irrevocably designate each financial instrument as measured at fair value through other comprehensive income, except for equity instruments held for trading, which must be measured at fair value through profit or loss. Equity instruments that are not designated are measured at fair value through profit or loss.

Information on derivatives is provided in '(V) Derivatives and Hedge Accounting'.

b. Subsequent Measurement

Financial assets are subsequently measured based on the classification of the asset as follows:

(a) Financial Assets measured at Amortized Cost

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

(b) Financial Assets measured at Fair Value

These financial assets are measured at fair value at the reporting date.

Changes in fair value of such financial assets are recognized in profit or loss or other comprehensive income, depending on their classification.

Dividend income arising from equity instruments designated as measured at fair value through other comprehensive income is recognized in profit or loss. If the fair value decreases significantly or the equity instrument is disposed of, the accumulated other comprehensive income is transferred to retained earnings.

c. Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets expire or are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred to another entity.

(ii) Impairment of Financial Assets

The Group estimates expected credit losses at the end of each fiscal year for recoverability of financial assets measured at amortized cost.

For financial instruments of which the credit risk has not increased significantly after initial recognition, expected credit losses within the next 12 months are recognized as loss allowance. For financial instruments of which the credit risk has increased significantly after initial recognition, lifetime expected credit losses are recognized as loss allowance. However, for trade receivables, loss allowance is always measured based on lifetime expected credit losses.

Interest income for financial assets whose credit risk has significantly increased and there is an objective evidence of impairment is measured by applying the effective interest rate to the net carrying amount of the financial asset less loss allowance.

If all or part of a financial asset cannot be recovered or is judged to be extremely unlikely to be recovered, it is deemed to be in default.

In determining whether any objective evidence of impairment exists, the Group uses the following requirements:

- Significant financial difficulties of the issuer or the borrower;
- A breach of contract, such as default or past due event in interest or principal payments;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. Subsequent changes in loss allowance are recognized as impairment gains or impairment losses in profit or loss.

(iii) Financial Liability

a. Initial Recognition and Measurement

The Group recognizes financial liabilities when it becomes a party to the contract. Financial liabilities are subsequently classified as financial liabilities measured at amortized cost or financial liabilities measured at fair value. Financial liabilities measured at fair value through profit or loss is recognized at their fair value upon initial recognition, and financial liabilities measured at amortized cost is measured at their fair value less transaction costs directly attributable to the acquisition upon initial recognition.

b. Subsequent Measurement

Financial liabilities are subsequently measured according to the classification as follows:

(a) Financial Liabilities measured at Fair Value through Profit or Loss

These financial liabilities measured at fair value through profit or loss are measured at fair value at the reporting date.

(b) Financial Liabilities measured at Amortized Cost

These financial liabilities measured at amortized cost are measured using the effective interest method.

c. Derecognition

Financial liabilities are derecognized when the Group's contractual obligations are discharged, canceled or expired.

(iv) Offset of Financial Instruments

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when there is a legally enforceable right to offset the financial instruments and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(v) Derivatives and Hedge Accounting

Derivatives are initially recognized at fair value on the date when the derivative contract is concluded and subsequently remeasured at fair value at the end of each fiscal period. The method of recognizing gains or losses arising as a result of the remeasurement depends on whether the derivative is designated as a hedging instrument, and if it was designated as a hedging instrument, on the nature of the hedged item.

The Group designates certain derivatives as hedging instruments of cash flow hedges (hedge of a particular risk associated with recognized assets or liabilities, or highly probable forecast transactions) and certain borrowings denominated in foreign currencies and bonds denominated in foreign currencies as hedging instruments of net investments in foreign operations.

The Group documents the relationship between the hedging instrument and the hedged item and the risk management objective and strategy for exercising the hedging transactions at the inception of the transaction. The Group also documents its assessment, both at the inception and on an ongoing basis, of whether the derivatives or non-derivative hedging instruments used in hedging transactions are effective in offsetting changes in cash flows of hedged items or foreign exchange fluctuations in net investments in foreign operations.

The Group assesses the effectiveness of hedges on an ongoing basis, and determines that a hedge is effective when the requirement that there is an economic relationship between the hedged item and the hedging instrument, the requirement that the effect of credit risk does not significantly dominate the value changes that result from the economic relationship, and the requirement that the hedge ratio of the hedging relationship is the same as the ratio resulting from the quantities of the hedged item actually hedged and the hedging instrument actually used are all satisfied.

The effective portion of changes in fair value of derivatives that are designated as a hedging instrument of cash flow hedges and satisfy the requirements as the hedging instrument is recognized in other comprehensive income. Gains or losses on the ineffective portion are immediately recognized in profit or loss.

Accumulated gains or losses recognized through other comprehensive income are transferred to profit or loss in the period during which cash flows arising from the hedged item affect profit or loss. However, when a forecast transaction as the hedged item results in the recognition of non-financial assets (e.g. inventories or property, plant and equipment), gains or losses previously deferred in other comprehensive income are transferred and included in the initial measurement of the cost of the assets. The deferred amount is eventually recognized as cost of sales for inventories, and as depreciation expense for property, plant and equipment.

Application of hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting due to expiry, sale of the hedging instrument and other reasons. When the hedged future cash flows are still expected to occur, accumulated gains or losses recognized in other comprehensive income remain as accumulated other comprehensive income. When a forecast transaction is no longer expected to occur and in other cases, accumulated gains or losses recognized in other comprehensive income are immediately transferred to profit or loss.

With regard to derivatives or non-derivative hedging instruments, including borrowings, held for hedging foreign exchange risk in net investments in foreign operations, the portion of foreign exchange differences deemed effective as a hedge is recognized in other comprehensive income as hedging of net investments in foreign operations. Of exchange differences for derivatives or non-derivative hedging instruments, the portion deemed ineffective as a hedge and not subject to the assessment of hedging effectiveness are recognized in profit or loss.

Accumulated gains or losses recognized in other comprehensive income through net investment hedges are transferred to profit or loss upon disposal of foreign operations.

(10) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits withdrawable on demand, and short-term investments that are readily convertible to cash and subject to insignificant risk of change in value with maturities of three months or less.

(11) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is calculated mainly using the weighted-average method for merchandise, finished goods and semi-finished goods, and mainly using the moving-average method for raw materials and supplies. The cost of merchandise, finished goods and semi-finished goods consists of raw material costs, direct labor costs, other direct costs and related production overhead costs (based on the normal production capacity). Net realizable value is determined at the estimated selling price in the ordinary course of business less the relevant estimated selling expenses.

(12) Assets or Disposal Groups Held for Sale

The Group classifies a non-current asset (or disposal groups) as held for sale when its carrying amount will be recovered principally through a sale rather than through continuing use, the sale is highly probable and the asset is available for immediate sale in its present condition. The Group does not depreciate or amortize a non-current asset (or disposal groups) classified as held for sale and measures it at the lower of its carrying amount and fair value less costs to sell.

(13) Employee Benefits

(i) Post-employment Benefits

The Group companies have various pension plans. The Group has adopted defined benefit plans, and certain consolidated subsidiaries have established a retirement benefit trust. In addition to these plans, certain consolidated subsidiaries have introduced defined contribution plans and retirement benefit prepayment plans.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined contribution plans are post-employment benefit plans in which the employer pays fixed contributions to other separate entities and has no legal or constructive obligations to make further contributions.

In defined benefit plans, the present value of defined benefit obligations is calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for their service rendered in the prior fiscal years and the current fiscal year and discounting that amount. The Group recognizes the amount calculated by deducting fair value of plan assets from the present value of defined benefit obligations as net defined benefit liability (asset). Defined benefit obligations are calculated using the projected unit credit method. The discount rates are determined based on market yields of high quality corporate bonds at the end of the fiscal year that correspond to the discount period, which is set on the basis of a period up to the estimated date of benefit payment for each future year. Contributions to the plans are determined based on periodic actuarial calculation and are usually paid to the funds managed by insurance companies or trust companies.

In cases where the Group has a surplus in the defined benefit plans as a result of calculation, the net defined benefit asset is measured to the extent of the present value of economic benefits available in the form of a future refund from the plan or a reduction in future contributions to the plan. In calculating the present value of economic benefits, the Group takes into account minimum funding requirements applicable to its plan. Economic benefits shall be available to the Group, if the economic benefits can be realized during the life of the plan or at the time when the pension liabilities are settled.

The Group recognizes remeasurements of the net defined benefit liability (asset) arising from the defined benefit plans in other comprehensive income and immediately reclassifies them to retained earnings.

Contributions to the defined contribution plan are recognized as employee benefits expense in profit or loss in the period during which employees render their service.

(ii) Short-term Employee Benefits

Short-term employee benefits are measured on an undiscounted basis and recognized as expenses when the related service is rendered. Bonuses are recognized as a liability at the amount estimated to be paid under the plans, when the Group has present legal or constructive obligations to pay as a result of past service rendered by employees, and the amount of obligations can be reliably estimated.

(14) Share-based Payment

Equity-settled share-based payments granted to employees are measured at fair value at the grant date, and then generally recognized as an expense over the vesting period. The same amount is recognized as an increase in equity. However, if the equity-settled share-based payments granted are immediately vested, the entire amount is recognized as an expense and an increase in equity at the grant date.

The fair value of the share-based payment plan accounted for cash-settled share-based payments recognize an expense over the vesting period and recognize the same amount as an increase of liability.

The liability is remeasured at the reporting date and also at the settlement date, and then the movement in the fair value is recognized in profit or loss.

(15) Provisions

The Group recognizes provisions when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are a number of similar obligations, the probability that an outflow of resources will be required in settlement is determined taking into account the similar obligations as a whole. Provisions are recognized even if the likelihood of the outflow is low for one item in the similar obligations.

Provisions are measured as the present value of expenditures expected to be required to settle the obligation, using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An increase in provisions due to passage of time is recognized as interest expense.

(16) Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to issuance of new ordinary shares or share options are deducted from equity.

When any company within the Group purchases the Company's share (treasury shares), the consideration paid including any directly attributable incremental costs (net of tax) is deducted from equity attributable to owner of the Company until the shares are canceled or reissued. When such ordinary shares are subsequently reissued, any consideration received, net of directly attributable incremental costs and the related tax effects, is recognized in equity attributable to owners of the Company.

(17) Revenue

The Group recognizes revenue based on the following five step approach.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

For sales of goods, as the customer obtains control over the goods upon delivery, the performance obligation is determined to have been satisfied and revenue is therefore recognized upon delivery of the goods. Revenue is measured using the net amount after eliminating goods returned, rebates and discounts.

Because the period from satisfaction of the performance obligation to receipt of consideration is usually within one year or less, the Group uses the practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component for such receivables.

The Group's view is that acting as a principal if it controls promised goods before transferring them to a customer and recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods to be transferred.

(18) Government Grants

Government grants are recognized when there is reasonable assurance that the Group complies with the conditions attaching to them and that the grants will be received. Government grants which are intended to compensate specific costs are recognized in profit or loss on a systematic basis over the period in which the Group recognizes the corresponding expenses. Government grants related to assets are recognized as deferred income, and then recognized in profit or loss on a straight-line basis over the estimated useful lives of the related assets. Non-monetary grants measured at fair value are accounted for in the same way. Grants related to income are recognized and presented in 'Other operating income' in the period when the Group recognizes the corresponding expenses.

(19) Dividends

Dividends payable to the shareholders of the Company are recognized as liabilities in the period in which the dividends are approved at the shareholder's meeting for annual dividends and in the period in which the dividends are approved at the board of directors meeting for interim dividends.

(20) Income Tax

Income tax expenses comprise current and deferred taxes. Income tax is recognized in profit or loss for the period, except to the extent it relates to a transaction which is recognized in other comprehensive income or directly in equity. In those cases, income tax is also recognized in other comprehensive income or directly in equity.

Current tax is measured at the amount that is expected to be paid to or recovered from tax authorities. The taxes are calculated at tax rates under applicable tax laws that have been enacted or substantively enacted at end of the fiscal period.

Deferred tax is recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, a deferred tax liability is not recognized for a temporary difference arising from the initial recognition of goodwill. Similarly, a deferred tax asset or liability is not recognized for a temporary difference arising from initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable profit (tax loss), and that do not give rise to equal taxable temporary differences and deductive temporary differences. Deferred tax is measured at tax rates that have been enacted or substantively enacted at end of the reporting date and expected to apply in the period when the related deferred income tax asset is realized or the deferred income tax liability is settled under applicable tax laws.

A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized.

A deferred tax asset and liability is recognized for temporary differences arising from investments in subsidiaries and associates although a deferred tax liability is not recognized if the Group is able to control the timing of the reversal of the temporary difference and it is probable that temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liability, and income taxes are levied by the same taxation authority on the same taxable entity.

The Company and its wholly owned subsidiaries in Japan have applied Japanese group tax sharing system.

The Group has applied a temporary exception of the recognition and disclosure about deferred tax assets and deferred tax liabilities related to income tax arising from the tax laws enacted or substantively enacted to introduce Pillar Two Model Rules issued by the Organization for Economic Cooperation and Development.

6. Significant Accounting Estimates and Judgments

In the preparation of the consolidated financial statements, management makes judgments, estimates and assumptions that affect the application of the accounting policies and the reporting amounts of assets, liabilities, revenue and expenses. The estimates and the underlying assumptions are reviewed on an ongoing basis. The effects of a change in accounting estimates are recognized in the period in which the estimate is revised and in the future periods. The estimates and the underlying assumptions that have significant risks which could result in a material adjustment to the carrying amounts of assets and liabilities within the next year are as follows:

- Impairment of non-financial assets (Notes 12, 13)

7. Segment Information

(1) General Information

The Group determines operating segments based on the report that is reviewed by management and utilized in its strategic decision making.

The operating segments are components of the Group for which separate financial information is available and regularly reviewed by the management so as to make decisions about how to allocate resources.

The Group’s management structure comprises Global Headquarters and Regional Headquarters (RHQ). Global Headquarters specialize in formulating Group-wide strategies and business management, while Regional Headquarters (RHQ) are responsible for formulating and implementing strategies for the manufactures and sales of alcohol beverages, soft drinks, and other products tailored to the characteristics of each region.

The Group appoints a responsible officer to each RHQ and oversees the formulation of business strategies for each region, so that they are in line with the global strategy.

The Group consists of segments based on the manufacture and sale of alcoholic beverages and beverage products, etc., by region where RHQ is located, and has identified 4 reportable segments, “Japan,” “Europe,” “Oceania” and “Southeast Asia” accordingly.

Reportable Segments

- Japan — manufacture and sales of alcohol beverages, soft drinks, food, and pharmaceuticals
- Europe — manufacture and sales of alcohol beverages
- Oceania — manufacture and sales of alcohol beverages and soft drinks
- Southeast Asia — manufacture and sales of soft drinks

Management evaluates performance of each operating segment based on the results of measure of segment profit or loss.

Previous Year (ended December 31, 2022)

Millions of yen

	Japan	Europe	Oceania	Southeast Asia	Other ※	Segment Total	Adjustments	Consolidated
Revenue:								
External customers	1,297,197	572,662	580,845	51,639	8,764	2,511,108	—	2,511,108
Intersegment	4,534	1,213	2,321	40	—	8,110	(8,110)	—
Total revenue	1,301,731	573,875	583,167	51,680	8,764	2,519,219	(8,110)	2,511,108
Segment profit (loss)	96,417	55,163	80,177	633	1,257	233,647	(16,599)	217,048
Segment assets	997,249	1,798,105	1,918,822	45,472	9,025	4,768,675	61,669	4,830,344
Other items								
Depreciation and amortization expenses	54,175	49,184	32,580	2,128	596	138,665	1,754	140,419
Impairment losses	18,304	—	—	185	—	18,490	—	18,490
Share of profit (loss) of investments accounted for using equity method	171	467	28	—	—	667	—	667
Investments accounted for using equity method	2,217	3,455	1,051	—	—	6,724	(1)	6,722
Additions to non-current assets other than financial instruments and deferred tax assets	55,429	56,422	24,195	931	204	137,183	1,281	138,465

※ “Other” consists of business segments not included in the reportable segments, and includes Korean alcohol beverage business, feedstuffs business and others.

Adjustments to segment profit or (loss) of ¥(16,599) million include overhead costs of ¥(17,505) million, which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥905 million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company. The price in intersegment transactions is in accordance with the transaction price with external customers.

Adjustments to segment assets of ¥61,669 million include corporate assets of ¥86,216 million, which are not allocated to the reportable segments, and elimination of ¥(24,547) million to offset intersegment receivables and payables. The corporate assets are primarily assets held by the Company, which is a pure holding company.

Current Year (ended December 31, 2023)

Millions of yen

	Japan	Europe	Oceania	Southeast Asia	Other ※	Segment Total	Adjustments	Consolidated
Revenue:								
External customers	1,353,194	687,637	649,513	57,204	21,542	2,769,091	—	2,769,091
Intersegment	9,656	1,088	2,641	602	—	13,988	(13,988)	—
Total revenue	1,362,850	688,725	652,154	57,806	21,542	2,783,080	(13,988)	2,769,091
Segment profit (loss)	111,266	59,437	89,673	1,009	5,174	266,561	(21,562)	244,999
Segment assets	1,036,548	2,006,197	2,084,718	54,872	15,226	5,197,564	88,349	5,285,913
Other items								
Depreciation and amortization expenses	52,278	58,616	32,923	1,850	481	146,150	1,841	147,992
Impairment losses	1,492	—	—	691	—	2,183	—	2,183
Share of profit (loss) of investments accounted for using equity method	427	446	1	—	—	875	—	875
Investments accounted for using equity method	5,910	3,632	1,541	—	—	11,083	(1)	11,081
Additions to non-current assets other than financial instruments and deferred tax assets	61,401	65,166	19,501	895	510	147,475	1,814	149,290

※ “Other” consists of business segments not included in the reportable segments, and includes Korean alcohol beverage business, feedstuffs business and others.

Adjustments to segment profit or (loss) of ¥(21,562) million include overhead costs of ¥(21,732) million, which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥169 million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company. The price in intersegment transactions is in accordance with the transaction price with external customers.

Adjustments to segment assets of ¥88,349 million include corporate assets of ¥108,735 million, which are not allocated to the reportable segments, and elimination of ¥(20,385) million to offset intersegment receivables and payables. The corporate assets are primarily assets held by the Company, which is a pure holding company.

(2) Information about Products and Services

Please refer to (1) General Information.

(3) Information about Geographical Areas

With regard to information about geographical areas, revenue to external customers and non-current assets are classified into Japan or overseas based on customers' locations and asset locations, respectively.

Revenue from External Customers

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Japan	1,281,768	1,340,989
Overseas	1,229,340	1,428,101
Of which, Australia	534,961	601,978
Total	2,511,108	2,769,091

Non-current Assets

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Japan	456,927	453,441
Overseas	3,424,491	3,738,207
Of which, Australia	1,745,295	1,873,337
Of which, Czech Republic and Slovakia	748,340	811,556
Total	3,881,419	4,191,649

(4) Information about Major Customers

In the current year, due to the fact that the Group does not have external customers to which sales revenue exceed 10% of Revenue amount in the Consolidated Statement of Profit or Loss, information about Major Customers is omitted.

8. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position at the end of the previous year and the current year are consistent with those in the consolidated statement of cash flows.

Cash and cash equivalents are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Cash and cash equivalents	37,438	59,945
Total	37,438	59,945

Cash and cash equivalents are classified as financial assets measured at amortized cost.

9. Trade and Other Receivables

Trade and other receivables are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Notes and accounts receivable-trade	396,918	439,369
Others	28,882	37,663
Less: Loss allowance	(10,124)	(11,399)
Total	415,676	465,633

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

10. Inventories

Inventories are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Merchandise and finished goods	105,357	128,127
Semi-finished goods and work in progress	57,107	61,406
Raw materials	58,574	61,254
Supplies	13,930	16,529
Total	234,969	267,317

Whisky and equivalents which are to be sold after 12 months from the year end account for 67.9% (Previous year: 66.7%) of semi-finished goods and work in progress.

The Group recognized ¥1,657,801 million of inventories as an expense in the current year (Previous year: ¥1,480,317 million). It is included in “Cost of sales”.

No inventory is pledged as collateral for liabilities.

“Cost of sales” includes cost of raw materials amounting to ¥754,366 million (Previous year: ¥598,274 million).

11. Assets or Disposal Groups Held for Sale

Previous year (ended December 31, 2022)
There are no disposal groups held for sale.
Current year (ended December 31, 2023)
There are no disposal groups held for sale.

12. Property, Plant and Equipment

Property, plant and equipment is analyzed as follows:

Carrying Amount

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Previous year (as of January 1, 2022)	262,468	260,432	114,108	143,289	38,099	818,398
Separate acquisitions	24,358	20,835	22,386	385	45,456	113,421
Acquisitions through business combinations	249	16	38	—	—	304
Disposals	(2,522)	(796)	(3,343)	(9,030)	(200)	(15,893)
Exchange differences	10,235	11,407	4,650	3,521	2,726	32,542
Transfers from construction in progress	5,170	17,882	5,515	544	(29,112)	—
Impairment losses(Note)	(7,615)	(3,892)	(168)	(5,592)	(14)	(17,283)
Depreciation expenses	(27,782)	(46,829)	(23,501)	—	—	(98,113)
Other	101	1,754	601	80	(1,192)	1,344
Previous year (as of December 31, 2022)	264,662	260,810	120,287	133,198	55,762	834,721
Separate acquisitions	17,093	27,120	28,341	19	50,710	123,286
Acquisitions through business combinations	—	—	11	—	—	11
Disposals	(1,415)	(1,357)	(5,844)	(1,170)	(628)	(10,417)
Exchange differences	14,661	15,563	7,736	3,317	4,587	45,865
Transfers from construction in progress	10,048	23,588	10,654	82	(44,374)	—
Impairment losses(Note)	(1,035)	(748)	(313)	(57)	—	(2,153)
Depreciation expenses	(28,123)	(48,254)	(24,797)	—	—	(101,176)
Other	(887)	(1,062)	44	461	(622)	(2,066)
Current year (as of December 31, 2023)	275,003	275,660	136,120	135,851	65,433	888,070

(Note) Please refer to “13. Goodwill and Intangible Assets” regarding recognition of impairment losses and other.

Cost

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Previous year (as of January 1, 2022)	632,138	812,951	280,143	144,132	38,099	1,907,465
Previous year (as of December 31, 2022)	653,194	846,412	294,468	138,921	55,762	1,988,760
Current year (as of December 31, 2023)	692,695	910,264	335,413	141,632	65,433	2,145,439

Accumulated Depreciation and Accumulated Impairment losses

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Previous year (as of January 1, 2022)	369,669	552,518	166,034	843	—	1,089,066
Previous year (as of December 31, 2022)	388,532	585,601	174,181	5,723	—	1,154,038
Current year (as of December 31, 2023)	417,691	634,604	199,292	5,780	—	1,257,368

The carrying amount of property, plant and equipment includes the carrying amount of right-of-use assets as follows:

Millions of yen

Right-of-use assets	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
Previous year (as of January 1, 2022)	57,194	12,770	6,746	23	76,736
Previous year (as of December 31, 2022)	63,533	14,976	5,305	20	83,835
Current year (as of December 31, 2023)	63,246	21,515	5,102	12	89,877

Depreciation expenses of property, plant and equipment are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Items of property, plant and equipment are grouped together into cash-generating units generally by location of business facilities such as plants and offices taking into account mutual complementary nature in cash flow.

13. Goodwill and Intangible Assets

(1) Carrying Amount, Cost and Accumulated Amortization and Accumulated Impairment losses

Goodwill and intangible assets are analyzed as follows:

Carrying Amount

Millions of yen

	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2022)	1,816,862	967,781	24,099	10,891	2,819,634
Separate acquisitions	—	—	9,196	4,524	13,720
Acquisitions through business combinations	2,289	770	1	14	3,075
Disposals	—	—	(268)	(950)	(1,218)
Exchange differences	148,001	80,556	731	356	229,646
Transfers from construction in progress	—	—	812	(812)	—
Impairment losses	(181)	—	(6)	(4)	(192)
Amortization expenses	—	(33,601)	(5,433)	(3,271)	(42,305)
Other	(0)	607	1,474	3,488	5,569
Previous year (as of December 31, 2022)	1,966,971	1,016,113	30,607	14,237	3,027,929
Separate acquisitions	—	—	16,436	3,654	20,091
Acquisitions through business combinations	1,158	3,813	—	—	4,971
Disposals	—	—	(2,343)	(478)	(2,822)
Exchange differences	179,009	99,372	1,227	622	280,232
Transfers from construction in progress	—	—	—	—	—
Impairment losses	—	—	(21)	(8)	(30)
Amortization expenses	—	(36,862)	(6,839)	(3,114)	(46,816)
Other	(0)	648	(590)	334	391
Current year (as of December 31, 2023)	2,147,139	1,083,084	38,476	15,248	3,283,948

Cost

Millions of yen

	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2022)	1,892,850	1,120,771	110,992	25,712	3,150,326
Previous year (as of December 31, 2022)	2,043,140	1,202,705	121,750	29,076	3,396,673
Current year (as of December 31, 2023)	2,223,308	1,306,539	136,480	33,210	3,699,538

Accumulated Amortization and Accumulated Impairment losses

Millions of yen

	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2022)	75,987	152,990	86,893	14,821	330,691
Previous year (as of December 31, 2022)	76,169	186,591	91,143	14,838	368,743
Current year (as of December 31, 2023)	76,169	223,454	98,004	17,962	415,589

The carrying amount of intangible assets includes the carrying amount of right-of-use assets as follows:

Millions of yen

	Software	Other	Total
Previous year (as of January 1, 2022)	61	—	61
Previous year (as of December 31, 2022)	207	—	207
Current year (as of December 31, 2023)	200	—	200

There are no significant internally generated intangible assets as of the end of the previous year and that of the current year, respectively.

Amortization expenses are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Intangible assets with indefinite useful lives are included in the above, and the carrying amounts are ¥7,063 million as of December 31, 2023 (¥6.691 million as of December 31, 2022). These assets primarily consist of trademarks and land leasehold right, which basically last as long as the business continues, and thereby their useful lives are considered as indefinite.

Significant intangible assets recognized in the consolidated statement of financial position are mainly trademarks derived from the acquisition of CUB Australia Holding Pty Ltd. (which changed its name from ABI Australia Holding Pty Ltd. on August 7, 2020.) in the fiscal year ended December 31, 2020, and from the acquisition of Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s. and Kompania Piwowarska S.A. in the fiscal year ended December 31, 2017.

The carrying amount of trademarks recognized due to the acquisition of CUB Australia Holding Pty Ltd. in the fiscal year ended December 31, 2020 is ¥334,268 million (¥318,154 million as of December 31, 2022).

The carrying amount of trademarks recognized due to the acquisition of Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s. are ¥314,430 million (¥298,218 million as of December 31, 2022). The carrying amount of trademarks recognized due to the acquisition of Kompania Piwowarska S.A. is ¥90,244 million (¥77,657 million as of December 31, 2022).

The above-mentioned trademarks, except for those with indefinite useful lives, are amortized using the straight-line method, the remaining amortization periods of the trademarks related to CUB Australia Holding Pty Ltd. is principally 36 years and related to Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s. and Kompania Piwowarska S.A. are 33 years.

(2) Impairment

Previous Year (ended December 31, 2022)

Millions of yen

Segment	Impairment loss amount (Note)	Type of assets
Japan	18,304	Buildings, machinery, Other non-current assets and others
Southeast Asia	185	Goodwill and buildings
Total	18,490	

In the previous year, in accordance with the decision on a plan to reorganize the production and logistics systems under the umbrella of Asahi Group Japan, Ltd., which belongs to the Japan segment, impairment loss tests were performed for related plants and the Group recorded an impairment loss of ¥16,467 million, which is included in "Other operating expense" in the Consolidated Statement of Profit or Loss. This impairment loss was mainly due to the reduction of the carrying amount of land, buildings, machinery, and equipment, etc., to the recoverable amount (¥4,103 million), and the recoverable amount is measured by value in use. The discount rate used to calculate the value in use is 3.7%.

(Note) Impairment loss is included in "Other operating expense" in the consolidated statement of profit or loss.

Current Year (ended December 31, 2023)

Millions of yen

Segment	Impairment loss amount (Note)	Type of assets
Japan	1,492	Buildings, Tools, furniture & fixtures, land and others
Southeast Asia	691	Machinery
Total	2,183	

(Note) Impairment loss is included in "Other operating expense" in the consolidated statement of profit or loss.

Impairment test for goodwill and intangible assets with indefinite useful lives

As of December 31, 2023, significant items among goodwill and intangible assets with indefinite useful lives allocated to each cash-generating unit (group of cash-generating units) are as below.

(Oceania segment)

Goodwill allocated to the Oceania business is ¥1,358,310 million as of December 31, 2023 (¥1,255,241 million as of December 31, 2022).

The recoverable amount is measured at fair value less costs of disposal and the fair value hierarchy is classified into Level 3. The fair value less costs of disposal is calculated by discounting the future cash flows at 10.2% (10.1% as of December 31, 2022). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit (group of cash-generating units).

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 2.5% (2.5% as of December 31, 2022) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating unit (group of cash-generating units) belongs.

Key assumptions, such as increases in future revenue and the growth rate applied to the periods subsequent to those covered by the business plan, used in estimating the future cash flows, involved a high degree of uncertainty as they are affected by changes in factors such as the business conditions and competitive environment in Oceania, and management's judgment thereon had a significant effect on the estimated future cash flows.

The recoverable amount exceeds the carrying amount by ¥170,462 million as of December 31, 2023 (¥202,664 million as of December 31, 2022), however if the discount rate were to increase by 0.8% (1.0% as of December 31, 2022), the carrying amount would exceed the recoverable amount.

(Europe segment)

Goodwill allocated to the Europe (Czech Republic and Slovakia) business is ¥361,338 million as of December 31, 2023 (¥331,872 million as of December 31, 2022).

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 6.7% (6.5% as of December 31, 2022). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit (group of cash-generating units).

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 2.0% (2.2% as of December 31, 2022) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating unit (group of cash-generating units) belongs.

The recoverable amount exceeds the carrying amount by ¥243,827 million as of December 31, 2023 (¥239,143 million as of December 31, 2022), however if the discount rate were to increase by 1.5% (1.5% as of December 31, 2022), the carrying amount would exceed the recoverable amount.

Goodwill allocated to the Europe (International) business is ¥113,145 million as of December 31, 2023 (¥100,770 million as of December 31, 2022).

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 8.1% (6.9% as of December 31, 2022). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit (group of cash-generating units).

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 2.0% (1.9% as of December 31, 2022) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating unit (group of cash-generating units) belongs.

Key assumptions, such as increases in future revenue and the growth rate applied to the periods subsequent to those covered by the business plan, used in estimating the future cash flows, involved a high degree of uncertainty as they are affected by changes in factors such as the business conditions and competitive environment in each region of the export destination markets, and management's judgment thereon had a significant effect on the estimated future cash flows.

The recoverable amount exceeds the carrying amount by ¥20,930 million as of December 31, 2023 (¥20,914 million as of December 31, 2022), however if the discount rate were to increase by 0.6% (0.5% as of December 31, 2022), the carrying amount would exceed the recoverable amount.

The total carrying amount of insignificant items among goodwill and intangible assets with indefinite useful lives allocated to each cash-generating unit (group of cash-generating units) is ¥314,345 million as of December 31, 2023 (¥279,088 million as of December 31, 2022) and ¥7,063 million as of December 31, 2023 (¥6,691 million as of December 31, 2022), respectively.

(3) Research and Development Expenses

Research and development expenses recognized on the consolidated statement of profit or loss in the previous year (ended December 31, 2022) and the current year (ended December 31, 2023) are as follows:

Millions of yen

Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
15,094	17,470

14. Other Financial Assets

Other financial assets are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Derivative assets	15,277	23,779
Equity instruments	107,715	124,696
Bonds	0	—
Other	12,816	13,162
Total	135,809	161,638
Current assets	10,028	10,469
Non-current assets	125,780	151,168
Total	135,809	161,638

Derivative assets are classified as financial assets measured at fair value through profit or loss, except for items to which hedge accounting is applied. Equity instruments are classified as financial assets measured at fair value through other comprehensive income. Bonds are classified as financial assets measured at amortized cost.

Equity instruments are held for strategic purposes, and thus designated as financial assets measured at fair value through other comprehensive income.

Details of fair values of financial assets measured at fair value through other comprehensive income and dividends received on these assets are as follows:

Previous Year (as of December 31, 2022)

Millions of yen

Description	Fair value
COLOWIDE CO., LTD.	13,142
OHSHO FOOD SERVICE CORP.	12,281
DAIICHIKOSHO CO., LTD.	7,243
IMPERIAL HOTEL, LTD.	6,581
Seven & i Holdings Co., Ltd.	5,660
SKYLARK HOLDINGS CO., LTD.	5,217
GINSEN CO., LTD.	4,772
Sumitomo Real Estate Sales Co., Ltd.	3,551
The Royal Hotel, Ltd.	2,590
Watami Co., Ltd.	2,116
Others	44,557
Total	107,715

Current Year (as of December 31, 2023)

Millions of yen

Description	Fair value
OHSHO FOOD SERVICE CORP.	16,573
COLOWIDE CO., LTD.	15,138
DAIICHIKOSHO CO., LTD.	7,594
SKYLARK HOLDINGS CO., LTD.	7,055
IMPERIAL HOTEL, LTD.	6,495
Seven & i Holdings Co., Ltd.	5,595
GINSEN CO., LTD.	4,951
Sumitomo Real Estate Sales Co., Ltd.	4,772
ZENSHO HOLDINGS CO., LTD.	4,632
CHIMNEY CO., LTD.	2,518
Others	49,368
Total	124,696

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Dividends received	1,703	1,942

Certain items designated as financial assets measured at fair value through comprehensive income have been disposed of during the year as a process of reviewing business relationships. The fair values, cumulative gain or loss at the disposal date and dividends received up to the disposal date are as follows:

Millions of yen

Previous year (ended December 31, 2022)			Current year (ended December 31,2023)		
Fair value	Cumulative gain or loss	Dividends received	Fair value	Cumulative gain or loss	Dividends received
10,107	285	5	3,375	689	3

Cumulative gain or loss previously recognized in other components of equity is reclassified to retained earnings in case that fair value of these financial assets is significantly declined or disposed. Such amount was ¥48 million in the current year ¥(1,316) million in the previous year ended December 31, 2022).

15. Other Assets

“Other current assets” and “Other non-current assets” are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Prepaid expenses	22,269	19,151
Other	28,560	41,133
Total	50,829	60,285
Current assets	32,062	40,655
Non-current assets	18,767	19,629
Total	50,829	60,285

16. Trade and Other Payables

Trade and other payables are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Notes and accounts payable	291,431	343,351
Other payables and accrued expenses	186,705	244,623
Refund Liabilities	113,732	126,807
Total	591,869	714,781

“Notes and accounts payable,” “Other payables” and “accrued expenses” are classified as financial liabilities measured at amortized cost.

Concerning refund liabilities, among consideration received from customers, costs of returned goods, rebates and discounts expected to be paid to customers and other are recognized as refund liabilities. Estimates of such refund liabilities are based on historical records and data currently available as of the end of the fiscal period.

17. Bonds and Borrowings (including Other Financial Liabilities)

(1) Financial Liabilities

"Bonds and borrowings" and "Other financial liabilities" are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)	Average interest rate (Note) (%)	Maturity date
Derivative liabilities	6,399	9,543	—	—
Short-term borrowings	114,302	4,846	7.14	up to Feb. 23, 2024
Current portion of long-term borrowings	43,046	44,658	0.34	up to Nov. 30, 2024
Current portion of bonds	99,919	321,342	0.08	up to Oct. 23, 2024
Commercial paper	110,000	19,000	(0.00)	up to Jan. 15, 2024
Long-term borrowings	103,632	108,980	0.42	up to Sep. 26, 2026
Bonds	1,026,409	911,970	0.68	up to Oct. 15, 2080
Other	261,376	247,255	—	—
Total	1,765,085	1,667,597	—	—
Current liabilities	503,251	503,490	—	—
Non-current liabilities	1,261,834	1,164,106	—	—
Total	1,765,085	1,667,597	—	—

(Note) "Average interest rate" is the weighted average interest rate to the aggregate balance at the end of fiscal period. Among the above, there are no borrowings with floating interest rate for the current year. (¥123,961million as of December 31, 2022).

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss, except for items to which hedge accounting is applied. Commercial paper, bonds, and borrowings are classified as financial liabilities measured at amortized cost.

There are no covenants attached to the bonds and borrowings which have a significant effect on the Group's financing activities.

(2) Bonds

Millions of yen

Issuer	Type	Issue date	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)	Maturity date (Interest rate)
the Company	the 11th Issue of Unsecured Corporate Bond	Jun 13, 2017	19,978 (—)	19,992 (19,992)	Jun 13, 2024 (0.230%)
the Company	the 12th Issue of Unsecured Corporate Bond	Jun 13, 2017	29,928 (—)	29,944 (—)	Jun 11, 2027 (0.330%)
the Company	Euro denominated straight corporate bonds due 2025	Sep 19, 2017	84,726 (—)	94,172 (—)	Sep 19, 2025 (1.151%)
the Company	The 1st unsecured subordinated bonds with optional interest payment deferral and early redemption provisions (with a subordination provision)	Oct 15, 2020	298,744 (—)	299,196 (—)	Oct 15, 2080 (0.970%)
the Company	the 13th Issue of Unsecured Corporate Bond	Oct 15, 2020	99,919 (99,919)	(—)	Oct 13, 2023 (0.001%)
the Company	the 14th Issue of Unsecured Corporate Bond	Oct 15, 2020	9,969 (—)	9,980 (—)	Oct 15, 2025 (0.120%)
the Company	Euro denominated straight corporate bonds due 2024	Oct 23, 2020	113,011 (—)	125,663 (125,663)	Oct 23, 2024 (0.155%)
the Company	Euro denominated straight corporate bonds due 2028	Oct 23, 2020	112,812 (—)	125,412 (—)	Oct 23, 2028 (0.541%)
the Company	the 15th Issue of Unsecured Corporate Bond	Mar 15, 2021	49,930 (—)	49,986 (49,986)	Mar 15,2024 (0.001%)
the Company	the 16th Issue of Unsecured Corporate Bond	Mar 15, 2021	49,869 (—)	49,910 (—)	Mar 13, 2026 (0.080%)
the Company	Euro denominated straight corporate bonds due 2024	Apr 19, 2021	113,042 (—)	125,699 (125,699)	Apr 19, 2024 (0.010%)
the Company	Euro denominated straight corporate bonds due 2027	Apr 19, 2021	84,621 (—)	94,083 (—)	Apr 19, 2027 (0.336%)
the Company	the 17th Issue of Unsecured Corporate Bond	Jun 1, 2022	49,823 (—)	49,863 (—)	Jun 1, 2027 (0.290%)
the Company	the 18th Issue of Unsecured Corporate Bond	Jun 1, 2022	9,950 (—)	9,955 (—)	Jun 1, 2032 (0.469%)
the Company	the 19th Issue of Unsecured Corporate Bond	Mar 8, 2023	—	49,874 (—)	Mar 6, 2026 (0.280%)
the Company	the 20th Issue of Unsecured Corporate Bond	Mar 8, 2023	—	24,911 (—)	Mar 8, 2028 (0.544%)
the Company	the 21st Issue of Unsecured Corporate Bond	Mar 8, 2023	—	24,906 (—)	Mar 8, 2030 (0.870%)
the Company	the 22nd Issue of Unsecured Corporate Bond	Sep 7, 2023	—	19,907 (—)	Sep 7, 2028 (0.509%)
the Company	the 23rd Issue of Unsecured Corporate Bond	Sep 7, 2023	—	29,849 (—)	Sep 7, 2033 (1.033%)
Total	—	—	1,126,329 (99,919)	1,233,312 (321,342)	

(Note) The amounts presented in ( ) represent the current portion payable within one year.

(3) Secured liabilities and assets pledged as collateral

The carrying amounts of secured liabilities and assets pledged as collateral are as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Secured liabilities		
Short-term borrowings	1,793	1,964
Total	1,793	1,964
Assets pledged as collateral		
Buildings and structures	157	153
Machinery and vehicles	25	45
Land	135	146
Cash and cash equivalents	65	68
Total	383	414

18. Leases

(1) Right-of-use assets

The Group leases buildings and structures, machinery and vehicles, tools, furniture and fixtures, and others as a lessee.

Some lease contracts contain an option to extend leases for the same period of time after the contractual term expires.

There are no material clauses including purchase option and any other restrictions associated with these lease contracts.

The carrying amount and depreciation expense of right-of-use assets at the end of the current year are as follows:

Previous Year (as of December 31, 2022)

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Software	Total
Carrying amount for the previous year (as of December 31, 2022)	63,533	14,976	5,305	20	207	84,043
Depreciation expense for right-of-use assets in the previous year	13,033	3,785	2,722	—	77	19,619

The increase in right-of-use assets in the previous year is ¥24,356 million.

Current Year (as of December 31, 2023)

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Software	Total
Carrying amount for the current year (as of December 31, 2023)	63,246	21,515	5,102	12	200	90,077
Depreciation expense for right-of-use assets in the current year	13,645	4,897	2,425	—	66	21,035

The increase in right-of-use assets in the current year is ¥24,001 million.

(2) Lease liabilities

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Within 1 year	21,638	24,196
Between 1 and 2 years	17,226	19,382
Between 2 and 3 years	12,671	14,100
Between 3 and 4 years	9,518	10,486
Between 4 and 5 years	7,170	8,044
More than 5 years	57,802	58,357
Undiscounted lease liabilities at the end of period	126,027	134,568
Balance of lease liabilities included in the consolidated statement of financial position for the current year (as of December 31, 2023)	102,120	111,441

(3) Amount recognized in profit or loss

Millions of yen

	Previous year (as of December 31, 2022)	Current year (ended December 31, 2023)
Interest expenses on lease liabilities	2,712	3,116
Lease expenses under the exemption for short-term leases	660	661
Lease expenses under the exemption for low-value assets	4,851	4,018
Variable lease payments that are not included in measurement of lease liabilities	2,024	2,014
Income from subleases of right-of-use assets	(1,617)	(1,805)
Total	8,631	8,004

Gains or losses arising from sale and leaseback transactions are not material.

(4) Amount recognized in the statement of cash flows

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Total cash outflows related to leases	33,555	34,364

(5) Finance leases (lessor)

Certain foreign subsidiaries sublease leased buildings. The Group classifies these subleases as finance leases, considering that substantially all the risks and rewards are transferred to the lessees in the subleases.

Finance income on net investment in the lease and revenue on variable lease payments are as follows:

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Finance income on net investment in the lease	104	136
Revenue on variable lease payments	—	—

(6) Operating leases (lessor)

There are no material transactions.

(7) Maturity analysis (lessor)

The maturity analysis of outstanding balances of undiscounted lease payments receivable by due date is as follows:

Previous Year (as of December 31, 2022)

Millions of yen

	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total	Unguaranteed residual value	Unearned finance income	Net investment in the lease
Lease payments receivable	1,721	1,059	943	818	616	2,838	7,998	2,702	(494)	10,206

Current Year (as of December 31, 2023)

Millions of yen

	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total	Unguaranteed residual value	Unearned finance income	Net investment in the lease
Lease payments receivable	1,906	1,136	991	762	656	3,150	8,603	4,406	(693)	12,316

19. Employee Benefits

(1) Overview of Defined Benefit Plans

The Group has defined benefit plans such as corporate pension plan and lump-sum retirement benefit plan. In addition, some consolidated subsidiaries have defined contribution plans and retirement benefit prepayment plans. For entities incorporated in Japan, the defined benefit plans have been established in accordance with the Defined-Benefit Corporate Pension Act of Japan. The Group pays out lump-sum benefit upon the retirements of employees and then annuity for a certain period of time after retirement in accordance with the terms of the Group's plans based on the Act. The benefits are calculated based on the pension points reflecting the length of service periods and compensation for each period.

The Group manages plan assets for the purpose of increasing the value of plan assets within the acceptable range of risks in order to ensure the benefits for participants (including potential pensioners in the future periods). The

Group has developed a basic policy for the management of plan assets and implements the policy consistently. The Group considers expected rate of return and risks inherent in the investments, and then develops optimum combination of plan assets called the policy asset mix. The Group controls the asset management through appointing appropriate asset managers, reviewing the financial status on a regular basis, developing the long-term asset management policy and monitoring the situation of asset allocation. The policy asset mix is regularly reviewed in order to correspond with the market environment or funding status, which can change from the initial assumption. Lump-sum retirement benefit plans are to pay out lump-sum benefit when an employee retires due to reaching retirement age or voluntary retirement. These payments are settled by internal reserves, but not by external funds. Lump-sum retirement benefit is paid based on the Group's rules and regulations of retirement.

(2) Defined Benefit Plans

(i) Reconciliation

Present value of defined benefit obligation is analyzed as follows:

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Balance at beginning of period	131,722	123,452
Current service cost	6,022	5,559
Interest expense	1,008	1,346
Remeasurements		
Actuarial gains and losses (Note)	(9,573)	(4,708)
Past service cost	41	—
Benefits paid	(6,193)	(6,843)
Other	424	(1,437)
Balance at end of period	123,452	117,369

(Note) Actuarial gains and losses are mainly due to changes in financial assumptions.

Fair value of plan assets is analyzed as follows:

Millions of yen

	Previous year (ended December 31, 2022)	Current Year (ended December 31, 2023)
Balance at beginning of period	131,650	127,107
Interest income	696	1,450
Remeasurements		
Gains on plan assets	(4,160)	10,599
Contribution to plan by employer	3,515	3,469
Benefits paid	(4,930)	(5,649)
Other	336	(336)
Balance at end of period	127,107	136,641

(ii) Asset ceiling

There was no material impact during current year and previous year.

(iii) Details of Plan Assets

Plan assets held by the Group are analyzed into categories as follows:

Previous Year (as of December 31, 2022)

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	—	2,681	2,681
Equity instruments	34,441	12,937	47,379
Domestic	25,461	6,822	32,283
Overseas	8,980	6,114	15,095
Debt instruments	17,986	6,561	24,548
Domestic	1,826	3,727	5,553
Overseas	16,159	2,834	18,994
Life insurance - General accounts	—	25,598	25,598
Other	8,823	18,076	26,900
Total	61,251	65,855	127,107

Current Year (as of December 31, 2023)

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	—	6,752	6,752
Equity instruments	40,334	15,154	55,488
Domestic	29,479	8,247	37,727
Overseas	10,854	6,906	17,761
Debt instruments	17,703	6,808	24,511
Domestic	668	3,993	4,662
Overseas	17,034	2,814	19,849
Life insurance - General accounts	—	25,052	25,052
Other	9,661	15,174	24,835
Total	67,699	68,942	136,641

(iv) Significant Actuarial Assumptions

Significant actuarial assumptions are analyzed as follows:

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Discount rate	1.10%	1.45%

A rise by 0.5% in the discount rate will lead to a decrease of defined benefit obligation by ¥7,228 million at the end of the current year (a decrease of ¥7,505million at the year end of the previous year). This analysis is based on the assumption that only the discount rate is variable, and no other factors are considered to be variable. Thus, actual results may differ as it could be influenced by fluctuations in other variables.

(v) Influence in the Future

Under the defined benefit plans, the Group is required to maintain the plan assets at a certain level of funding against pension obligations in accordance with continuation or non-continuation criteria of the Defined Benefit Corporation Pension Act.

For example, the Group makes certain contribution to the plan every month in accordance with the terms of Group's plans. The contribution is calculated based on the future estimates of interest rate, mortality rate, withdrawal rate and other assumptions that could affect the plan assets which need to balance with the expected future payments and returns on the plan assets. The contribution is reviewed every 3 years (actuarial review).

In case that funding is below the minimum funding requirement, additional contribution is required to keep the balance at a certain level.

The contribution by the Group is expected to be ¥4,038 million for the year from January 1, 2024 to December 31, 2024.

The weighted average duration of the defined benefit obligations is 13.08 years (previous year: 13.97years).

(3) Other Post-retirement Benefit Plans

Pension cost for the defined contribution plans is ¥5,528 million (previous year: ¥5,044 million).

(4) Employee Benefits Expense

Employee benefits expense recognized in the consolidated statement of profit or loss are ¥295,448 million (previous year: ¥267,995 million).

Employee benefits expense are primarily composed of salaries, bonuses, legal welfare costs and post-employment costs. They are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

20. Provisions

Provisions are analyzed as follows:

Provisions classified as non-current liabilities are included in "Other non-current liabilities" in the consolidated statement of financial position.

Previous Year (ended December 31, 2022)

Millions of yen

	Litigation related	Tax related	Other	Total
Balance as of January 1, 2022	351	8,361	5,062	13,775
Increase	2	1,442	2,192	3,637
Utilization	(10)	—	(2,498)	(2,508)
Reversal	(182)	(1,023)	(269)	(1,475)
Other	4	639	232	876
Balance as of December 31, 2022	165	9,419	4,720	14,304

Current Year (ended December 31, 2023)

Millions of yen

	Litigation Related	Tax related	Other	Total
Balance as of January 1, 2023	165	9,419	4,720	14,304
Increase	175	1,418	4,251	5,845
Utilization	(9)	(1)	(417)	(428)
Reversal	(10)	(1,846)	(545)	(2,402)
Other	23	1,305	316	1,645
Balance as of December 31, 2023	343	10,296	8,325	18,964

Litigation Related

These are mainly provisions to prepare for payments of litigation related expenses that may arise, and are reported based on the amount reasonably estimated as necessary at the end of each year.

The timing of the outflow of economic benefits will be affected by future developments in litigation.

Tax Related

These are mainly provisions to prepare for payments such as interest tax and penalties arising from income tax exposure.

The timing of the outflow of economic benefits will be affected by the judgments of each tax authority.

Other

Other includes provisions mainly related to business integration.

21. Other Liabilities

“Other current liabilities” and “Other non-current liabilities” are analyzed as follows;

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Accrued alcohol tax	91,292	95,899
Accrued consumption tax	24,187	23,275
Accrued bonus	4,988	5,795
Other	11,121	18,656
Total	131,590	143,627
Other current liabilities	125,816	134,984
Other non-current liabilities	5,774	8,642
Total	131,590	143,627

22. Equity and Other Equity Interest

(1) Issued Capital and Reserves

The number of shares authorized and shares issued are as follows:

in thousands of shares

	Shares authorized	Shares Issued
	Number of shares	Number of shares
Previous year (as of January 1, 2022)	972,305	507,003
Increase (Decrease)	—	—
Previous year (as of December 31, 2022)	972,305	507,003
Increase (Decrease)	—	—
Current year (as of December 31, 2023)	972,305	507,003

There are no par-value shares. Issued shares are fully paid.

Reserves are analyzed as follows:

(i) Share premium

Under the Companies Act of Japan, share premium is composed of capital reserve and other capital surplus. The Act stipulates that one-half or more of the proceeds from issuing a share should be recognized as share capital, and the rest should be recognized as capital reserve.

(ii) Retained earnings

Retained earnings are composed of legal reserve and other retained earnings. Under the Companies Act of Japan, one-tenth of appropriation should be reserved in capital reserve or legal reserve until the total of these amount reaches one-fourth of the share capital, and the rest of the appropriation can be distributed as dividends.

(2) Treasury shares

Treasury shares held by the Company, subsidiaries and associates are as follows:

in thousands of shares

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
	Number of shares	Number of shares
Held by the Company	186	191
Held by subsidiaries and associates	144	141

Treasury shares held by subsidiaries and associates in the current year include 132,505 (135,468 as of December 31, 2022) common shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

23. Dividends

Previous Year (ended December 31, 2022)

(1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 25, 2022	Ordinary shares	27,875	55.00	Dec 31, 2021	Mar 28, 2022
Board of Directors held on August 9, 2022	Ordinary shares	27,875	55.00	Jun 30, 2022	Sep 1, 2022

(i) Total amount ¥27,875 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 25, 2022 include dividends of ¥4 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

(ii) Total amount ¥27,875 million of dividends by a resolution of Board of Directors held on August 9, 2022 include dividends of ¥7 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

(2) Dividends that will be Effective in the Following Year of the Record Date

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 28, 2023	Ordinary shares	Retained earnings	29,395	58.00	Dec 31, 2022	Mar 29, 2023

Total amount ¥29,395 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 28, 2023 include dividends of ¥7 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

Current Year (ended December 31, 2023)

(1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 28, 2023	Ordinary shares	29,395	58.00	Dec 31, 2022	Mar 29, 2023
Board of Directors held on August 9, 2023	Ordinary shares	28,381	56.00	Jun 30, 2023	Sep 1, 2023

(i) Total amount ¥29,395 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 28, 2023 include dividends of ¥7 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

(ii) Total amount ¥28,381 million of dividends by a resolution of Board of Directors held on August 9, 2023 include dividends of ¥7 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

(2) Dividends that will be Effective in the Following Year of the Record Date

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 26, 2024	Ordinary shares	Retained earnings	32,942	65.00	Dec 31, 2023	Mar 27, 2024

Total amount ¥32,942 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 26, 2024 include dividends of ¥8 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

24. Share-based Payments

The Company has implemented Stock Compensation Plan.

(1) Details of Share Compensation Plan

In order to increase motivation to work toward sustainable growth and increase corporate value over the mid- to long-term of the Group, the Company introduced a Stock Compensation Plan ("the Plan"). Under the Plan, the Company will grant share points (one point = one share) to directors that fulfill certain criteria, and shares of the Company will be delivered to them on their retirement in exchange for the cumulative number of share points granted to them. Shares are distributed or payments are made in cash as compensation under the Plan, therefore there is no exercise price under the Plan.

Based on the Share Distribution Regulations, the number of share points are calculated according to the position and the role, and are granted to each director excluding outside directors on the date of the board meeting held for approval of financial results each year during the term of the trust.

On September 25, 2020 and on May 24, 2022 the Company additionally contributed cash to the trust, which was already established on December 28, 2016. The trust will be funded with the cash contribution (and, if there is any cash remaining in the trust before the additional contribution, that remaining cash) in order to acquire shares of the Company. Shares of the Company will be distributed by the trust to each director when they complete the beneficiary determination procedures as prescribed on their retirement. However, a certain proportion of such shares will be sold and converted into cash by the trust, and will be distributed in cash instead of the shares to directors. Also, the trust is allowed to make a distribution in cash instead of shares when shares of the Company held by the trust are sold for a tender offer or any other reasons.

With regard to the stock compensation plan for the period from the fiscal year ended on the last day of December 2016 to the fiscal year ended on the last day of December 2018, the number of points to be granted is calculated based on the Share Distribution Regulations by referring to the position of each director excluding outside directors and the level of achievement of target basic earnings per share (EPS) for the year that is the subject of evaluation. The aggregate number of share points to be granted by the Company to directors shall be 21,000 points at a maximum for each year.

With regard to the stock compensation plan for the period from the fiscal year ended on the last day of December 2019 to the fiscal year ending on the last day of December 2021, based on the Share Distribution Regulations, the number of share points are calculated according to the position and the role, and are granted to each director excluding outside directors on the date of the board meeting held for approval of financial results each year during the term of the trust. The aggregate number of share points to be granted by the Company to directors shall be 25,000 points at a maximum for each year.

With regard to the stock compensation plan for the period from the fiscal year ended on the last day of December 2022 to the fiscal year ending on the last day of December 2024, based on the Share Distribution Regulations, the number of share points are calculated according to the position and the role, and are granted to each director excluding outside directors on the date of the board meeting held for approval of financial results each year during the term of the trust. The aggregate number of share points to be granted by the Company to directors shall be 37,500 points at a maximum for each year.

Transactions settled by shares under the Plan are accounted for as equity-settled share-based payment transactions and those settled in cash as cash-settled share-based payment transactions. The Company recognized ¥87 million (previous year: ¥68 million) as share-based payment expense in selling, general and administrative expenses in the current year, and recognized in capital surplus. The Company recognized ¥21 million (previous year: ¥17 million) as cash-based payment expense in selling, general and administrative expenses in the current year, and ¥114 million (previous year: ¥72 million) were recognized in other non-current liabilities, respectively.

(2) Change in Number of Share Points and Weighted Average Fair Value of the Share Points

The number of share points and the weighted average fair value of the share points for each year are as follows. Due to the fact that the fair value on the date that the share points are granted is approximately the same as the stock price on the date that the share points are granted, the share price on the date that the share points are granted has been used.

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Change in number of share points:		
Unexercised balance at beginning of year	67,038 Points	85,515 Points
Increase due to grant of share points	19,995 Points	24,878 Points
Decrease due to exercise of share points	(1,518) Points	(2,948) Points
Decrease due to lapse of share points	—	—
Unexercised balance at end of year	85,515 Points	107,445 Points
Exercisable balance at end of year	85,515 Points	107,445 Points
Weighted average fair value:	¥4,119	¥5,258

25. Revenue

(1) Revenue Analysis and Reconciliation to Segment Revenue

The Group has broken down the reportable segments of "Japan," "Europe," "Oceania," and "Southeast Asia, into the categories of "Manufacture and sales of alcohol beverages," "Manufacture and sales of soft drinks," "Manufacture and sales of food and pharmaceuticals," and "Other," depending on the type of goods and services.

The "Other" category includes the logistics business, restaurant business and others in "Japan" segment.

Previous Year (ended December 31, 2022) Millions of yen

	Manufacture and sales of alcohol beverages	Manufacture and sales of soft drinks	Manufacture and sales of food and pharmaceuticals	Other	Elimination of intersegment revenue	Total
Japan	742,474	378,549	117,296	63,411	(4,534)	1,297,197
Europe	573,875	—	—	—	(1,213)	572,662
Oceania	450,971	132,195	—	—	(2,321)	580,845
Southeast Asia	—	51,680	—	—	(40)	51,639
Other	3,281	1,945	—	3,536	—	8,764
Consolidated	1,770,604	564,370	117,296	66,947	(8,110)	2,511,108

Current Year (ended December 31, 2023) Millions of yen

	Manufacture and sales of alcohol beverages	Manufacture and sales of soft drinks	Manufacture and sales of food and pharmaceuticals	Other	Elimination of intersegment revenue	Total
Japan	800,178	374,899	122,673	65,098	(9,656)	1,353,194
Europe	688,725	—	—	—	(1,088)	687,637
Oceania	492,229	159,925	—	—	(2,641)	649,513
Southeast Asia	—	57,806	—	—	(602)	57,204
Other	14,945	2,582	—	4,013	—	21,542
Consolidated	1,996,079	595,214	122,673	69,112	(13,988)	2,769,091

(2) Transaction Price Allocated to Remaining Performance Obligations

Due to the fact that the Group does not have material transactions whose expected contract periods exceed one year individually, the Group uses the practical expedient, and has omitted information regarding remaining performance obligations.

In addition, among consideration arising from contracts with customers, there are no material amounts not included in transaction price.

26. Selling, General and Administrative Expenses

Selling, general and administrative expenses are analyzed as follows: Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Promotion expense	108,635	110,243
Advertising	86,744	100,286
Transportation	103,037	104,909
Employee benefits expense	181,970	203,234
Depreciation and amortization expenses	69,447	75,270
Other	128,182	141,308
Total	678,018	735,252

27. Other Operating Income and Expense

‘Other operating income’ and ‘Other operating expense’ are analyzed as follows:

(1) Other Operating Income Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023
Gains on sales of property, plant and equipment	14,541	3,859
Other	2,309	4,440
Total	16,850	8,300

(2) Other Operating Expense

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Losses on disposals of property, plant and equipment	5,001	7,423
Impairment losses	18,490	2,183
Other(Note)	20,127	17,374
Total	43,619	26,981

(Note) Other in the previous year and the current year include expenses related to domestic and overseas business restructuring.

28. Finance Income and Finance Costs

'Finance income' and 'Finance costs' are analyzed as follows:

(1) Finance Income

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Interest received(Note)	953	5,507
Dividends received		
Financial assets measured at fair value through other comprehensive income	1,703	1,942
Gains on change in fair value of derivatives		
Financial assets measured at fair value through profit or loss	2,842	6,668
Total	5,498	14,118

(Note) This is principally due to interest received on financial assets measured at amortized cost.

(2) Finance Costs

Millions of yen

	Previous Year (ended December 31, 2022)	Current Year (ended December 31, 2023)
Interest paid(Note)	12,306	14,269
Loss on change in fair value of derivatives		
Financial liabilities measured at fair value through profit or loss	1,326	2,145
Foreign exchange loss	228	1,305
Other	3,360	400
Total	17,221	18,121

(Note) This is principally due to interest paid on financial liabilities measured at amortized cost.

29. Income Taxes

(1) Deferred Tax Assets and Deferred Tax Liabilities

'Deferred tax assets' and 'Deferred tax liabilities' are mainly composed of the following

Previous Year (ended December 31, 2022)

Millions of yen

	Balance as of January 1, 2022	Recognized in profit or loss	Recognized in Other Comprehensive Income	Other (Note)	Balance as of December 31, 2022
Deferred tax assets					
Loss allowance for credit losses	957	(11)	—	16	962
Retirement benefits	6,021	143	(1,636)	397	4,927
Property, plant and equipment and intangible assets	75,440	12,234	—	1,970	89,645
Unused tax losses	1,201	1,071	—	(5)	2,267
Income tax payable-enterprise tax	1,542	(278)	—	23	1,287
Accrued bonus	1,832	(29)	—	89	1,892
Bonds and borrowings	3,056	—	8,414	—	11,471
Other	37,755	2,311	1,687	1,005	42,759
Total of Deferred tax assets	127,808	15,441	8,465	3,497	155,213
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(256,744)	4,275	—	(18,618)	(271,086)
Equity instruments	(15,129)	—	(1,218)	922	(15,425)
Retained earnings of subsidiaries and associates	—	(459)	—	—	(459)
Other	(24,965)	1,046	1,040	(3,971)	(26,848)
Total of Deferred tax liabilities	(296,838)	4,863	(177)	(21,666)	(313,819)
Net amount of Deferred tax assets and Deferred tax liabilities	(169,030)	20,305	8,288	(18,169)	(158,606)

(Note) Amounts in the column 'Other' is primarily exchange rate fluctuations.

In the previous year, "Deferred tax assets - Bonds and borrowings" were included "Other." However, due to an increase in materiality, the Group is separately disclosing them from the current year. To reflect this change in presentation, the Group have reclassified the items from the previous year. Additionally, as stated in Note 3 "Change in Accounting Policy" the Group has retrospectively applied the amendments to IAS 12 and restated the previous year accordingly.

Current Year (ended December 31, 2023)

Millions of yen

	Balance as of January 1, 2023	Recognized in profit or loss	Recognized in Other Comprehensive Income	Other (Note)	Balance as of December 31, 2023
Deferred tax assets					
Loss allowance for credit losses	962	(147)	—	10	825
Retirement benefits	4,927	557	(4,708)	(425)	350
Property, plant and equipment and intangible assets	89,645	(8,607)	—	6,240	87,278
Unused tax losses	2,267	603	—	208	3,079
Income tax payable-enterprise tax	1,287	(399)	—	(64)	823
Accrued bonus	1,892	363	—	32	2,288
Bonds and borrowings	11,471	—	12,015	—	23,486
Other	42,759	(1,162)	874	(599)	41,871
Total of Deferred tax assets	155,213	(8,791)	8,180	5,401	160,004
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(271,086)	757	—	(23,389)	(293,717)
Equity instruments	(15,425)	—	(5,723)	(170)	(21,319)
Retained earnings of subsidiaries and associates	(459)	(581)	—	—	(1,040)
Other	(26,848)	2,576	(1,170)	(3,129)	(28,572)
Total of Deferred tax liabilities	(313,819)	2,752	(6,893)	(26,689)	(344,649)
Net amount of Deferred tax assets and Deferred tax liabilities	(158,606)	(6,038)	1,286	(21,287)	(184,645)

(Note) Amounts in the column ‘Other’ is primarily exchange rate fluctuations.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognized are as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Deductible temporary differences	96,598	76,038
Unused tax losses		
Expires within 1 year	1,651	5,309
Expires between 1 and 5 years	5,585	7,150
Expires after 5 years	5,130	1,620
Total	12,368	14,080

A deferred tax liability is not recognized for taxable temporary difference associated with investments in subsidiaries if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Taxable temporary differences associated with investments in subsidiaries which deferred tax liabilities are not recognized for are ¥772,645 million (¥343,669 million in the previous year ended December 31, 2022).

The group applies group tax sharing system in Japan. The above does not include deductible temporary differences and unused tax losses that do not result in recognition of deferred tax assets associated with local taxes (inhabitant tax and enterprise tax), which is not within the scope of above-mentioned system. The amount of deductible temporary differences associated with local taxes (inhabitant tax and enterprise tax) is ¥169,542 million (¥114,968 million in the previous year ended December 31, 2022) and the amounts of unused tax losses derived from inhabitant tax and enterprise tax are ¥17,059 million (¥14,401 million in the previous year ended December 31, 2022) and ¥26,439 million (¥21,283 million in the previous year ended December 31, 2022), respectively.

Unused tax losses derived from inhabitant tax and enterprise tax expire principally in 10 years from their origination.

(2) Tax Expense

Tax expense is analyzed as follows:

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Current tax expense		
Current year	74,544	69,802
Total of current tax expense	74,544	69,802
Deferred tax expense		
Recognition and reversal of temporary differences	(18,455)	532
Revision of recoverability of deferred tax assets	(1,527)	118
Change in tax rate	(286)	5,387
Total deferred tax expense	(20,269)	6,038
Total	54,275	75,840

Differences between the effective statutory tax rate and the average effective tax rate are analyzed as follows:

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Effective statutory tax rate	30.6%	30.6%
Tax rate effect of foreign subsidiaries	(3.5)%	(3.3)%
Tax effect of non-taxable or non-deductible items for tax purposes	(0.0)%	1.1%
Tax effect from revision of recoverability of deferred tax assets	(0.7)%	0.0%
Profit (loss) of entities accounted for using equity method	0.1%	(0.1)%
Tax effect from change in tax rate	(0.1)%	2.2%
Impairment of goodwill	0.0%	—%
Retained earnings of subsidiaries and associates	0.2%	0.2%
Other	(0.2)%	0.5%
Average effective tax rate	26.3%	31.4%

Income tax, inhabitant tax and enterprise tax are main components of income taxes imposed on the Group, and the effective statutory tax rate based on those taxes is 30.6%. Foreign subsidiaries are subject to income taxes in the tax jurisdiction that it is located.

(3) Global Minimum Taxation

The Group operates in jurisdictions that have enacted tax systems to apply global minimum taxation. However, as of the end of the current year, this tax system is not yet effective, so there is no impact on the income tax expense for the current year.

If global minimum taxation were to be applied in the fiscal year 2023, some European and Asian countries where the Group operates may become subject to global minimum taxation. Nevertheless, the impact is expected to be immaterial.

30. Earnings per Share

(1) Basic and Diluted Earnings per Share

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Basic earnings per share (Yen)	299.10	323.82
Diluted earnings per share (Yen)	299.06	323.77

(2) Basis of Calculation for Basic and Diluted Earnings per Share

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Profit attributable to owners of parent (Millions of yen)	151,555	164,073
Weighted average number of ordinary shares outstanding (Shares)	506,701,382	506,680,848
Effect of dilution (Shares):		
Trust for share issuance to executives	65,814	83,541
Adjusted weighted average number of ordinary shares outstanding (Shares)	506,767,196	506,764,389
Description of equity instruments not included in calculation of diluted earnings per share because they were not dilutive for the year	—	—

31. Other Comprehensive Income

Other comprehensive income and related tax effects are analyzed as follows:

Millions of yen

	Previous year (ended December 31, 2022)			Current year (ended December 31, 2023)		
	Before Tax	Tax Effects	After Tax	Before Tax	Tax Effects	After Tax
Items that will not be reclassified to profit or loss						
Changes in fair value of financial instruments measured at fair value through other comprehensive income						
Increase and decrease	(2,210)	1,218	(991)	19,094	(5,723)	13,370
Changes	(2,210)	1,218	(991)	19,094	(5,723)	13,370
Remeasurements of defined benefit plans						
Increase and decrease	5,412	(1,636)	3,776	15,308	(4,708)	10,599
Changes	5,412	(1,636)	3,776	15,308	(4,708)	10,599
Items that might be reclassified to profit or loss						
Cash flow hedges						
Increase and decrease	(4,021)	1,207	(2,814)	(1,045)	(496)	(1,542)
Reclassification to profit or loss	(73)	22	(50)	(82)	24	(57)
Changes	(4,095)	1,230	(2,865)	(1,127)	(472)	(1,599)
Costs of hedging						
Increase and decrease	179	(54)	124	79	(24)	55
Reclassification to profit or loss	(2)	0	(1)	(2)	0	(1)
Changes	176	(54)	122	76	(23)	53
Translation differences on foreign operations						
Increase and decrease	201,135	8,731	209,867	259,901	12,015	271,916
Reclassification to profit or loss	—	—	—	—	—	—
Changes	201,135	8,731	209,867	259,901	12,015	271,916

	Previous year (ended December 31, 2022)			Current year (ended December 31, 2023)		
	Before Tax	Tax Effects	After Tax	Before Tax	Tax Effects	After Tax
Share of other comprehensive income of entities accounted for using equity method						
Increase and decrease	155	—	155	133	—	133
Reclassification to profit or loss	—	—	—	—	—	—
Changes	155	—	155	133		133
Total other comprehensive income	200,574	9,489	210,063	293,386	1,087	294,473

32. Financial Instruments

(1) Capital Management

The Group's purpose for capital management is to maintain its ability to continue as a going concern in order to provide returns to shareholders, grant benefits to other stakeholders and maintain the most appropriate capital structure for reducing capital cost.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, redeem the capital to shareholders, issue new shares, or sell assets to reduce debts.

The Group monitors the capital based on the capital and liabilities ratio. This ratio is calculated by dividing the amount of net liabilities by the capital. The amount of net liabilities is calculated by deducting cash and cash equivalents from interest-bearing debts. The capital shall be the "equity" presented in the consolidated statement of financial position (equity attributable to owners of parent).

The capital and liabilities ratios are as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Interest-bearing debts	1,635,238	1,558,888
Less: Cash and cash equivalents	(37,438)	(59,945)
Net liabilities	1,597,800	1,498,942
Equity attributable to owners of parent	2,060,734	2,460,548
The capital and liabilities ratio	77.5%	60.9%

There are no capital adequacy requirements imposed by external organizations on the Group.

(2) Risk Management

The Group's activities are exposed to various financial risks such as market risks (including foreign exchange risk, price risk and interest rate risk), credit risks and liquidity risks. The Group's risk management policy focuses on the unpredictability of financial markets and minimize the potentially adverse impact on the Group's financial performance. The Group uses derivative transactions to hedge certain risk exposures.

The Company and its principal consolidated subsidiaries procure necessary funds via loans from financial institutions and by issuing commercial papers and bonds, while taking into account the balance between direct and indirect financing or the balance between short- and long-term debt from the perspective of fund procurement cost and risk diversification in response to changes in the business environment. To use funds efficiently in the entire Group, the Company and its principal consolidated subsidiaries have introduced a cash management system to reduce consolidated interest-bearing debt. If surplus funds are generated temporarily, the Company invests it only in safe financial instruments.

The Group uses derivative transactions to the extent of the transaction balances of foreign currency denominated assets and liabilities, bonds and borrowings and forecast transaction amounts as a means to mitigate foreign exchange risk, price risk of raw materials, energy and others, and interest rate risk, as well as to reduce fund procurement cost. When using derivative transactions, in principle, the Company trades only with financial institutions with high credit ratings.

At the Company, the Finance Section is in charge of executing and managing derivative transactions, in accordance with internal rules. Contracts on each derivative transaction are entered into after approval is received in accordance with the internal authorization criteria. The Finance Section reviews the status of derivative transactions including the content and balances, and reports it to the General Manager of the Finance Section and the Officer in charge of finance as needed.

The consolidated subsidiaries also enter into such agreements in accordance with the Group's authorization criteria, and the Company reviews their status based on reports submitted by them on a regular basis.

(i) Market Risks

a. Foreign Exchange Risk

The Group conducts business activities internationally and is exposed to foreign exchange risk mainly related to US dollar, euro, Czech koruna and Australian dollar. Foreign exchange risk arises from forecast transactions such as future purchase, sale, financing and repayment or assets and liabilities that have already been recognized.

The Group uses foreign exchange contracts and currency swaps to mitigate foreign exchange risk. Hedge accounting is applied to the transactions that qualify for hedge accounting. When designating hedging instruments, the Group classifies the currency basis spread of currency swaps and the forward element of forward exchange contracts as costs of hedging for accounting treatment, and records them as costs of hedging, which are an independent item of other components of equity.

Although receivables, payables and others denominated in a foreign currency have a risk of foreign exchange fluctuations, the impact is limited since the risk is offset with the exchange contracts.

Exposure to Foreign Exchange Risk

The exposure to the US dollar, euro, Czech koruna and Australian dollar, which are major foreign currencies of the companies in the Group that use Japanese yen as the functional currency, is as follows. These amounts do not include amounts associated with foreign exchange risk, which are hedged by derivative transactions, etc.

Functional currency: Japanese yen

Millions of yen

	Previous year (as of December 31, 2022)			
	US dollar	Euro	Czech koruna	Australian dollar
Net exposure	532	2,234	7	537

Millions of yen

	Current year (as of December 31, 2023)			
	US dollar	Euro	Czech koruna	Australian dollar
Net exposure	874	3,392	11	823

In addition to the above, the major exposure to foreign exchange risk of subsidiaries that use euro as the functional currency is described below.

Functional currency: Euro

Millions of yen

	Previous year (as of December 31, 2022)	
	US dollar	Czech koruna
Net exposure	1,875	(1,981)

Millions of yen

	Current year (as of December 31, 2023)	
	US dollar	Czech koruna
Net exposure	943	(5,595)

Sensitivity Analysis

Assuming that the Japanese yen appreciates by 1% against the US dollar, euro, Czech koruna and Australian dollar, it will affect net profit of the Group as follows. The effect will be reversed in cases of depreciation by 1% given that all other variables remain constant.

Functional currency: Japanese yen

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
US dollar	(4)	(6)
Euro	(15)	(23)
Czech koruna	(0)	(0)
Australian dollar	(4)	(5)

Assuming that the euro appreciates by 1% against the US dollar and Czech koruna, it will affect net profit of the Group as follows. The effect will be reversed in case of depreciation by 1% given that all other variables remain constant.

Functional currency: Euro

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
US dollar	(15)	(7)
Czech koruna	16	44

b. Price Risk

The Group is exposed to price risk of equity instruments since it holds investments classified as the category measured at fair value in the consolidated statement of financial position. To manage price risk arising from investments in equity instruments, the Group regularly keeps track of fair value, financial conditions of issuers and others, and also reviews the overall status on an ongoing basis.

The Group has no equity instruments held for short-term trading and does not intend to actively trade these investments.

With an increase or a decrease in share price of 5% and all other variables remaining constant, other components of equity (before tax) will increase or decrease by ¥4,509 million (previous year: ¥3,887 million) as a result of changes in fair value.

Furthermore, the Group is exposed to price risk from the prices of the raw materials, energy, and others used in the production of its products as they fluctuate according to the weather, natural disasters, economic environment and other factors. To mitigate the risk of these fluctuations in the prices of raw materials, energy, and others, the Group mainly engages in commodity swap transactions and Virtual Power Purchase Agreements ("VPPAs"). Although commodity swap transactions used by the Group have risks of fluctuations in market prices of commodities, price risk is limited because these risks are offset with risks of fluctuations in market prices of commodities in association with trade payables of those commodities that the Group has. Although VPPAs have risks of fluctuations in market prices of electricity, price risk is limited because these risks are offset with risks of fluctuations in market prices of electricity used in the production of products.

c. Interest Rate Risk

The Group raises funds with variable interest rates and is exposed to interest rate risk. Interest rate risk mainly arises from non-current borrowings.

The Group uses interest rate swaps, which substantially fix interest rates, to mitigate interest rate risk. Hedge accounting is applied to the transactions that qualify for hedge accounting.

Assuming that interest rates fluctuate by 1% for financial instruments held by the Group at the end of the current year, it will affect on net profit as set out below. The analysis relates only to the financial instruments influenced by interest-rate fluctuation, and given that the other factors such as foreign exchange effects remain constant. The table below shows a sensitivity analysis for the outstanding balance of floating rate borrowings less the balance whose interest rate is practically fixed by an interest rate swap.

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Net profit	957	212

(ii) Credit Risk

The Group is exposed to credit risks for trade receivables (notes and accounts receivable-trade), other receivables (accounts receivable-other) and other financial assets (operating loans and others).

In accordance with the accounting regulations, the Group regularly monitors the status of major business partners for trade receivables and operating loans and routinely checks the management status of deadlines and balances for each business partner. The Group also monitors credit-impaired financial assets and their collection status.

When executing derivative transactions, in principle, the Group trades only with financial institutions with high credit ratings to mitigate credit risk.

The Group classifies receivables based on credit risk profile to calculate loss allowance.

For trade receivables, loss allowance is always recognized at the amount equal to lifetime expected credit losses. For receivables other than trade receivables, loss allowance is recognized at the amount equal to 12-month expected credit losses, in principle. However, in cases such as overdue, because the credit risk is considered to have significantly increased from the initial recognition, loss allowance is recognized at the amount equal to lifetime expected credit losses. For those receivables other than trade receivables which calculate loss allowance equal to 12-month expected credit losses are all calculated in a collective basis.

The amount of loss allowance is calculated as follows:

- Trade receivables

The simplified approach is applied. The Group categorizes receivables according to credit risk profile of the counterparty and calculates loss allowance by multiplying the receivables by the provision rate, which is determined by adding projection of future economic conditions and others to the historical rate of credit losses calculated according to the category.

- Receivables other than trade receivables

The general approach is applied. Loss allowance for receivables for which the credit risk is not considered to have significantly increased is calculated by multiplying the carrying amount by the provision rate, which is determined by adding projection of future economic conditions and others to the historical rate of credit losses for similar assets. For assets for which the credit risk is considered to have significantly increased and credit-impaired financial assets, loss allowance is calculated as difference between the amount of the present value, which is computed by discounting estimated future cash flows using the original effective interest rate of the asset, and the carrying amount.

Carrying amounts of financial assets subject to impairment and the amount of loss allowance are as follows:

Trade and Other Receivables

Millions of yen

Carrying amount	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses	Financial assets to which the simplified approach is applied
Previous year (as of January 1, 2022)	23,524	214	381,435
Previous year (as of December 31, 2022)	28,719	163	396,918
Current year (as of December 31, 2023)	37,468	194	439,369

Financial assets with loss allowance measured at lifetime expected credit losses consist mainly of credit-impaired financial assets.

Credit Risk Rating

The credit risk rating of financial assets with loss allowance measured at lifetime expected credit losses is relatively low compared to that of financial asset with loss allowance measured at 12-month expected credit losses, whereas that of financial assets to which the simplified approach is applied is equivalent to that of financial asset with loss allowance measured at 12-month expected credit losses. Credit risk of financial assets within the same stage is approximately the same.

The Group includes impairment losses related to credit risk in “Other operating expense” in the consolidated statement of profit or loss in the light of its immateriality.

Millions of yen

Loss allowance	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses	Financial assets to which the simplified approach is applied
Previous year (as of January 1, 2022)	195	302	8,701
Increase	16	0	1,354
Utilization	0	(60)	(2,579)
Reversal	(18)	(2)	(1,257)
Other	(174)	117	3,529
Previous year (as of December 31, 2022)	19	356	9,748
Increase	10	—	1,501
Utilization	—	(0)	(1,612)
Reversal	(16)	(0)	(1,137)
Other	0	30	2,499
Current Year (as of December 31, 2023)	13	386	10,999

Other Financial Assets

Millions of yen

Carrying amount	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses
Previous year (as of January 1, 2022)	9,986	2,067
Previous year (as of December 31, 2022)	9,626	1,937
Current year (as of December 31, 2023)	9,364	2,102

Financial assets with loss allowance measured at lifetime expected credit losses consist mainly of credit-impaired financial assets.

Credit Risk Rating

The credit risk rating of financial assets with loss allowance measured at lifetime expected credit losses is relatively low compared to that of financial asset with loss allowance measured at 12-month expected credit losses. Credit risk of financial assets within the same stage is approximately the same.

The Group includes impairment loss related to credit risk in “Other operating expense” in the consolidated statement of profit or loss in the light of its immateriality.

Millions of yen

Loss allowance	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses
Previous year (as of January 1, 2022)	227	454
Increase	10	98
Utilization	(32)	(0)
Reversal	(69)	(56)
Other	13	2
Previous year (as of December 31, 2022)	149	499
Increase	0	39
Utilization	—	—
Reversal	(1)	(61)
The increase (decrease) due to reclassification between stages.	(6)	6
Other	16	(14)
Current year (as of December 31, 2023)	157	469

Effect of Significant Changes in Gross Carrying Amount of Financial Instruments during the Year

There was no significant increase or decrease in gross carrying amount of the financial instruments which contributed to changes in the loss allowance during the previous year and the current year.

Maximum Exposure to Credit Risk

The maximum exposure to the credit risk associated with financial assets is the carrying amount presented in the consolidated statement of financial position unless considering collateral and other credit enhancement held by the Group as of the reporting date. The maximum exposure to the credit risk with guarantees is as follows:

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Guarantees	18	2,825

Provision for expected credit losses on financial guarantees which may occur as a result of fulfillment of debt guarantee contracts stated above is not recorded because the amount is not expected to be material.

The amount of collateral and other credit enhancement held as a guarantee for the credit-impaired financial assets at the end of the fiscal period is ¥4,345 million at the end of the current year (¥2,567 million in the previous year ended December 31, 2022).

The collateral held as guarantee is mainly composed of deposit money.

(iii) Liquidity Risk

The Group raises funds via loans and by issuing commercial papers and bonds, and is exposed to liquidity risk, which means there is a possibility the Group fails to make payment on the due date due to deterioration in the fund procurement environment.

Since the Company and its principal consolidated subsidiaries have introduced the cash management system, the Company manages liquidity risks of those companies participating in this system.

Based on reports from each Group company, the Company creates its cash management plan and updates the plan on a timely basis. The Group monitors an ongoing forecast for fund demand, while always maintaining sufficient margin in the unused portion of the contractual credit line and ensuring that all loan agreements do not conflict with the borrowing limits or covenants (if applicable). In these forecasts, the Group takes into account its borrowing and financing plan, compliance with covenants, adherence to internal targets for the statements of financial position ratio as well as applicable external regulatory and statutory requirements, such as a regulation of currency, if any.

Surplus that the Company and its principal consolidated subsidiaries hold in excess of the balance necessary for management of working capital is managed at the Group level under the cash management system. The Group chooses financial instruments with appropriate maturity and liquidity, and makes investments in current deposits, time deposits, money market deposits and marketable securities to ensure a sufficient margin determined in the above forecast.

Maturity analysis of non-derivative financial liabilities and net-settled derivative liabilities held by the Group based on the remaining period to the maturity is as follows:

Previous Year (as of December 31, 2022)

Millions of yen

	Carrying amount	Contractual cash flow	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
Trade and other payables	591,869	591,869	591,869	—	—	—	—	—
Bonds and borrowings	1,497,310	1,536,552	373,315	346,456	137,584	75,428	168,668	435,099
Derivative liabilities	6,399	6,399	4,620	1,182	118	—	—	477

Current Year (as of December 31, 2023)

Millions of yen

	Carrying amount	Contractual cash flow	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
Trade and other payables	714,781	714,781	714,781	—	—	—	—	—
Bonds and borrowings	1,410,798	1,450,421	396,824	148,060	176,624	178,901	174,857	375,153
Derivative liabilities	9,543	9,543	5,817	289	36	34	—	3,364

(3) Fair Value of Financial Instruments

In fair value measurement, the Group uses observable market data whenever available. The fair value measurement is categorized into any of the following levels based on the level of the input:

Level 1: Input consisting of unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: Input consisting of directly or indirectly observable prices other than market prices used in level 1

Level 3: Input that is not based on observable market data

Reclassification between levels in the fair value hierarchy is recognized on the date of the event or change in circumstances that caused the reclassification.

The carrying amounts and fair values of financial instruments not measured at fair value in the financial statements are as follows:

Millions of yen

	Previous year (as of December 31, 2022)		Current year (as of December 31, 2023)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans receivable	2,423	2,317	2,559	2,446
Long-term borrowings	146,678	146,689	153,638	153,746
Bonds	1,126,329	1,074,992	1,233,312	1,203,626

Each of the amounts in the above table includes the portion scheduled to be collected, repaid, or redeemed within one year.

Financial instruments for which the carrying amount is reasonably approximate to the fair value, and lease liabilities, are not included in the table above.

The fair value of long-term loans receivable is calculated by discounting the expected amount of principal and interest receivable by the interest rate expected if a similar new loan were to be issued, thereby deriving the present value.

The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest by the interest rate expected if a similar new borrowing were to be taken out, thereby deriving the present value.

The fair value of bonds is set to market prices when market prices are available.

In the above fair value measurement, bonds are classified into Level 2, while others are classified into Level 3. For bonds in Level 2, fair value is estimated using the reference trading statistics of Japan Securities Dealers Association and others. Fair value of financial instruments in Level 3 is measured by discounting contractual cash flows using the market interest rate, and the difference with carrying amount is due to a difference between the market interest rate and the contractual interest rate.

Financial assets and liabilities measured at fair value are as follows:

Please note that the figures in the table below include carrying amounts included in “Assets held for sale”.

Previous Year (as of December 31, 2022) Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	7,983	5,514	13,498
Derivatives not designated as hedging instruments	—	1,779	—	1,779
Equity instruments	77,755	52	29,907	107,715
Others	—	1,415	—	1,415
Total assets	77,755	11,230	35,422	124,408
Liabilities				
Derivatives designated as hedging instruments	—	5,191	—	5,191
Derivatives not designated as hedging instruments	—	1,208	—	1,208
Contingent consideration	—	—	31,028	31,028
Total liabilities	—	6,399	31,028	37,427

There were no material transfers between Levels 1 and 2 during the year.

Current Year (as of December 31, 2023) Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	17,149	3,329	20,479
Derivatives not designated as hedging instruments	—	3,299	—	3,299
Equity instruments	90,198	52	34,446	124,696
Others	—	1,620	20	1,640
Total assets	90,198	22,122	37,796	150,116
Liabilities				
Derivatives designated as hedging instruments	—	4,567	1,810	6,377
Derivatives not designated as hedging instruments	—	1,611	1,553	3,165
Contingent consideration	—	—	12,183	12,183
Total liabilities	—	6,178	15,547	21,726

There were no material transfers between Levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is the quoted market prices at the end of the fiscal period. The financial instruments are categorized into Level 1. Financial instruments categorized into Level 1 comprise primarily equity instruments traded in active markets.

The fair value of financial instruments that are not traded in an active market (for example, interest rate swaps and foreign exchange contracts) is determined by using another valuation technique which maximizes the use of observable market input and minimizes the use of entity specific estimates as much as possible. Derivative financial instruments are primarily valued based on the price indicated from financial institutions. If all significant inputs are observable, the financial instrument is categorized into Level 2. If one or more of the significant inputs is not based on observable market data, the financial instrument (for example, an equity instrument that is not traded in an active market or VPPA) is categorized into Level 3. These financial instruments are primarily valued with the comparable company analysis method or the discounted cash flow method, using inputs that are reasonably available and that many market participants consider reasonable. Contingent consideration is calculated based on expected payment by taking into account future business performance and others.

The principal unobservable input used in calculating the fair value of instruments classified as Level 3 is the price book-value ratio in the comparable company analysis method for equity instruments, which is distributed in a range from 0.9 times to 1.7 times (from 0.6 times to 1.6 times in the previous year) and the forecasted electricity purchase volumes in the discounted cash flow method for VPPAs, which ranges from 66 to 512 GWh (from 66 to 595 GWh in the previous year). The estimated fair value of equity instruments increases (decreases) when the Price book-value ratio increases (decreases). The estimated fair value of VPPAs generally increases (decreases), in the case that market price exceeds the price initially expected, when the forecasted electricity purchase volume increases (decreases).

Each calculation model used for fair value measurement is annually reviewed by the Finance Section. The Group also engages a review, if necessary, by an external independent specialist of fair value measurement. The Group sometimes use internal estimates in fair value measurement. Various analyses are performed for internal estimates such as time-series comparison to review appropriateness of these estimates, and then the Chief Financial Officer reviews the details as needed.

The Group analyzes changes in fair value measurements (including Level 3) based on factors such as inputs. The result of fair value measurements and the calculation processes (including assessments of valuation performed by a third party) as well as the results of analysis for the factors which caused the changes in the fair value are reported to Chief Financial Officer, and then the Officer reviews them and reports to the Board of Directors as necessary.

As to financial instruments categorized into Level 3, significant changes in fair value are not expected in case that an unobservable input is replaced by a reasonable alternative assumption.

Financial instruments categorized into Level 3 are analyzed as follows:

Previous Year (ended December 31, 2022) Millions of yen

	Equity instruments measured at fair value through other comprehensive income	Derivatives	Financial liabilities measured at fair value through in profit or loss.
Balance of assets (liabilities) at beginning of period	40,461	4,088	(27,863)
Gains (losses) recognized in profit or loss	—	—	(3,284)
Gains (losses) recognized in other comprehensive income (Note)	(4,602)	1,426	(2,073)
Purchases	2,034	—	—
Sales	(8,870)	—	—
Settlements	—	—	2,193
Other	885	—	—
Balance of assets (liabilities) at end of period	29,907	5,514	(31,028)
Of gains (losses) recognized in profit or loss: Gains (losses) for assets and liabilities held at end of period	—	—	(3,284)

(Note) Financial liabilities measured at fair value through profit or loss within gains and losses recognized in other comprehensive income are included in “Translation differences on foreign operations” in the consolidated statement of comprehensive income.

Current Year (ended December 31, 2023) Millions of yen

	Equity instruments measured at fair value through other comprehensive income	Derivatives	Financial liabilities measured at fair value through in profit or loss.
Balance of assets (liabilities) at beginning of period	29,907	5,514	(31,028)
Gains (losses) recognized in profit or loss	—	(1,501)	(397)
Gains (losses) recognized in other comprehensive income (Note)	3,903	(4,047)	(1,762)
Purchases	724	—	—
Sales	(69)	—	—
Settlements	—	—	21,079
Other	—	—	(73)
Balance of assets (liabilities) at end of period	34,466	(34)	(12,183)
Of gains (losses) recognized in profit or loss: Gains (losses) for assets and liabilities held at end of period	—	(1,496)	(397)

(Note)

1. These are included in "Finance income" and "Finance costs" in the consolidated statement of profit or loss

2. Financial liabilities measured at fair value through profit or loss within gains and losses recognized in other comprehensive income are included in "Translation differences on foreign operations" in the consolidated statement of comprehensive income.

(4) Derivatives and Hedge Accounting

Hedge accounting conducted in the Group's risk management is described in '(2) Risk Management'.

(i) Effect on the Consolidated Statement of Financial Position

Effect of derivatives designated as hedging instruments is set out below. Carrying amounts of derivatives designated as hedging instruments are measured at fair value and included in 'Other financial assets' or 'Other financial liabilities' or 'Bonds and borrowings' in the consolidated statement of financial position.

Previous Year (as of December 31, 2022)

Hedge type	Hedging instrument	Notional amount (Millions of yen)	Carrying amount (fair value)	
			Assets (Millions of yen)	Liabilities (Millions of yen)
Cash flow hedge	Foreign exchange contract	321,460	2,322	2,254
	Currency swap	87,300	967	86
	Commodity swap	44,873	4,692	2,850
	VPPA	9,150	5,514	—
Total		462,785	13,498	5,191
Hedges of net investments in foreign operations	Euro denominated bonds	424,438 (Euro 3,000 million)	—	424,438

The average rates applied to the foreign exchange contracts are ¥122.14 per US dollar, ¥132.38 per euro, 0.21 euro per Polish zloty, 0.71 US dollar per Australian dollar and ¥18.14 per Chinese yuan. The average rates applied to the currency swap is ¥130.46 per euro. The average rates applied to the VPPAs are 218 Polish zloty and 64 euros per 1Mwh.

Current Year (as of December 31, 2023)

Hedge type	Hedging instrument	Notional amount (Millions of yen)	Carrying amount (fair value)	
			Assets (Millions of yen)	Liabilities (Millions of yen)
Cash flow hedge	Foreign exchange contract	511,300	1,124	3,422
	Currency swap	94,703	12,166	34
	Commodity swap	45,324	3,858	1,110
	VPPA	24,186	3,329	1,810
Total		675,515	20,479	6,377
Hedges of net investments in foreign operations	Euro denominated bonds	471,366 (Euro 3,000 million)	—	471,366

The average rates applied to the foreign exchange contracts are ¥ 127.59 per US dollar, ¥ 140.48 per euro, 0.21 euro per Polish zloty, 0.67 US dollar per Australian dollar and ¥18.57 per Chinese yuan. The average rates applied to the currency swap is ¥130.46 per euro. The average rates applied to the VPPAs are 218 Polish zloty and 67 euros per 1Mwh.

In the previous year, "VPPA" were included "Commodity swap" However, due to an increase in materiality, the Group is separately disclosing them from the current year. And the notional amount of VPPAs is calculated by multiplying the contracted unit price by the forecasted electricity purchase volumes.

To reflect this change in presentation, the Group has reclassified the items from the previous year.

Hedge transactions conducted by the Group hedge all hedged items, and there are no transactions that only hedge certain risk elements. The periods for which the foreign exchange contract, currency swap, commodity swap and VPPA would hedge cash flow fluctuations are approximately 4 years, 3 years, 5 years and 10 years at the longest, respectively.

The ineffective portion recognized in profit or loss is not significant, and thus a description of changes in fair value is omitted for the hedging instruments which were used as a basis to recognize the ineffective portion.

In addition, in VPPAs, there is a possibility of material ineffectiveness due to factors such as actual electricity purchase volumes differing from the forecast.

Fair value of derivatives that are not designated as a hedging instrument is as follows:

Millions of yen

	Previous year (as of December 31, 2022)		Current year (as of December 31, 2023)	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange contract	49	—	63	1,169
Currency swap	1,730	1,139	3,220	441
Commodity swap	—	68	15	—
VPPA	—	—	—	1,553
Total	1,779	1,208	3,299	3,165

Reserve of cash flow hedges, reserve of costs of hedging and hedges of net investments in foreign operations are as follows:

There is no reserve of cash flow hedges arising from hedging relationships for which their hedge accounting is discontinued.

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
Reserve of cash flow hedges		
Foreign exchange contract	(5,493)	(480)
Currency swap	713	(2,255)
Commodity swap	1,842	1,906
VPPA	5,514	1,053
Total	2,577	224
Reserve of costs of hedging		
Currency swap (period-related)	(478)	(425)
Hedges of net investments in foreign operations		
Euro denominated Bonds	(33,356)	(68,293)

In the previous year, “VPPA” were included “Commodity swap” However, due to an increase in materiality, the Group is separately disclosing them from the current year. To reflect this change in presentation, the Group have reclassified the items from the previous year.

The ineffective portion recognized in profit or loss is not significant, and thus a description of changes in fair value is omitted for the hedging instruments which were used as a basis to recognize the ineffective portion.

(ii) Effect on the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income

Effect on profit or loss and comprehensive income of derivatives designated as hedging instruments in cash flow hedges, costs of hedging and hedges of net investments in foreign operations are as follows:

Previous Year (ended December 31, 2022) Millions of yen

Risk type	Gains (losses) recognized in other comprehensive income (Note)	Amount reclassified from other equity interest to profit or loss (Note)	Line item in profit or loss on reclassification
Cash flow hedges			
Foreign exchange risk	(4,297)	(73)	Finance costs
Price risk	275	—	
Interest rate risk	—	—	
Total	(4,021)	(73)	
Costs of hedging			
Foreign exchange risk (period-related)	179	(2)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	(33,918)	—	

(Note) The amounts are gross values before tax.

Current Year (ended December 31, 2023) Millions of yen

Risk type	Gains (losses) recognized in other comprehensive income (Note)	Amount reclassified from other equity interest to profit or loss (Note)	Line item in profit or loss on reclassification
Cash flow hedges			
Foreign exchange risk	3,770	(82)	Finance costs
Price risk	(4,815)	—	
Interest rate risk	—	—	
Total	(1,045)	(82)	
Costs of hedging			
Foreign exchange risk (period-related)	79	(2)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	(46,952)	—	

(Note) The amounts are gross values before tax.

There is no reclassification due to discontinuation of hedge accounting. Reserve of cash flow hedges accumulated in other components of equity is reclassified and included in the cost of the assets such as an inventory if the hedged item is a forecast transaction to acquire the assets.

There are ¥(752) million (previous year: ¥(2,042) million) of foreign exchange risks among the amounts reclassified to the cost.

The ineffective portion recognized in profit or loss is not significant.

(5) Offset of financial assets and liabilities

The Company has entered into cash pooling agreements with financial institutions. The Company has a legally enforceable right to offset financial assets and liabilities recognized based on the cash pooling agreements, and an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities recognized based on the above cash pooling agreements at the end of the current year are as follows:

Previous Year (ended December 31, 2022)

	Aggregate amount recognized (Millions of yen)	Amount offset (Millions of yen)	Net amount presented in the statement of financial position (Millions of yen)
<Financial assets>			
Cash and cash equivalents	130,028	(127,421)	2,607
<Financial liabilities>			
Bonds and borrowings	127,421	(127,421)	—

Current Year (ended December 31, 2023)

	Aggregate amount recognized (Millions of yen)	Amount offset (Millions of yen)	Net amount presented in the statement of financial position (Millions of yen)
<Financial assets> Cash and cash equivalents	222,268	(215,802)	6,466
<Financial liabilities> Bonds and borrowings	215,802	(215,802)	—

33. Significant Non-cash Transactions

Previous Year (ended December 31, 2022)

There are no significant non-cash transactions.

Current Year (ended December 31, 2023)

There are no significant non-cash transactions.

34. Changes in Ownership Interests in Subsidiaries

(1) Earnings and Expenses on Acquisitions of Subsidiaries

Previous Year (ended December 31, 2022)

Omitted due to lack of materiality.

Current year (ended December 31, 2023)

Omitted due to lack of materiality.

(2) Earnings and Expenses on Sales of Subsidiaries

Previous Year (ended December 31, 2022)

There are no significant changes in ownership interests in subsidiaries.

Current Year (ended December 31, 2023)

There are no significant changes in ownership interests in subsidiaries.

35. Changes in Liabilities Arising from Financing Activities

Previous Year (ended December 31, 2022)

Millions of yen

Item	Balance as of January 1, 2022	Change owing to financing cash flow	Non-cash changes						Balance as of December 31, 2022
			Acquisition	Long- and short-term transfer	Change in scope of consolidation	Exchange differences	Changes in fair value	Other	
Short-term borrowings (Note)	232,301	(8,527)	—	—	—	528	—	—	224,302
Lease obligations	93,370	(23,307)	26,643	—	13	5,399	—	—	102,120
Current portion of long-term borrowings	51,388	(50,520)	—	42,101	—	75	—	—	43,046
Long-term borrowings	146,608	(940)	—	(42,101)	—	66	—	—	103,632
Current portion of bonds	139,962	(140,000)	—	99,875	—	—	—	81	99,919
Bonds	1,025,943	59,748	—	(99,875)	—	39,437	—	1,156	1,026,409
Derivative liabilities (assets) held to hedge liabilities arising from financing activities	(844)	—	—	—	—	—	37	—	(807)
Total	1,688,729	(163,548)	26,643	—	13	45,508	37	1,238	1,598,622

(Note) Short-term borrowings include commercial papers.

Current Year (ended December 31, 2023)

Millions of yen

Item	Balance as of January 1, 2023	Change owing to financing cash flow	Non-cash changes						Balance as of December 31, 2023
			Acquisition	Long- and short-term transfer	Change in scope of consolidation	Exchange differences	Changes in fair value	Other	
Short-term borrowings (Note)	224,302	(200,705)	—	—	—	250	—	—	23,846
Lease obligations	102,120	(24,555)	26,918	—	—	6,957	—	—	111,441
Current portion of long-term borrowings	43,046	(42,823)	—	44,420	—	16	—	—	44,658
Long-term borrowings	103,632	49,761	—	(44,420)	—	5	—	—	108,980
Current portion of bonds	99,919	(100,000)	—	295,956	—	25,042	—	423	321,342
Bonds	1,026,409	149,360	—	(295,956)	—	31,300	—	857	911,970
Derivative liabilities (assets) held to hedge liabilities arising from financing activities	(807)	—	—	—	—	—	(11,313)	—	(12,120)
Total	1,598,622	(168,962)	26,918	—	—	63,573	(11,313)	1,280	1,510,119

(Note) Short-term borrowings include commercial papers.

36. Related Party Transactions

(1) Transactions and Outstanding Balances with Related Parties

There are no material transactions with related parties.

(2) Key Management Personnel Compensation

Compensation to the Group's key management personnel is as follows:

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Short-term employee benefits expense	642	722
Share-based Payments	86	107
Total	728	829

37. Business combination

Previous year (ended December 31, 2022)

There are no significant business combinations.

Current year (ended December 31, 2023)

There are no significant business combinations.

38. Interest in Other Entities

(1) Interest in Subsidiaries

Subsidiaries included in the consolidated financial statements are as follows:

Previous Year (ended December 31, 2022)

Name	Location	Proportion of ownership interest (%)
Asahi Group Japan, Ltd.	Sumida-ku, Tokyo	100.00
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
The Nikka Whiskey Distilling Co., Ltd.	Yoichi-cho, Hokkaido	100.00 (100.00)
ENOTECA CO.,LTD.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Calpis Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Soft Drink Sales Co., Ltd.	Taito-ku, Tokyo	100.00 (100.00)
Asahi Group Foods, Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Logistics, Ltd.	Ota-ku, Tokyo	100.00 (100.00)
NADAMAN CO., LTD.	Chiyoda-ku, Tokyo	100.00 (100.00)
Asahi Professional Management Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Europe & International Ltd.	Surrey, United Kingdom	100.00
Birra Peroni S.r.l.	Roma Italy	100.00 (100.00)
Koninklijke Grolsch N.V.	Enschede Netherlands	100.00 (100.00)
Meantime Brewing Company Ltd.	London United Kingdom	100.00 (100.00)
Asahi UK Ltd.	London United Kingdom	100.00 (100.00)
Plzeňský Prazdroj, a.s.	Pilsen Czech Republic	100.00 (100.00)
Plzeňský Prazdroj Slovensko, a.s	Vel'ký Šariš Slovakia	100.00 (100.00)
Kompania Piwowarska S.A.	Wielkopolskie Poland	100.00 (100.00)
Ursus Breweries SA	Buzau Romania	98.68 (98.68)
Dreher Sörgyárak Zrt.	Budapest Hungary	99.78 (99.78)
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	100.00
Asahi Holdings (Australia) Pty Ltd.	Victoria, Australia	100.00

Name	Location	Proportion of ownership interest (%)
CUB Pty Ltd.	Victoria, Australia	100.00 (100.00)
Asahi Beverages Pty Ltd.	Victoria, Australia	100.00 (100.00)
Asahi Beverages (NZ) Limited	Auckland, New Zealand	100.00 (100.00)
Asahi Holdings Southeast Asia Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Beverages Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Asahi Loi Hein Company Limited	Yangon, Myanmar	51.00 (51.00)
Asahi Quality & Innovations, Ltd.	Moriya-shi, Ibaraki	100.00
Other 177 Subsidiaries	—	—

(Note) Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.

Current Year (ended December 31, 2023)

Name	Location	Proportion of ownership interest (%)
Asahi Group Japan, Ltd.	Sumida-ku, Tokyo	100.00
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
The Nikka Whiskey Distilling Co., Ltd.	Yoichi-cho, Hokkaido	100.00 (100.00)
ENOTECA CO.,LTD.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Calpis Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Group Foods, Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Logistics, Ltd.	Ota-ku, Tokyo	100.00 (100.00)
NADAMAN CO., LTD.	Chiyoda-ku, Tokyo	100.00 (100.00)
Asahi Professional Management Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Europe & International Ltd.	Surrey, United Kingdom	100.00
Birra Peroni S.r.l.	Roma Italy	100.00 (100.00)
Koninklijke Grolsch N.V.	Enschede Netherlands	100.00 (100.00)

Name	Location	Proportion of ownership interest (%)
Meantime Brewing Company Ltd.	London United Kingdom	100.00 (100.00)
Asahi UK Ltd.	London United Kingdom	100.00 (100.00)
Plzeňský Prazdroj, a.s.	Pilsen Czech Republic	100.00 (100.00)
Plzeňský Prazdroj Slovensko, a.s	Vel'ký Šariš Slovakia	100.00 (100.00)
Kompania Piwowarska S.A.	Wielkopolskie Poland	100.00 (100.00)
Ursus Breweries SA	Buzau Romania	98.68 (98.68)
Dreher Sörgyárak Zrt.	Budapest Hungary	99.78 (99.78)
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	100.00
Asahi Holdings (Australia) Pty Ltd.	Victoria, Australia	100.00
CUB Pty Ltd.	Victoria, Australia	100.00 (100.00)
Asahi Beverages Pty Ltd.	Victoria, Australia	100.00 (100.00)
Asahi Beverages (NZ) Limited	Auckland, New Zealand	100.00 (100.00)
Asahi Holdings Southeast Asia Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Beverages Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Asahi Loi Hein Company Limited	Yangon, Myanmar	51.00 (51.00)
Asahi Global Procurement Pte. Ltd.	Singapore	100.00
Asahi Quality & Innovations, Ltd.	Moriya-shi, Ibaraki	100.00
Other 168 Subsidiaries	—	—

(Note) Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.

(2) Interests in Associates and Joint Ventures

(i) Associates

The carrying amount of interests, share of profit of and share of other comprehensive income of associates are as follows. There are no associates that are material to the Group.

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
The carrying amount of interests	6,613	10,966

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Profit	668	881
Other comprehensive income	129	120
Total comprehensive income	797	1,002

(ii) Joint Ventures

The carrying amount of interests, share of profit of and share of other comprehensive income of joint ventures are as follows. There are no joint ventures that are material to the Group.

Millions of yen

	Previous year (as of December 31, 2022)	Current year (as of December 31, 2023)
The carrying amount of interests	109	115

Millions of yen

	Previous year (ended December 31, 2022)	Current year (ended December 31, 2023)
Profit	(0)	(5)
Other comprehensive income	25	12
Total comprehensive income	24	6

39. Commitments

There are no significant commitments regarding acquisition of assets.

40. Contingencies

There are no significant contingencies.

41. Subsequent Events

There are no subsequent events.

Independent auditor's report

To the Board of Directors of
Asahi Group Holdings, Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Asahi Group Holdings, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill related to the Oceania business

The key audit matter	How the matter was addressed in our audit
As described in Note 12, "Goodwill and Intangible Assets" to the consolidated financial statements, Asahi Group Holdings, Ltd. and its consolidated subsidiaries recognized goodwill of ¥1,255,241 million in their consolidated statement of financial position for the current fiscal year, allocated to the Oceania business, which represented approximately 26.0% of total assets in the consolidated financial statements. A group of cash-generating units to which goodwill is allocated is tested for impairment annually and whenever it is determined that there is any indication of impairment. When the recoverable amount of a group of cash-generating units is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or the fair value less costs of disposal. In the current fiscal year, fair value less costs of disposal was used as the recoverable amount in the impairment testing on the group of cash-generating units related to the Oceania business. The future cash flows used to measure the fair value less costs of disposal were estimated based on the business plan of the Oceania business approved by management and the growth rate applied to the periods subsequent to those covered by the business plan. Key assumptions, such as increases in future revenue and the growth rate applied to the periods subsequent to those covered by the business plan, used in estimating the future cash flows, involved a high degree of uncertainty as they are affected by changes in factors such as the business conditions and competitive environment in Oceania, and management's judgment thereon had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the fair value required a high degree of expertise in valuation. We, therefore, determined that the valuation of goodwill related to the Oceania business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	In order to assess whether the valuation of goodwill related to the Oceania business was reasonable, we requested the component auditor of the consolidated subsidiary that oversees the Oceania business to perform an audit. We evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures, among others: **(1) Assessment of estimation uncertainty** Assessed whether key assumptions used to prepare the business plan were appropriately selected by evaluating whether there was any effect on the determination of an impairment loss to be recognized when the effect of specific uncertainties were incorporated into key assumptions. **(2) Internal control testing** Tested the design and operating effectiveness of certain internal controls relevant to the valuation of goodwill, with a greater focus on controls designed to ensure the appropriateness of the estimated future cash flows. **(3) Assessment of the reasonableness of the estimated fair value less costs of disposal** Assessed whether key assumptions adopted in estimating the fair value less costs of disposal is appropriate primarily by performing the following procedures: • Assessment of the consistency of the projected increase in revenue with the business plan through inquiry of the personnel responsible for the Oceania business and inspection of relevant documents; • Trend analysis of revenue for previous years including comparison of latest actuals, as well as comparison of the projected increase in revenue with relevant forecast data on the alcohol beverage and soft drink markets in Oceania published by external organizations; • Comparison of the growth rate applied to the periods subsequent to those covered by the business plan with relevant market data forecasts published by external organizations with the assistance of a valuation specialist within the network firms of the auditor of the consolidated subsidiary; and • Assessment of the appropriateness of the model adopted by management to estimate the discount rate with the assistance of a valuation specialist within the network firms of the auditor of the consolidated subsidiary, as well as the assessment of the reasonableness of the discount rate through comparison with an estimate independently developed by the specialist.

Valuation of goodwill related to the Europe (International) business

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 12, “Goodwill and Intangible Assets” to the consolidated financial statements, Asahi Group Holdings, Ltd. and its consolidated subsidiaries recognized goodwill of ¥100,770 million in their consolidated statement of financial position for the current fiscal year, allocated to the Europe (International) business, which represented approximately 2.1% of total assets in the consolidated financial statements.

A group of cash-generating units to which goodwill is allocated is tested for impairment annually and whenever it is determined that there is any indication of impairment. When the recoverable amount of a group of cash-generating units is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or the fair value less costs of disposal.

In the current fiscal year, the value in use was used as the recoverable amount in the impairment testing on the group of cash-generating units related to the Europe (International) business. The future cash flows used to measure the value in use were estimated based on the business plan of the Europe (International) business approved by management and the growth rate applied to the periods subsequent to those covered by the business plan. Key assumptions, such as increases in future revenue and the growth rate applied to the periods subsequent to those covered by the business plan, used in estimating the future cash flows, involved a high degree of uncertainty as they are affected by changes in factors such as the business conditions and competitive environment in each region of the export destination markets, and management’s judgment thereon had a significant effect on the estimated future cash flows.

In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the value in use required a high degree of expertise in valuation.

We, therefore, determined that the valuation of goodwill related to the Europe (International) business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</td><td>In order to assess whether the valuation of goodwill related to the Europe (International) business was reasonable, we requested the component auditor of the consolidated subsidiary that oversees the Europe (International) business to perform audit procedures. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained from the procedures, and performed the following procedures, among others:

(1) Assessment of estimation uncertainty
Assessed whether key assumptions used to prepare the business plan were appropriately selected by evaluating whether there was any effect on the determination of an impairment loss to be recognized when the effect of specific uncertainties were incorporated into key assumptions.

(2) Internal control testing
Tested the design and operating effectiveness of certain internal controls relevant to the valuation of goodwill, with a greater focus on controls designed to ensure the appropriateness of the estimated future cash flows.

(3) Assessment of the reasonableness of the estimated value in use
Assessed whether key assumptions adopted in estimating the value in use is appropriate primarily by performing the following procedures:
• Assessment of the consistency of the projected increase in revenue with the business plan through inquiry of the personnel responsible for the Europe (International) business and inspection of relevant documents;
• Trend analysis of revenue for previous years including comparison of latest actuals, as well as comparison of the projected increase in revenue with forecast data on the alcohol beverage markets for major export destinations published by external organizations;
• Comparison of the growth rate applied to the periods subsequent to those covered by the business plan with relevant market data forecasts published by external organizations with the assistance of a valuation specialist within our domestic network firms; and
• Assessment of the appropriateness of the model adopted by management to estimate the discount rate with the assistance of a valuation specialist within our domestic network firms, as well as the assessment of the reasonableness of the discount rate through comparison with an estimate independently developed by the specialist.</td></tr>
</table>

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & supervisory board members and the audit & supervisory board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit & supervisory board members and the audit & supervisory board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit & supervisory board members and the audit & supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit & supervisory board members and the audit & supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Hiroyuki Yamada
Designated Engagement Partner
Certified Public Accountant

/S/ Hiroshi Tani
Designated Engagement Partner
Certified Public Accountant

/S/ Masahiro Morita
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
March 28, 2023

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Consolidated Statement of Financial Position

Millions of yen

	Notes	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Assets			
Current assets			
Cash and cash equivalents	7	52,743	37,438
Trade and other receivables	8 31	395,974	415,676
Inventories	9	200,828	234,969
Income tax receivables		2,232	7,354
Other financial assets	13	7,119	10,028
Other current assets	14	34,081	32,062
Subtotal		692,980	737,529
Assets held for sale	10	7,196	—
Total current assets		700,176	737,529
Non-current assets			
Property, plant and equipment	11	818,398	834,721
Goodwill and intangible assets	12	2,819,634	3,027,929
Investments accounted for using equity method	37	6,640	6,722
Other financial assets	13	126,295	125,780
Deferred tax assets	28	34,549	54,888
Net defined benefit assets	18	23,981	24,004
Other non-current assets	14	18,071	18,767
Total non-current assets		3,847,572	4,092,815
Total assets		4,547,748	4,830,344

Millions of yen

	Notes	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	15	531,573	591,869
Bonds and borrowings	16 31 34	423,652	367,267
Income tax payables		36,841	30,906
Provisions	19	13,253	14,103
Other financial liabilities	16	111,585	135,983
Other current liabilities	20	125,985	125,816
Total current liabilities		1,242,891	1,265,946
Non-current liabilities			
Bonds and borrowings	16 31 34	1,172,551	1,130,042
Net defined benefit liabilities	18	24,053	20,349
Deferred tax liabilities	28	203,579	213,494
Other financial liabilities	16	139,194	131,792
Other non-current liabilities	19 20	6,330	5,774
Total non-current liabilities		1,545,709	1,501,452
Total liabilities		2,788,600	2,767,399
Equity			
Issued capital	21	220,044	220,044
Share premium	21	161,731	161,793
Retained earnings	21	1,064,644	1,165,542
Treasury shares	21	(923)	(1,178)
Other components of equity		311,607	514,532
Total equity attributable to owners of parent		1,757,104	2,060,734
Non-controlling interests		2,043	2,210
Total equity		1,759,148	2,062,945
Total liabilities and equity		4,547,748	4,830,344

Consolidated Statement of Profit or Loss

Millions of yen

	Notes	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Revenue	24	2,236,076	2,511,108
Cost of sales		(1,383,195)	(1,589,272)
Gross profit		852,881	921,835
Selling, general and administrative expenses	25	(634,940)	(678,018)
Other operating income	26	46,055	16,850
Other operating expense	12 26	(52,096)	(43,619)
Operating profit		211,900	217,048
Finance income	27	5,754	5,498
Finance costs	27	(18,516)	(17,221)
Share of profit (loss) of investments accounted for using equity method	37	687	667
Profit before tax		199,826	205,992
Income tax expense	28	(46,003)	(54,275)
Profit		153,823	151,717
Profit attributable to:			
Owners of parent		153,500	151,555
Non-controlling interests		322	162
Total		153,823	151,717
Basic earnings per share (Yen)	29	302.92	299.10
Diluted earnings per share (Yen)	29	302.89	299.06

Consolidated Statement of Comprehensive Income

Millions of yen

	Notes	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Profit		153,823	151,717
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value of financial instruments measured at fair value through other comprehensive income	30	(8,080)	(991)
Remeasurements of defined benefit plans	18 30	4,607	3,776
Items that might be reclassified to profit or loss			
Cash flow hedges	30 31	5,071	(2,865)
Costs of hedging	30 31	172	122
Translation differences on foreign operations	30	139,707	209,867
Share of other comprehensive income of entities accounted for using equity method	30	319	155
Total other comprehensive income	30	141,799	210,063
Total comprehensive income		295,622	361,781
Total comprehensive income attributable to:			
Owners of parent		295,255	361,604
Non-controlling interests		366	177

Consolidated Statement of Changes in Equity

Millions of yen

	Notes	Equity attributable to owners of parent						
						Other components of equity		
		Issued capital	Share premium	Retained earnings	Treasury shares	Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2021		220,044	161,783	967,230	(1,031)	39,605	—	2,526
Comprehensive income								
Profit				153,500				
Other comprehensive income						(8,080)	4,584	5,072
Total comprehensive income		—	—	153,500	—	(8,080)	4,584	5,072
Transfer to non-financial assets								(111)
Transactions with owners								
Dividends	22			(54,220)				
Purchase of treasury shares					(26)			
Disposal of treasury shares			0		134			
Share-based payment transaction	23		(52)					
Transfer from other components of equity to retained earnings				(1,865)		6,450	(4,584)	
Other increase (decrease)								
Total contributions by owners and distribution to owners		—	(52)	(56,085)	108	6,450	(4,584)	—
Total transactions with owners		—	(52)	(56,085)	108	6,450	(4,584)	—
Balance as of December 31, 2021		220,044	161,731	1,064,644	(923)	37,975	—	7,486

Millions of yen

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity			Total equity attributable to owners of parent		
		Costs of hedging	Translation differences on foreign operations	Total other components of equity			
Balance as of January 1, 2021		(773)	126,739	168,097	1,516,124	1,691	1,517,816
Comprehensive income							
Profit				—	153,500	322	153,823
Other comprehensive income		172	140,006	141,755	141,755	43	141,799
Total comprehensive income		172	140,006	141,755	295,255	366	295,622
Transfer to non-financial assets				(111)	(111)		(111)
Transactions with owners							
Dividends	22			—	(54,220)	(13)	(54,233)
Purchase of treasury shares				—	(26)		(26)
Disposal of treasury shares				—	135		135
Share-based payment transaction	23			—	(52)		(52)
Transfer from other components of equity to retained earnings				1,865	—		—
Other increase(decrease)				—	—		—
Total contributions by owners and distribution to owners		—	—	1,865	(54,163)	(13)	(54,177)
Total transactions with owners		—	—	1,865	(54,163)	(13)	(54,177)
Balance as of December 31, 2021		(601)	266,746	311,607	1,757,104	2,043	1,759,148

Millions of yen

	Notes	Equity attributable to owners of parent						
						Other components of equity		
		Issued capital	Share premium	Retained earnings	Treasury shares	Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2022		220,044	161,731	1,064,644	(923)	37,975	—	7,486
Comprehensive income								
Profit				151,555				
Other comprehensive income						(991)	3,765	(2,866)
Total comprehensive income		—	—	151,555	—	(991)	3,765	(2,866)
Transfer to non-financial assets								(2,042)
Transactions with owners								
Dividends	22			(55,738)				
Purchase of treasury shares					(263)			
Disposal of treasury shares			0		8			
Share-based payment transaction	23		61					
Transfer from other components of equity to retained earnings				5,081		(1,316)	(3,765)	
Other increase (decrease)								
Total contributions by owners and distribution to owners		—	62	(50,657)	(255)	(1,316)	(3,765)	—
Total transactions with owners		—	62	(50,657)	(255)	(1,316)	(3,765)	—
Balance as of December 31, 2022		220,044	161,793	1,165,542	(1,178)	35,667	—	2,577

Millions of yen

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity			Total equity attributable to owners of parent		
		Costs of hedging	Translation differences on foreign operations	Total other components of equity			
Balance as of January 1, 2022		(601)	266,746	311,607	1,757,104	2,043	1,759,148
Comprehensive income							
Profit				—	151,555	162	151,717
Other comprehensive income		122	210,019	210,048	210,048	15	210,063
Total comprehensive income		122	210,019	210,048	361,604	177	361,781
Transfer to non-financial assets				(2,042)	(2,042)		(2,042)
Transactions with owners							
Dividends	22			—	(55,738)	(15)	(55,753)
Purchase of treasury shares				—	(263)		(263)
Disposal of treasury shares				—	8		8
Share-based payment transaction	23			—	61		61
Transfer from other components of equity to retained earnings				(5,081)	—		—
Other increase(decrease)				—	—	4	4
Total contributions by owners and distribution to owners		—	—	(5,081)	(55,931)	(10)	(55,941)
Total transactions with owners		—	—	(5,081)	(55,931)	(10)	(55,941)
Balance as of December 31, 2022		(478)	476,765	514,532	2,060,734	2,210	2,062,945

Consolidated Statement of Cash Flows

Millions of yen

	Notes	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Cash flows from (used in) operating activities			
Profit before tax		199,826	205,992
Depreciation and amortization expenses		134,815	140,419
Impairment losses	12	13,442	18,490
Interest and dividend income		(2,880)	(2,656)
Interest expenses		12,700	12,306
Share of loss (profit) of investments accounted for using equity method		(687)	(667)
Loss (gain) on sales and disposals of property, plant and equipment		(31,083)	(9,540)
Decrease (increase) in trade receivables		(11,812)	(826)
Decrease (increase) in inventories		(14,566)	(27,957)
Increase (decrease) in trade payables		9,598	25,737
Increase (decrease) in accrued alcohol tax		9,106	(4,062)
Increase (decrease) in net defined benefit assets and liabilities		2,084	1,441
Other		75,992	3,369
Subtotal		396,535	362,049
Interest and dividends received		3,116	3,344
Interest paid		(11,224)	(10,839)
Income taxes paid		(50,615)	(88,562)
Net cash flows from (used in) operating activities		337,812	265,991

Millions of yen

	Notes	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(80,803)	(83,049)
Proceeds from sales of property, plant and equipment		46,321	25,109
Purchase of intangible assets		(11,832)	(16,796)
Proceeds from sales of intangible assets		18,740	868
Purchase of investment securities		(464)	(552)
Proceeds from sales of investment securities		30,159	8,483
Proceeds from sales of investment in an entity accounted for using equity method		—	676
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	33	(14,762)	(2,661)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	33	396	—
Payments for contingent consideration		—	(2,357)
Other		(2,103)	1,091
Net cash flows from (used in) investing activities		(14,348)	(69,186)
Cash flows from (used in) financing activities			
Increase (decrease) in short-term borrowings	34	(440,775)	(8,527)
Payments of lease liabilities	34	(25,215)	(23,307)
Proceeds from long-term borrowings	34	191,000	—
Repayments of long-term borrowings	34	(183,688)	(51,460)
Proceeds from issuance of bonds	34	282,048	60,000
Redemption of bonds	34	(88,328)	(140,000)
Purchase of treasury shares		(26)	(263)
Dividends paid	22	(54,220)	(55,738)
Other		(1,119)	(258)
Net cash flows from (used in) financing activities		(320,325)	(219,556)
Effect of exchange rate changes on cash and cash equivalents		1,144	7,447
Net increase (decrease) in cash and cash equivalents		4,283	(15,304)
Cash and cash equivalents at beginning of period	7	48,460	52,743
Cash and cash equivalents at end of period	7	52,743	37,438

Notes to the Consolidated Financial Statements

1. Reporting Entity

Asahi Group Holdings, Ltd. ('the Company') is a corporation domiciled in Japan. The Company and its subsidiaries ('the Group') are engaged primarily in manufacturing and marketing of alcohol beverages, soft drinks, and food.

2. Basis of Preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The Company is qualified as a "Specified Company" as provided in Article 1-2 of "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976). Article 93 of this ordinance allows Specified Companies to prepare consolidated financial statements under IFRS. The Group's consolidated financial statements for the year ended December 31, 2022 were authorized for issue by Atsushi Katsuki, President and Representative Director, CEO, and Kaoru Sakita, Chief Financial Officer on March 28, 2023.

The Group's consolidated financial statements are prepared on the cost basis, except for the financial instruments and other items as described in "4. Significant Accounting Policies".

The preparation of consolidated financial statements in conformity with IFRS requires accounting estimates on certain critical items. It also requires management to make judgments in applying the Group's accounting policies.

The Group's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company.

Amounts presented in the consolidated financial statements are rounded down to the nearest million yen.

3. Standards and Interpretations that have been issued but not yet applied

The standard that has been newly issued or amended by the approval date of the consolidated financial statements and will be effective and applied in the future periods is as follows. The impact of the standard to be applied on the Group's consolidated financial statements is under review, and not estimable at this moment.

No.	Title	Mandatory Application	The First Application by the Group	Description of the New Standard or the Amendment
IFRS17	Insurance Contracts	Annual periods beginning on or after January 1, 2023	The annual period ending December 31, 2023	Formulate consistent accounting model for insurance contracts

4. Significant Accounting Policies

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group assesses that it controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control is lost. Amounts reported by subsidiaries are adjusted to conform to the Group's accounting policies.

Intra-group transactions, balances and any unrealized gains or losses arising from transactions within the Group are eliminated to prepare the consolidated financial statements.

Subsidiaries whose reporting date is different from that of the Group are consolidated based on the provisional closing information as of the Group's reporting date.

(ii) Associates and Joint Ventures

Associates are entities where the Group has significant influence over the financial and operating policies. It is presumed that the Group has significant influence when it holds more than 20 percent of the voting power of the investee. A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method ('equity-accounted investees'). Under the equity method, an investment is initially recognized at cost.

The consolidated financial statements include the Group's share of changes equity-accounted investees from the date that the Group obtained significant influence or joint control until the date on which the Group loses significant influence or joint control.

The Group's investments include goodwill recognized on the acquisition.

Necessary adjustments are made when accounting policies of the associates and joint ventures are different from those of the Group to retain consistency.

(2) Business Combinations

The Group applies the acquisition method to business combinations. The consideration is measured at fair value on the acquisition date which represents the total fair value of the assets transferred, the liabilities assumed and the equity instruments issued by the Group. The Group recognizes goodwill for the excess of total consideration paid, amount of non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net value of identifiable assets and assumed liabilities as of the date of the combination. Negative goodwill is recognized immediately in profit or loss.

The Group elects to recognize non-controlling interests in the acquiree for each business combination, either at fair value or at the proportionate share of the identifiable net assets at the acquisition date, elected on a transaction-by-transaction basis.

Acquisition-related costs are expensed as incurred. Additional acquisition of non-controlling interest after the control obtained is accounted as equity transactions, and goodwill does not arise from such transactions accordingly.

The Group applies book value accounting to acquisitions under common control, which are business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combinations, and that control is not transitory.

(3) Foreign Currency Translation

(i) Functional currency and presentation currency

Items included in financial statements of each company of the Group are measured using the currency of the primary economic environment in which the company operates (hereinafter referred to as the "functional currency"). The consolidated financial statements are presented in Japanese Yen, which is the presentation currency of the Group.

(ii) Transactions and Balances

Foreign currency transactions are translated into functional currencies using the exchange rate at the date of the transactions. Foreign exchange differences arising from settlement of transactions and those arising from the translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the end of the fiscal year are recognized in profit or loss. However, exchange differences arising from financial assets measured through other comprehensive income, qualifying cash flow hedges and hedges of net investments in foreign operations are recognized in other comprehensive income.

(iii) Foreign operation

Operating results and financial position of all the foreign operations using a functional currency that is not the presentation currency are translated into the presentation currency in the ways described below. Among the foreign operations, there is no company that uses a currency of a hyperinflationary economy.

(a) Assets and liabilities are translated using the closing rate as of the end of the fiscal year.

(b) Income and expenses are translated using the average rate (unless the average rate is not a reasonable approximation of the cumulative effect of the exchange rates prevailing on the transaction date, in which case income and expenses are translated using the rate on the transaction date).

(c) All resulting exchange differences are recognized in other comprehensive income and accumulated in exchange differences on foreign operations, which is other components of equity.

When a foreign operation is partially disposed of or sold, the exchange differences recognized in other comprehensive income are recognized in profit or loss as part of a gain or loss on the sale.

(4) Property, Plant and Equipment

Buildings and structures, machinery and vehicles, tools, furniture and fixtures, and land mainly consist of production and processing equipment and facilities for the head office. Property, plant and equipment are recognized at cost, and carried at cost less accumulated depreciation and accumulated impairment losses. The cost includes the purchase price, the costs directly related to acquisition of the asset, costs for asset dismantlement and removal and site restoration, and borrowing costs that are required to be capitalized.

Concerning expenditure after acquisition, in cases when it is highly probable that future economic benefit relating to the item will flow to the Group, and the item has a cost that can be measured reliably, such costs are recognized either together in the carrying amount of the asset, or when deemed appropriate, as a separate asset. The carrying amounts of parts that are replaced are derecognized. Other repair and maintenance costs are recognized in profit or loss in the accounting period in which the cost was incurred.

Land is not depreciated. The amount of depreciation of other assets is calculated by allocating the cost of each asset less the residual value using the straight-line method over the following major estimated useful lives:

Buildings and structures 3–50 years

Machinery and vehicles 2–15 years

Tools, furniture and fixtures 2–20 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each fiscal year, and revised where necessary.

Gains or losses on disposal are computed by comparing the carrying amount with the proceeds from disposal, and then recognized in profit or loss.

(5) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalized until the assets get ready for their intended use or sale. Income earned on a temporary investment of specific borrowings until they are used for qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss as incurred.

(6) Goodwill and Intangible Assets

(i) Goodwill

Goodwill is tested for impairment annually, and the carrying amount is the cost less accumulated impairment losses. Impairment losses of goodwill are not reversed. Gain or loss on sales of business operations includes carrying amount of goodwill related to the business operation.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

(ii) Trademarks

Separately acquired trademarks are recognized at cost. Trademarks acquired through business combinations are recognized at fair value as of the acquisition date. Trademarks, for which a certain useful life is determined, except for those with indefinite useful lives, are recorded at cost less accumulated amortization and accumulated impairment losses. The amount of amortization is calculated by allocating the cost of trademarks using the straight-line method mainly over the estimated useful life of 20 to 40 years.

(iii) Software

Software is carried at cost less accumulated amortization and accumulated impairment losses.

Development costs directly related to design and testing of the Group's proprietary software are recognized as intangible assets only when they are reliably measurable, they are technically feasible, it is highly probable to generate future economic benefits, and the Group has an intention and adequate resources to complete the development and use the assets.

Other development costs that do not satisfy these requirements are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent fiscal years.

Software is amortized mainly using the straight-line method over the estimated useful life of 5 years.

Expenses related to maintenance of software are recognized as expenses as incurred.

(iv) Other Intangible Assets

Other intangible assets are initially recognized at cost. The costs of intangible assets acquired through a business combination and recognized separately from goodwill are measured at fair value at the acquisition date. Other intangible assets, for which a useful life is determined, are carried at the cost less accumulated amortization and accumulated impairment losses. However, some intangible assets (such as leasehold interests in land) are determined to have indefinite useful lives and are not amortized, because they exist fundamentally as long as the business continues. The amount of amortization is calculated by allocating the cost of each other intangible asset using the straight-line method over the estimated useful life.

Residual values, useful lives and amortization methods of intangible assets are reviewed at the end of each fiscal year, and revised where necessary.

(7) Leases

(i) Leases as Lessee

A right-of-use asset is initially measured at cost. The cost of the right-of-use asset is measured using the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. In its consolidated statement of financial position, the Group presents right-of-use assets in "Property, plant and equipment" and "Intangible assets," lease liabilities in "Other financial liabilities."

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of the equivalent property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group applies the recognition exemption on short-term leases and leases for which the underlying asset is of low value. Furthermore, the Group has adopted "COVID-19-Related Rent Concessions (Amendment to IFRS 16)." When the practical expedient is applied, eligible rent concessions that are direct consequences of the COVID-19 pandemic do not require an assessment of whether the concessions are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions to which the Group chooses not to apply the practical expedient or that do not qualify for the practical expedient, the Group assesses whether there is lease modification.

(ii) Leases as Lessor

For leases where the Group is the lessor, it determines whether each lease is a finance lease or an operating lease at contract inception.

When classifying each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards of ownership of the underlying asset. The lease is classified as a finance lease in cases where the risks and rewards are transferred and as an operating lease in cases where they are not transferred. As part of this assessment, the Group considers certain indicators, such as whether the lease term covers the major part of the economic useful life of the underlying asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification by reference to right-of-use assets arising from the head lease, not by reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease. In its consolidated statement of financial position, the Group presents finance leases as a lessor pertaining to the subleases under "trade and other receivables" and "other non-current assets."

(8) Impairment of Non-financial Assets

Goodwill and intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually. Other non-financial assets are examined for impairment if there is an indication that the carrying amount may not be recovered due to occurrence of an event or change in the circumstances. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized at the excess amount. The recoverable amount is the higher of its fair value less costs of disposal of the asset and value in use. To assess impairment, an asset is grouped at the smallest unit which generates separately identifiable cash flows (cash-generating units). Non-financial assets for which impairment losses are recognized, excluding goodwill, are reassessed at the end of each fiscal year for the possibility that the impairment losses may be reversed.

(9) Financial Instruments

(i) Financial Assets

a. Initial Recognition and Measurement

The Group recognizes financial assets when it becomes a party to the contract. Financial assets purchased or sold in a regular way are recognized on the transaction date. Financial assets are subsequently classified as financial assets measured at amortized cost or financial assets measured at fair value.

Financial assets measured at fair value through profit or loss are initially recognized at fair value. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. However, trade receivables that do not contain a significant financing component are initially recognized at the transaction price.

(a) Financial Assets measured at Amortized Cost

Financial assets are classified as financial assets measured at amortized cost only when the requirements that the objective of the Group's business model is to hold assets in order to collect the contractual cash flows and that the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are both met.

(b) Financial Assets measured at Fair Value

Financial assets that do not satisfy either of the two requirements above are classified as financial assets measured at fair value.

With regard to financial assets measured at fair value, the Group decides to irrevocably designate each financial instrument as measured at fair value through other comprehensive income, except for equity instruments held for trading, which must be measured at fair value through profit or loss. Equity instruments that are not designated are measured at fair value through profit or loss.

Information on derivatives is provided in '(V) Derivatives and Hedge Accounting'.

b. Subsequent Measurement

Financial assets are subsequently measured based on the classification of the asset as follows:

(a) Financial Assets measured at Amortized Cost

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

(b) Financial Assets measured at Fair Value

These financial assets are measured at fair value at the reporting date.

Changes in fair value of such financial assets are recognized in profit or loss or other comprehensive income, depending on their classification.

Dividend income arising from equity instruments designated as measured at fair value through other comprehensive income is recognized in profit or loss. If the fair value decreases significantly or the equity instrument is disposed of, the accumulated other comprehensive income is transferred to retained earnings.

c. Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets expire or are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred to another entity.

(ii) Impairment of Financial Assets

The Group estimates expected credit losses at the end of each fiscal year for recoverability of financial assets measured at amortized cost.

For financial instruments of which the credit risk has not increased significantly after initial recognition, expected credit losses within the next 12 months are recognized as loss allowance. For financial instruments of which the credit risk has increased significantly after initial recognition, lifetime expected credit losses are recognized as loss allowance. However, for trade receivables, loss allowance is always measured based on lifetime expected credit losses.

Interest income for financial assets whose credit risk has significantly increased and there is an objective evidence of impairment is measured by applying the effective interest rate to the net carrying amount of the financial asset less loss allowance.

If all or part of a financial asset cannot be recovered or is judged to be extremely unlikely to be recovered, it is deemed to be in default.

In determining whether any objective evidence of impairment exists, the Group uses the following requirements:

- Significant financial difficulties of the issuer or the borrower;
- A breach of contract, such as default or past due event in interest or principal payments;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. Subsequent changes in loss allowance are recognized as impairment gains or impairment losses in profit or loss.

(iii) Financial Liability

a. Initial Recognition and Measurement

The Group recognizes financial liabilities when it becomes a party to the contract. Financial liabilities are subsequently classified as financial liabilities measured at amortized cost or financial liabilities measured at fair value. Financial liabilities measured at fair value through profit or loss is recognized at their fair value upon initial recognition, and financial liabilities measured at amortized cost is measured at their fair value less transaction costs directly attributable to the acquisition upon initial recognition.

b. Subsequent Measurement

Financial liabilities are subsequently measured according to the classification as follows:

(a) Financial Liabilities measured at Fair Value through Profit or Loss

These financial liabilities measured at fair value through profit or loss are measured at fair value at the reporting date.

(b) Financial Liabilities measured at Amortized Cost

These financial liabilities measured at amortized cost are measured using the effective interest method.

c. Derecognition

Financial liabilities are derecognized when the Group's contractual obligations are discharged, canceled or expired.

(iv) Offset of Financial Instruments

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when there is a legally enforceable right to offset the financial instruments and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(v) Derivatives and Hedge Accounting

Derivatives are initially recognized at fair value on the date when the derivative contract is concluded and subsequently remeasured at fair value at the end of each fiscal period. The method of recognizing gains or losses arising as a result of the remeasurement depends on whether the derivative is designated as a hedging instrument, and if it was designated as a hedging instrument, on the nature of the hedged item.

The Group designates certain derivatives as hedging instruments of cash flow hedges (hedge of a particular risk associated with recognized assets or liabilities, or highly probable forecast transactions) and certain borrowings denominated in foreign currencies and bonds denominated in foreign currencies as hedging instruments of net investments in foreign operations.

The Group documents the relationship between the hedging instrument and the hedged item and the risk management objective and strategy for exercising the hedging transactions at the inception of the transaction. The Group also documents its assessment, both at the inception and on an ongoing basis, of whether the derivatives or non-derivative hedging instruments used in hedging transactions are effective in offsetting changes in cash flows of hedged items or foreign exchange fluctuations in net investments in foreign operations.

The Group assesses the effectiveness of hedges on an ongoing basis, and determines that a hedge is effective when the requirement that there is an economic relationship between the hedged item and the hedging instrument, the requirement that the effect of credit risk does not significantly dominate the value changes that result from the economic relationship, and the requirement that the hedge ratio of the hedging relationship is the same as the ratio resulting from the quantities of the hedged item actually hedged and the hedging instrument actually used are all satisfied.

The effective portion of changes in fair value of derivatives that are designated as a hedging instrument of cash flow hedges and satisfy the requirements as the hedging instrument is recognized in other comprehensive income. Gains or losses on the ineffective portion are immediately recognized in profit or loss.

Accumulated gains or losses recognized through other comprehensive income are transferred to profit or loss in the period during which cash flows arising from the hedged item affect profit or loss. However, when a forecast transaction as the hedged item results in the recognition of non-financial assets (e.g. inventories or property, plant and equipment), gains or losses previously deferred in other comprehensive income are transferred and included in the initial measurement of the cost of the assets. The deferred amount is eventually recognized as cost of sales for inventories, and as depreciation expense for property, plant and equipment.

Application of hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting due to expiry, sale of the hedging instrument and other reasons. When the hedged future cash flows are still expected to occur, accumulated gains or losses recognized in other comprehensive income remain as accumulated other comprehensive income. When a forecast transaction is no longer expected to occur and in other cases, accumulated gains or losses recognized in other comprehensive income are immediately transferred to profit or loss.

With regard to derivatives or non-derivative hedging instruments, including borrowings, held for hedging foreign exchange risk in net investments in foreign operations, the portion of foreign exchange differences deemed effective as a hedge is recognized in other comprehensive income as hedging of net investments in foreign operations. Of exchange differences for derivatives or non-derivative hedging instruments, the portion deemed ineffective as a hedge and not subject to the assessment of hedging effectiveness are recognized in profit or loss.

Accumulated gains or losses recognized in other comprehensive income through net investment hedges are transferred to profit or loss upon disposal of foreign operations.

(10) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits withdrawable on demand, and short-term investments that are readily convertible to cash and subject to insignificant risk of change in value with maturities of three months or less.

(11) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is calculated mainly using the weighted-average method for merchandise, finished goods and semi-finished goods, and mainly using the moving-average method for raw materials and supplies. The cost of merchandise, finished goods and semi-finished goods consists of raw material costs, direct labor costs, other direct costs and related production overhead costs (based on the normal production capacity). Net realizable value is determined at the estimated selling price in the ordinary course of business less the relevant estimated selling expenses.

(12) Assets or Disposal Groups Held for Sale

The Group classifies a non-current asset (or disposal groups) as held for sale when its carrying amount will be recovered principally through a sale rather than through continuing use, the sale is highly probable and the asset is available for immediate sale in its present condition. The Group does not depreciate or amortize a non-current asset (or disposal groups) classified as held for sale and measures it at the lower of its carrying amount and fair value less costs to sell.

(13) Employee Benefits

(i) Post-employment Benefits

The Group companies have various pension plans. The Group has adopted defined benefit plans, and certain consolidated subsidiaries have established a retirement benefit trust. In addition to these plans, certain consolidated subsidiaries have introduced defined contribution plans and retirement benefit prepayment plans.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined contribution plans are post-employment benefit plans in which the employer pays fixed contributions to other separate entities and has no legal or constructive obligations to make further contributions.

In defined benefit plans, the present value of defined benefit obligations is calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for their service rendered in the prior fiscal years and the current fiscal year and discounting that amount. The Group recognizes the amount calculated by deducting fair value of plan assets from the present value of defined benefit obligations as net defined benefit liability (asset). Defined benefit obligations are calculated using the projected unit credit method. The discount rates are determined based on market yields of high quality corporate bonds at the end of the fiscal year that correspond to the discount period, which is set on the basis of a period up to the estimated date of benefit payment for each future year. Contributions to the plans are determined based on periodic actuarial calculation and are usually paid to the funds managed by insurance companies or trust companies.

In cases where the Group has a surplus in the defined benefit plans as a result of calculation, the net defined benefit asset is measured to the extent of the present value of economic benefits available in the form of a future refund from the plan or a reduction in future contributions to the plan. In calculating the present value of economic benefits, the Group takes into account minimum funding requirements applicable to its plan. Economic benefits shall be available to the Group, if the economic benefits can be realized during the life of the plan or at the time when the pension liabilities are settled.

The Group recognizes remeasurements of the net defined benefit liability (asset) arising from the defined benefit plans in other comprehensive income and immediately reclassifies them to retained earnings.

Contributions to the defined contribution plan are recognized as employee benefits expense in profit or loss in the period during which employees render their service.

(ii) Short-term Employee Benefits

Short-term employee benefits are measured on an undiscounted basis and recognized as expenses when the related service is rendered. Bonuses are recognized as a liability at the amount estimated to be paid under the plans, when the Group has present legal or constructive obligations to pay as a result of past service rendered by employees, and the amount of obligations can be reliably estimated.

(14) Share-based Payment

Equity-settled share-based payments granted to employees are measured at fair value at the grant date, and then generally recognized as an expense over the vesting period. The same amount is recognized as an increase in equity. However, if the equity-settled share-based payments granted are immediately vested, the entire amount is recognized as an expense and an increase in equity at the grant date.

The fair value of the share-based payment plan accounted for cash-settled share-based payments recognize an expense over the vesting period and recognize the same amount as an increase of liability.

The liability is remeasured at the reporting date and also at the settlement date, and then the movement in the fair value is recognized in profit or loss.

(15) Provisions

The Group recognizes provisions when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are a number of similar obligations, the probability that an outflow of resources will be required in settlement is determined taking into account the similar obligations as a whole. Provisions are recognized even if the likelihood of the outflow is low for one item in the similar obligations.

Provisions are measured as the present value of expenditures expected to be required to settle the obligation, using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An increase in provisions due to passage of time is recognized as interest expense.

(16) Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to issuance of new ordinary shares or share options are deducted from equity.

When any company within the Group purchases the Company's share (treasury shares), the consideration paid including any directly attributable incremental costs (net of tax) is deducted from equity attributable to owner of the Company until the shares are canceled or reissued. When such ordinary shares are subsequently reissued, any consideration received, net of directly attributable incremental costs and the related tax effects, is recognized in equity attributable to owners of the Company.

(17) Revenue

The Group recognizes revenue based on the following five step approach.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

For sales of goods, as the customer obtains control over the goods upon delivery, the performance obligation is determined to have been satisfied and revenue is therefore recognized upon delivery of the goods. Revenue is measured using the net amount after eliminating goods returned, rebates and discounts.

Because the period from satisfaction of the performance obligation to receipt of consideration is usually within one year or less, the Group uses the practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component for such receivables.

The Group's view is that acting as a principal if it controls promised goods before transferring them to a customer and recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods to be transferred.

(18) Government Grants

Government grants are recognized when there is reasonable assurance that the Group complies with the conditions attaching to them and that the grants will be received. Government grants which are intended to compensate specific costs are recognized in profit or loss on a systematic basis over the period in which the Group recognizes the corresponding expenses. Government grants related to assets are recognized as deferred income, and then recognized in profit or loss on a straight-line basis over the estimated useful lives of the related assets. Non-monetary grants measured at fair value are accounted for in the same way. Grants related to income are recognized and presented in 'Other operating income' in the period when the Group recognizes the corresponding expenses.

(19) Dividends

Dividends payable to the shareholders of the Company are recognized as liabilities in the period in which the dividends are approved at the shareholder's meeting for annual dividends and in the period in which the dividends are approved at the board of directors meeting for interim dividends.

(20) Income Tax

Income tax expenses comprise current and deferred taxes. Income tax is recognized in profit or loss for the period, except to the extent it relates to a transaction which is recognized in other comprehensive income or directly in equity. In those cases, income tax is also recognized in other comprehensive income or directly in equity.

Current tax is measured at the amount that is expected to be paid to or recovered from tax authorities. The taxes are calculated at tax rates under applicable tax laws that have been enacted or substantively enacted at end of the fiscal period.

Deferred tax is recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, a deferred tax liability is not recognized for a temporary difference arising from the initial recognition of goodwill. Similarly, a deferred tax asset or liability is not recognized for a temporary difference arising from initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable profit (tax loss). Deferred tax is measured at tax rates that have been enacted or substantively enacted at end of the reporting date and expected to apply in the period when the related deferred income tax asset is realized or the deferred income tax liability is settled under applicable tax laws.

A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized.

A deferred tax asset and liability is recognized for temporary differences arising from investments in subsidiaries and associates although a deferred tax liability is not recognized if the Group is able to control the timing of the reversal of the temporary difference and it is probable that temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liability, and income taxes are levied by the same taxation authority on the same taxable entity.

The Company and its wholly owned subsidiaries in Japan have applied the consolidated taxation system for filing and paying corporate tax as a single consolidated group for tax purposes.

5. Significant Accounting Estimates and Judgments

In the preparation of the consolidated financial statements, management makes judgments, estimates and assumptions that affect the application of the accounting policies and the reporting amounts of assets, liabilities, revenue and expenses. The estimates and the underlying assumptions are reviewed on an ongoing basis. The effects of a change in accounting estimates are recognized in the period in which the estimate is revised and in the future periods. As of the end of this fiscal year, the Group has also made estimates and judgments that have significant impact on the amounts of the consolidated financial statements, based on the assumption that the impact of COVID-19 continues in the following years. The estimates and the underlying assumptions that have significant risks which could result in a material adjustment to the carrying amounts of assets and liabilities within the next year are as follows:

- Impairment of non-financial assets (Notes 11, 12)

6. Segment Information

(1) General Information

The Group determines operating segments based on the report that is reviewed by management and utilized in its strategic decision making.

The operating segments are components of the Group for which separate financial information is available and regularly reviewed by the management so as to make decisions about how to allocate resources.

The Group’s management structure comprises Global Headquarters and Regional Headquarters (RHQ). Global Headquarters specialize in formulating Group-wide strategies and business management, while Regional Headquarters (RHQ) are responsible for formulating and implementing strategies for the manufactures and sales of alcohol beverages, soft drinks, and other products tailored to the characteristics of each region.

The Group appoints a responsible officer to each RHQ and oversees the formulation of business strategies for each region, so that they are in line with the global strategy.

The Group consists of segments based on the manufacture and sale of alcoholic beverages and beverage products, etc., by region where RHQ is located, and has identified 4 reportable segments, “Japan,” “Europe,” “Oceania” and “Southeast Asia” accordingly.

Reportable Segments

- Japan — manufacture and sales of alcohol beverages, soft drinks, food, and pharmaceuticals
- Europe — manufacture and sales of alcohol beverages
- Oceania — manufacture and sales of alcohol beverages and soft drinks
- Southeast Asia — manufacture and sales of soft drinks

Management evaluates performance of each operating segment based on the results of measure of segment profit or loss.

Previous Year (ended December 31, 2021)

Millions of yen

	Japan	Europe	Oceania	Southeast Asia	Other ※	Segment Total	Adjustments	Consolidated
Revenue:								
External customers	1,215,527	472,227	499,723	42,635	5,962	2,236,076	—	2,236,076
Intersegment	3,856	2,155	270	49	—	6,332	(6,332)	—
Total revenue	1,219,383	474,383	499,994	42,684	5,962	2,242,408	(6,332)	2,236,076
Segment profit (loss)	119,575	46,030	62,536	(485)	2,307	229,964	(18,064)	211,900
Segment assets	1,020,517	1,615,798	1,777,958	43,014	7,048	4,464,337	83,411	4,547,748
Other items								
Depreciation and amortization expenses	52,760	45,440	29,483	2,090	2,208	131,983	2,832	134,815
Impairment losses	2,029	11,141	—	—	271	13,442	—	13,442
Share of profit (loss) of investments accounted for using equity method	27	548	111	—	—	687	—	687
Investments accounted for using equity method	2,035	3,872	732	—	—	6,640	—	6,640
Additions to non-current assets other than financial instruments and deferred tax assets	56,298	43,303	15,603	1,709	124	117,038	1,366	118,404

※ "Other" consists of business segments not included in the reportable segments, and includes the logistics business, restaurant business and others.

Adjustments to segment profit or (loss) of ¥(18,064) million include overhead costs of ¥(18,110) million, which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥45 million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company. The price in intersegment transactions is in accordance with the transaction price with external customers.

Adjustments to segment assets of ¥83,411 million include corporate assets of ¥137,930 million, which are not allocated to the reportable segments, and elimination of ¥(54,518) million to offset intersegment receivables and payables. The corporate assets are primarily assets held by the Company, which is a pure holding company.

Current Year (ended December 31, 2022)

Millions of yen

	Japan	Europe	Oceania	Southeast Asia	Other ※	Segment Total	Adjustments	Consolidated
Revenue:								
External customers	1,297,197	572,662	580,845	51,639	8,764	2,511,108	—	2,511,108
Intersegment	4,534	1,213	2,321	40	—	8,110	(8,110)	—
Total revenue	1,301,731	573,875	583,167	51,680	8,764	2,519,219	(8,110)	2,511,108
Segment profit (loss)	96,417	55,163	80,177	633	1,257	233,647	(16,599)	217,048
Segment assets	997,249	1,798,105	1,918,822	45,472	9,025	4,768,675	61,669	4,830,344
Other items								
Depreciation and amortization expenses	54,175	49,184	32,580	2,128	596	138,665	1,754	140,419
Impairment losses	18,304	—	—	185	—	18,490	—	18,490
Share of profit (loss) of investments accounted for using equity method	171	467	28	—	—	667	—	667
Investments accounted for using equity method	2,217	3,455	1,051	—	—	6,724	(1)	6,722
Additions to non-current assets other than financial instruments and deferred tax assets	55,429	56,422	24,195	931	204	137,183	1,281	138,465

※ “Other” consists of business segments not included in the reportable segments, and includes the logistics business, restaurant business and others.

Adjustments to segment profit or (loss) of ¥(16,599) million include overhead costs of ¥(17,505) million, which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥(905) million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company. The price in intersegment transactions is in accordance with the transaction price with external customers.

Adjustments to segment assets of ¥61,669 million include corporate assets of ¥86,216 million, which are not allocated to the reportable segments, and elimination of ¥(24,547) million to offset intersegment receivables and payables. The corporate assets are primarily assets held by the Company, which is a pure holding company.

(Notes on changes in reportable segments)

Effective January 1, 2022, the Company transferred certain functions relating to the business management of domestic operations to Asahi Group Japan, Ltd., a wholly owned subsidiary of the Company, through corporate split. The aim is to generate global synergies while expanding and developing its five global brands and further boosting the competitiveness of business conducted in the areas overseen by each of its Regional Headquarter in Japan, Europe, Oceania, and Southeast Asia.

Consequently, the Group changed its reportable segments from "Alcohol Beverages," "Soft Drinks," "Food" and "Overseas" to "Japan," "Europe," "Oceania" and "Southeast Asia" from the current year.

Accordingly, the amount shown in segment information for the previous year reflected these changes in reportable segments.

(2) Information about Products and Services

Please refer to (1) General Information.

(3) Information about Geographical Areas

With regard to information about geographical areas, revenue to external customers and non-current assets are classified into Japan or overseas based on customers' locations and asset locations, respectively.

Revenue from External Customers

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Japan	1,203,594	1,281,768
Overseas	1,032,481	1,229,340
Of which, Australia	457,287	534,961
Total	2,236,076	2,511,108

Non-current Assets

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Japan	492,658	456,927
Overseas	3,163,446	3,424,491
Of which, Australia	1,628,853	1,745,295
Of which, Czech Republic and Slovakia	664,255	748,340
Total	3,656,105	3,881,419

(4) Information about Major Customers

In the current year, due to the fact that the Group does not have external customers to which sales revenue exceed 10% of Revenue amount in the Consolidated Statement of Profit or Loss, information about Major Customers is omitted.

7. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position at the end of the previous year and the current year are consistent with those in the consolidated statement of cash flows.

Cash and cash equivalents are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Cash and cash equivalents	52,743	37,438
Total	52,743	37,438

Cash and cash equivalents are classified as financial assets measured at amortized cost.

8. Trade and Other Receivables

Trade and other receivables are analyzed as follows: Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Notes and accounts receivable-trade	381,434	396,918
Others	23,738	28,882
Less: Loss allowance	(9,199)	(10,124)
Total	395,974	415,676

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

9. Inventories

Inventories are analyzed as follows: Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Merchandise and finished goods	91,543	105,357
Semi-finished goods and work in progress	51,282	57,107
Raw materials	46,148	58,574
Supplies	11,853	13,930
Total	200,828	234,969

Whisky and equivalents which are to be sold after 12 months from the year end account for 66.7% (Previous year: 68.8%) of semi-finished goods and work in progress.

The Group recognized ¥1,480,317 million of inventories as an expense in the current year (Previous year: ¥1,278,157 million). It is included in “Cost of sales”.

No inventory is pledged as collateral for liabilities.

“Cost of sales” includes cost of raw materials amounting to ¥598,274 million (Previous year: ¥491,354 million).

10. Assets or Disposal Groups Held for Sale

Assets or Disposal groups held for sale are analyzed as follows: Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Other Financial Assets	7,196	—
Total assets	7,196	—

“Assets held for sale” in the previous year is the result of the Company’s contractual arrangement for investment in Ting Hsin (Cayman Islands) Holding Corp., which is included in corporate assets. The Group measures the fair value of the asset held for sale primarily based on EBITDA multiples of comparative companies mainly using the comparable company analysis method. The fair value is categorized into Level 3 of the fair value hierarchy.

The sale was completed in December 2022. The amount of accumulated other comprehensive income (net of tax) related to "Assets held for sale" in the previous year is ¥1,373 million (credit balance) and included in "Other components of equity" in the Consolidated Statement of Financial Position of the current year. All of the above is included in "Changes in fair value of financial instruments measured at fair value through other comprehensive income."

11. Property, Plant and Equipment

Property, plant and equipment is analyzed as follows:

Carrying Amount

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Previous year (as of January 1, 2021)	257,798	256,387	114,868	146,739	34,470	0	810,264
Separate acquisitions	20,761	21,671	18,483	163	38,470	—	99,551
Acquisitions through business combinations	1,389	644	46	—	0	—	2,080
Disposals	(5,598)	(2,878)	(2,295)	(5,053)	(1,804)	—	(17,631)
Exchange differences	7,717	6,057	3,068	2,715	1,156	—	20,715
Transfers from construction in progress	9,619	20,923	4,065	173	(34,782)	—	—
Impairment losses(Note)	(360)	(8)	(10)	—	—	—	(378)
Depreciation expenses	(28,015)	(43,260)	(23,749)	—	—	(0)	(95,025)
Other	(844)	896	(367)	(1,449)	589	(0)	(1,176)
Previous year (as of December 31, 2021)	262,468	260,432	114,108	143,289	38,099	—	818,398
Separate acquisitions	24,358	20,835	22,386	385	45,456	—	113,421
Acquisitions through business combinations	249	16	38	—	—	—	304
Disposals	(2,522)	(796)	(3,343)	(9,030)	(200)	—	(15,893)
Exchange differences	10,235	11,407	4,650	3,521	2,726	—	32,542
Transfers from construction in progress	5,170	17,882	5,515	544	(29,112)	—	—
Impairment losses(Note)	(7,615)	(3,892)	(168)	(5,592)	(14)	—	(17,283)
Depreciation expenses	(27,782)	(46,829)	(23,501)	—	—	—	(98,113)
Other	101	1,754	601	80	(1,192)	—	1,344
Current year (as of December 31, 2022)	264,662	260,810	120,287	133,198	55,762	—	834,721

(Note) Please refer to "12. Goodwill and Intangible Assets" regarding recognition of impairment losses and other.

Cost

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Previous year (as of January 1, 2021)	592,708	738,194	267,179	147,848	34,470	1	1,780,403
Previous year (as of December 31, 2021)	632,138	812,951	280,143	144,132	38,099	—	1,907,465
Current year (as of December 31, 2022)	653,194	846,412	294,468	138,921	55,762	—	1,988,760

Accumulated Depreciation and Accumulated Impairment losses

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Previous year (as of January 1, 2021)	334,910	481,807	152,311	1,109	—	0	970,139
Previous year (as of December 31, 2021)	369,669	552,518	166,034	843	—	—	1,089,066
Current year (as of December 31, 2022)	388,532	585,601	174,181	5,723	—	—	1,154,038

The carrying amount of property, plant and equipment includes the carrying amount of right-of-use assets as follows:

Millions of yen

Right-of-use assets	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
Previous year (as of January 1, 2021)	55,361	12,149	7,698	18	75,228
Previous year (as of December 31, 2021)	57,194	12,770	6,746	23	76,736
Current year (as of December 31, 2022)	63,533	14,976	5,305	20	83,835

Depreciation expenses of property, plant and equipment are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Items of property, plant and equipment are grouped together into cash-generating units generally by location of business facilities such as plants and offices taking into account mutual complementary nature in cash flow.

12. Goodwill and Intangible Assets

(1) Carrying Amount, Cost and Accumulated Amortization and Accumulated Impairment losses

Goodwill and intangible assets are analyzed as follows:

Carrying Amount

Millions of yen

	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2021)	1,723,943	946,154	19,766	12,120	2,701,985
Separate acquisitions	—	—	8,224	4,008	12,233
Acquisitions through business combinations	11,860	3,007	26	1	14,896
Disposals	—	(0)	(966)	(547)	(1,514)
Exchange differences	91,211	48,981	(251)	607	140,549
Transfers from construction in progress	—	—	893	(893)	—
Impairment losses	(13,063)	—	—	—	(13,063)
Amortization expenses	—	(30,383)	(5,626)	(3,780)	(39,790)
Other	2,910	21	2,031	(625)	4,338
Previous year (as of December 31, 2021)	1,816,862	967,781	24,099	10,891	2,819,634
Separate acquisitions	—	—	9,196	4,524	13,720
Acquisitions through business combinations	2,289	770	1	14	3,075
Disposals	—	—	(268)	(950)	(1,218)
Exchange differences	148,001	80,556	731	356	229,646
Transfers from construction in progress	—	—	812	(812)	—
Impairment losses	(181)	—	(6)	(4)	(192)
Amortization expenses	—	(33,601)	(5,433)	(3,271)	(42,305)
Other	(0)	607	1,474	3,488	5,569
Current year (as of December 31, 2022)	1,966,971	1,016,113	30,607	14,237	3,027,929

Cost

Millions of yen

	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2021)	1,786,867	1,063,720	101,636	27,338	2,979,562
Previous year (as of December 31, 2021)	1,892,850	1,120,771	110,992	25,712	3,150,326
Current year (as of December 31, 2022)	2,043,140	1,202,705	121,750	29,076	3,396,673

Accumulated Amortization and Accumulated Impairment losses

Millions of yen

	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2021)	62,924	117,565	81,869	15,218	277,577
Previous year (as of December 31, 2021)	75,987	152,990	86,893	14,821	330,691
Current year (as of December 31, 2022)	76,169	186,591	91,143	14,838	368,743

The carrying amount of intangible assets includes the carrying amount of right-of-use assets as follows:

Millions of yen

	Software	Other	Total
Previous year (as of January 1, 2021)	102	—	102
Previous year (as of December 31, 2021)	61	—	61
Current year (as of December 31, 2022)	207	—	207

There are no significant internally generated intangible assets as of the end of the previous year and that of the current year, respectively.

Amortization expenses are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Intangible assets with indefinite useful lives are included in the above, and the carrying amounts are ¥6,691 million as of December 31, 2022 (¥5,838 million as of December 31, 2021). These assets primarily consist of trademarks and land leasehold right, which basically last as long as the business continues, and thereby their useful lives are considered as indefinite.

Significant intangible assets recognized in the consolidated statement of financial position are mainly trademarks derived from the acquisition of CUB Australia Holding Pty Ltd. (which changed its name from ABI Australia Holding Pty Ltd. on August 7, 2020.) in the fiscal year ended December 31, 2020, and from the acquisition of Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s. and Kompania Piwowarska S.A. in the fiscal year ended December 31, 2017.

The carrying amount of trademarks recognized due to the acquisition of CUB Australia Holding Pty Ltd. in the fiscal year ended December 31, 2020 is ¥318,154 million (¥304,974 million as of December 31, 2021).

The carrying amount of trademarks recognized due to the acquisition of Plzeňský Prazdroj, a.s. and Plzeňský Prazdroj Slovensko, a.s. are ¥298,218 million (¥275,194 million as of December 31, 2021). The carrying amount of trademarks recognized due to the acquisition of Kompania Piwowarska S.A. is ¥77,657 million (¥75,304 million as of December 31, 2021).

The above-mentioned trademarks, except for those with indefinite useful lives, are amortized using the straight-line method, the remaining amortization periods of the trademarks related to CUB Australia Holding Pty Ltd. is principally 37 years and related to Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s. and Kompania Piwowarska S.A. are 34 years.

(2) Impairment

Previous Year (ended December 31, 2021)

Millions of yen

Segment	Impairment loss amount (Note)	Type of assets
Japan	2,029	Goodwill, buildings and others
Europe	11,141	Goodwill
Other	271	Goodwill
Total	13,442	

Impairment loss of ¥11,141 million (goodwill) recognized by the Europe (International) business in the Europe segment constitutes a significant portion of the impairment loss recorded in the previous year. The carrying amount of the asset has been reduced to a recoverable amount of ¥189,231 million because its recoverable amount has fallen below the carrying amount as a result of increase in the discount rate, etc.

(Note) Impairment loss is included in “Other operating expense” in the consolidated statement of profit or loss.

Current Year (ended December 31, 2022)

Millions of yen

Segment	Impairment loss amount (Note)	Type of assets
Japan	18,304	Buildings, machinery, Other non-current assets and others
Southeast Asia	185	Goodwill and buildings
Total	18,490	

In this fiscal year, in accordance with the decision on a plan to reorganize the production and logistics systems under the umbrella of Asahi Group Japan, Ltd., which belongs to the Japan segment, impairment loss tests were performed for related plants and the Group recorded an impairment loss of 16,467 million yen, which is included in “Other operating expense” in the Consolidated Statement of Profit or Loss. This impairment loss was mainly due to the reduction of the carrying amount of land, buildings, machinery, and equipment, etc., to the recoverable amount (4,103 million yen), and the recoverable amount is measured by value in use. The discount rate used to calculate the value in use is 3.7%.

Impairment test for goodwill and intangible assets with indefinite useful lives

As of December 31, 2022, significant items among goodwill and intangible assets with indefinite useful lives allocated to each cash-generating unit (group of cash-generating units) are as below.

(Oceania segment)

Goodwill allocated to the Oceania business is ¥1,255,241 million as of December 31, 2022 (¥1,165,801 million as of December 31, 2021).

The recoverable amount is measured at fair value less costs of disposal and the fair value hierarchy is classified into Level 3. The fair value less costs of disposal is calculated by discounting the future cash flows at 10.1% (9.3% as of December 31, 2021). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit (group of cash-generating units).

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 2.5% (2.5% as of December 31, 2021) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating unit (group of cash-generating units) belongs.

Key assumptions, such as increases in future revenue and the growth rate applied to the periods subsequent to those covered by the business plan, used in estimating the future cash flows, involved a high degree of uncertainty as they are affected by changes in factors such as the business conditions and competitive environment in Oceania, and management's judgment thereon had a significant effect on the estimated future cash flows.

The recoverable amount exceeds the carrying amount by ¥202,664 million as of December 31, 2022 (¥277,735 million as of December 31, 2021), however if the discount rate were to increase by 1.0% (1.3% as of December 31, 2021), the carrying amount would exceed the recoverable amount.

(Europe segment)

Goodwill allocated to the Europe (Czech Republic and Slovakia) business is ¥331,872 million as of December 31, 2022 (¥287,218 million as of December 31, 2021).

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 6.5% (6.2% as of December 31, 2021). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit (group of cash-generating units).

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 2.2% (1.2% as of December 31, 2021) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating unit (group of cash-generating units) belongs.

The recoverable amount exceeds the carrying amount by ¥239,143 million as of December 31, 2022 (¥148,783 million as of December 31, 2021), however if the discount rate were to increase by 1.5% (1.3% as of December 31, 2021), the carrying amount would exceed the recoverable amount.

Goodwill allocated to the Europe (International) business is ¥100,770 million as of December 31, 2022 (¥92,835 million as of December 31, 2021).

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 6.9% (7.1% as of December 31, 2021). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit (group of cash-generating units).

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 1.9% (1.0% as of December 31, 2021) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating unit (group of cash-generating units) belongs.

Key assumptions, such as increases in future revenue and the growth rate applied to the periods subsequent to those covered by the business plan, used in estimating the future cash flows, involved a high degree of uncertainty as they are affected by changes in factors such as the business conditions and competitive environment in each region of the export destination markets, and management's judgment thereon had a significant effect on the estimated future cash flows.

The recoverable amount exceeds the carrying amount by ¥20,914 million, however if the discount rate were to increase by 0.5%, the carrying amount would exceed the recoverable amount.

The total carrying amount of insignificant items among goodwill and intangible assets with indefinite useful lives allocated to each cash-generating unit (group of cash-generating units) is ¥279,088 million as of December 31, 2022 (¥271,009 million as of December 31, 2021) and ¥6,691 million as of December 31, 2022 (¥5,838 million as of December 31, 2021), respectively.

(3) Research and Development Expenses

Research and development expenses recognized on the consolidated statement of profit or loss in the previous year (ended December 31, 2021) and the current year (ended December 31, 2022) are as follows:

Millions of yen

Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
14,234	15,094

13. Other Financial Assets

Other financial assets are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Derivative assets	11,113	15,277
Equity instruments	109,745	107,715
Bonds	0	0
Other	12,556	12,816
Total	133,415	135,809
Current assets	7,119	10,028
Non-current assets	126,295	125,780
Total	133,415	135,809

Derivative assets are classified as financial assets measured at fair value through profit or loss, except for items to which hedge accounting is applied. Equity instruments are classified as financial assets measured at fair value through other comprehensive income. Bonds are classified as financial assets measured at amortized cost.

Equity instruments are held for strategic purposes, and thus designated as financial assets measured at fair value through other comprehensive income.

Details of fair values of financial assets measured at fair value through other comprehensive income and dividends received on these assets are as follows:

Please note that the figures in the table below include carrying amounts included in Disposal Groups Held for Sale.

Previous Year (as of December 31, 2021)

Millions of yen

Description	Fair value
COLOWIDE CO., LTD.	14,995
OHSHO FOOD SERVICE CORP.	12,548
Ting Hsin (Cayman Islands) Holding Corp.	7,196
DAIICHIKOSHO CO., LTD.	6,333
IMPERIAL HOTEL, LTD.	6,332
SKYLARK HOLDINGS CO., LTD.	5,162
Seven & i Holdings Co., Ltd.	5,056
GINSEN CO., LTD.	4,944
Sumitomo Real Estate Sales Co., Ltd.	3,849
OCEAN HOLDINGS.INC.	2,898
Others	47,624
Total	116,942

Current Year (as of December 31, 2022)

Millions of yen

Description	Fair value
COLOWIDE CO., LTD.	13,142
OHSHO FOOD SERVICE CORP.	12,281
DAIICHIKOSHO CO., LTD.	7,243
IMPERIAL HOTEL, LTD.	6,581
Seven & i Holdings Co., Ltd.	5,660
SKYLARK HOLDINGS CO., LTD.	5,217
GINSEN CO., LTD.	4,772
Sumitomo Real Estate Sales Co., Ltd.	3,551
The Royal Hotel, Ltd.	2,590
Watami Co., Ltd.	2,116
Others	44,557
Total	107,715

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Dividends received	2,062	1,703

Certain items designated as financial assets measured at fair value through comprehensive income have been disposed of during the year as a process of reviewing business relationships. The fair values, cumulative gain or loss at the disposal date and dividends received up to the disposal date are as follows:

Millions of yen

Previous year (ended December 31, 2021)			Current year (ended December 31,2022)		
Fair value	Cumulative gain or loss	Dividends received	Fair value	Cumulative gain or loss	Dividends received
30,317	3,930	412	10,107	285	5

Cumulative gain or loss previously recognized in other components of equity is reclassified to retained earnings in case that fair value of these financial assets is significantly declined or disposed. Such amount was ¥(1,316) million in the current year ¥(6,450) million in the previous year ended December 31, 2021).

14. Other Assets

"Other current assets" and "Other non-current assets" are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Prepaid expenses	20,199	22,269
Other	31,953	28,560
Total	52,152	50,829
Current assets	34,081	32,062
Non-current assets	18,071	18,767
Total	52,152	50,829

15. Trade and Other Payables

Trade and other payables are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Notes and accounts payable	251,922	291,431
Other payables and accrued expenses	184,887	186,705
Refund Liabilities	94,763	113,732
Total	531,573	591,869

"Notes and accounts payable," "Other payables" and "accrued expenses" are classified as financial liabilities measured at amortized cost.

Concerning refund liabilities, among consideration received from customers, costs of returned goods, rebates and discounts expected to be paid to customers and other are recognized as refund liabilities. Estimates of such refund liabilities are based on historical records and data currently available as of the end of the fiscal period.

16. Bonds and Borrowings (including Other Financial Liabilities)

(1) Financial Liabilities

"Bonds and borrowings" and "Other financial liabilities" are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)	Average interest rate (Note) (%)	Maturity date
Derivative liabilities	2,424	6,399	—	—
Short-term borrowings	127,301	114,302	0.40	up to Oct. 17, 2023
Current portion of long-term borrowings	51,388	43,046	0.35	up to Dec. 28, 2023
Current portion of bonds	139,962	99,919	0.00	up to Oct. 13, 2023
Commercial paper	105,000	110,000	0.00	up to Feb. 15, 2023
Long-term borrowings	146,608	103,632	0.30	up to Apr. 9, 2026
Bonds	1,025,943	1,026,409	0.52	up to Oct. 15, 2080
Other	248,354	261,376	—	—
Total	1,846,983	1,765,085	—	—
Current liabilities	535,238	503,251	—	—
Non-current liabilities	1,311,745	1,261,834	—	—
Total	1,846,983	1,765,085	—	—

(Note) "Average interest rate" is the weighted average interest rate to the aggregate balance at the end of fiscal period. Borrowings with floating interest rate among the bonds and borrowings stated above amounted to ¥123,961 million (¥128,958 million as of December 31, 2021).

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss, except for items to which hedge accounting is applied. Commercial paper, bonds, and borrowings are classified as financial liabilities measured at amortized cost.

There are no covenants attached to the bonds and borrowings which have a significant effect on the Group's financing activities.

(2) Bonds

Millions of yen

Issuer	Type	Issue date	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)	Maturity date (Interest rate)
the Company	the 8th Issue of Unsecured Corporate Bond	May 28, 2015	9,991 (9,991)	—	May 27, 2022 (0.35%)
the Company	the 10th Issue of Unsecured Corporate Bond	Jun 13, 2017	129,971 (129,971)	—	Jun 13, 2022 (0.17%)
the Company	the 11th Issue of Unsecured Corporate Bond	Jun 13, 2017	19,964 (—)	19,978 (—)	Jun 13, 2024 (0.23%)
the Company	the 12th Issue of Unsecured Corporate Bond	Jun 13, 2017	29,913 (—)	29,928 (—)	Jun 11, 2027 (0.33%)
the Company	Euro denominated straight corporate bonds due 2025	Sep 19, 2017	78,094 (—)	84,726 (—)	Sep 19, 2025 (1.15%)
the Company	The 1st unsecured subordinated bonds with optional interest payment deferral and early redemption provisions (with a subordination provision)	Oct 15, 2020	298,296 (—)	298,744 (—)	Oct 15, 2080 (0.97%)
the Company	the 13th Issue of Unsecured Corporate Bond	Oct 15, 2020	99,812 (—)	99,919 (99,919)	Oct 13, 2023 (0.001%)
the Company	the 14th Issue of Unsecured Corporate Bond	Oct 15, 2020	9,958 (—)	9,969 (—)	Oct 15, 2025 (0.12%)
the Company	Euro denominated straight corporate bonds due 2024	Oct 23, 2020	104,124 (—)	113,011 (—)	Oct 23, 2024 (0.155%)
the Company	Euro denominated straight corporate bonds due 2028	Oct 23, 2020	103,971 (—)	112,812 (—)	Oct 23, 2028 (0.541%)
the Company	the 15th Issue of Unsecured Corporate Bond	Mar 15, 2021	49,871 (—)	49,930 (—)	Mar 15, 2024 (0.001%)
the Company	the 16th Issue of Unsecured Corporate Bond	Mar 15, 2021	49,828 (—)	49,869 (—)	Mar 13, 2026 (0.080%)
the Company	Euro denominated straight corporate bonds due 2024	Apr 19, 2021	104,127 (—)	113,042 (—)	Apr 19, 2024 (0.010%)
the Company	Euro denominated straight corporate bonds due 2027	Apr 19, 2021	77,980 (—)	84,621 (—)	Apr 19, 2027 (0.336%)
the Company	the 17th Issue of Unsecured Corporate Bond	Jun 1, 2022	—	49,823 (—)	Jun 1, 2027 (0.290%)
the Company	the 18th Issue of Unsecured Corporate Bond	Jun 1, 2022	—	9,950 (—)	Jun 1, 2032 (0.469%)
Total	—	—	1,165,900 (139,962)	1,126,329 (99,919)	

(Note) The amounts presented in ( ) represent the current portion payable within one year.

(3) Secured liabilities and assets pledged as collateral

The carrying amounts of secured liabilities and assets pledged as collateral are as follows:

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Secured liabilities		
Short-term borrowings	1,577	1,793
Current portion of long-term borrowings	427	—
Long-term borrowings	641	—
Total	2,645	1,793
Assets pledged as collateral		
Buildings and structures	724	157
Machinery and vehicles	34	25
Land	129	135
Cash and cash equivalents	76	65
Other	1,254	—
Total	2,218	383

17. Leases

(1) Right-of-use assets

The Group leases buildings and structures, machinery and vehicles, tools, furniture and fixtures, and others as a lessee.

Some lease contracts contain an option to extend leases for the same period of time after the contractual term expires.

There are no material clauses including purchase option and any other restrictions associated with these lease contracts.

The carrying amount and depreciation expense of right-of-use assets at the end of the current year are as follows:

Previous Year (as of December 31, 2021)

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Software	Total
Carrying amount for the previous year (as of December 31, 2021)	57,194	12,770	6,746	23	61	76,798
Depreciation expense for right-of-use assets in the previous year	13,531	4,937	2,929	—	42	21,441

The increase in right-of-use assets in the previous year is ¥20,150 million.

Current Year (as of December 31, 2022)

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Software	Total
Carrying amount for the current year (as of December 31, 2022)	63,533	14,976	5,305	20	207	84,043
Depreciation expense for right-of-use assets in the current year	13,033	3,785	2,722	—	77	19,619

The increase in right-of-use assets in the current year is ¥24,356 million.

(2) Lease liabilities

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Within 1 year	18,948	21,638
Between 1 and 2 years	14,089	17,226
Between 2 and 3 years	10,106	12,671
Between 3 and 4 years	7,393	9,518
Between 4 and 5 years	4,975	7,170
More than 5 years	44,536	57,802
Undiscounted lease liabilities at the end of period	100,051	126,027
Balance of lease liabilities included in the consolidated statement of financial position for the current year (as of December 31, 2022)	93,370	102,120

(3) Amount recognized in profit or loss

Millions of yen

	Previous year (as of December 31, 2021)	Current year (ended December 31, 2022)
Interest expenses on lease liabilities	2,521	2,712
Lease expenses under the exemption for short-term leases	191	660
Lease expenses under the exemption for low-value assets	6,186	4,851
Variable lease payments that are not included in measurement of lease liabilities	1,431	2,024
Income from subleases of right-of-use assets	(1,471)	(1,617)
Total	8,859	8,631

Gains or losses arising from sale and leaseback transactions are not material.

The Group applies the practical expedient to rent concessions related to lease contracts for certain retail buildings, etc. in domestic and foreign subsidiaries.

The impact to the amount recognized in profit or loss as a result of applying the practical expedient of COVID-19 related rent concessions is not material.

(4) Amount recognized in the statement of cash flows

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Total cash outflows related to leases	35,546	33,555

(5) Finance leases (lessor)

Certain foreign subsidiaries sublease leased buildings. The Group classifies these subleases as finance leases, considering that substantially all the risks and rewards are transferred to the lessees in the subleases.

Finance income on net investment in the lease and revenue on variable lease payments are as follows:

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Finance income on net investment in the lease	119	104
Revenue on variable lease payments	—	—

(6) Operating leases (lessor)

There are no material transactions.

(7) Maturity analysis (lessor)

The maturity analysis of outstanding balances of undiscounted lease payments receivable by due date is as follows:

Previous Year (as of December 31, 2021)

Millions of yen

	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total	Unguaranteed residual value	Unearned finance income	Net investment in the lease
Lease payments receivable	1,481	946	865	772	662	2,734	7,463	2,398	(531)	9,330

Current Year (as of December 31, 2022)

Millions of yen

	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total	Unguaranteed residual value	Unearned finance income	Net investment in the lease
Lease payments receivable	1,721	1,059	943	818	616	2,838	7,998	2,702	(494)	10,206

18. Employee Benefits

(1) Overview of Defined Benefit Plans

The Group has defined benefit plans such as corporate pension plan and lump-sum retirement benefit plan. In addition, some consolidated subsidiaries have defined contribution plans and retirement benefit prepayment plans. For entities incorporated in Japan, the defined benefit plans have been established in accordance with the Defined-Benefit Corporate Pension Act of Japan. The Group pays out lump-sum benefit upon the retirements of employees and then annuity for a certain period of time after retirement in accordance with the terms of the Group's plans based on the Act. The benefits are calculated based on the pension points reflecting the length of service periods and compensation for each period.

The Group manages plan assets for the purpose of increasing the value of plan assets within the acceptable range of risks in order to ensure the benefits for participants (including potential pensioners in the future periods). The Group has developed a basic policy for the management of plan assets and implements the policy consistently. The Group considers expected rate of return and risks inherent in the investments, and then develops optimum combination of plan assets called the policy asset mix. The Group controls the asset management through appointing appropriate asset managers, reviewing the financial status on a regular basis, developing the long-term asset management policy and monitoring the situation of asset allocation. The policy asset mix is regularly reviewed in order to correspond with the market environment or funding status, which can change from the initial assumption. Lump-sum retirement benefit plans are to pay out lump-sum benefit when an employee retires due to reaching retirement age or voluntary retirement. These payments are settled by internal reserves, but not by external funds. Lump-sum retirement benefit is paid based on the Group's rules and regulations of retirement.

(2) Defined Benefit Plans

(i) Reconciliation

Present value of defined benefit obligation is analyzed as follows:

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Balance at beginning of period	127,800	131,722
Current service cost	6,205	6,022
Interest expense	1,006	1,008
Remeasurements		
Actuarial gains and losses (Note)	766	(9,573)
Past service cost	0	41
Benefits paid	(6,344)	(6,193)
Other	2,286	424
Balance at end of period	131,722	123,452

(Note) Actuarial gains and losses are mainly due to changes in financial assumptions.

Fair value of plan assets is analyzed as follows:

Millions of yen

	Previous year (ended December 31, 2021)	Current Year (ended December 31, 2022)
Balance at beginning of period	122,986	131,650
Interest income	668	696
Remeasurements		
Gains on plan assets	7,383	(4,160)
Contribution to plan by employer	3,844	3,515
Benefits paid	(5,040)	(4,930)
Other	1,808	336
Balance at end of period	131,650	127,107

(ii) Asset ceiling

There was no material impact during current year and previous year.

(iii) Details of Plan Assets

Plan assets held by the Group are analyzed into categories as follows:

Previous Year (as of December 31, 2021)

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	—	2,881	2,881
Equity instruments	36,151	14,839	50,991
Domestic	25,482	8,018	33,500
Overseas	10,669	6,821	17,490
Debt instruments	20,080	7,629	27,709
Domestic	904	3,904	4,809
Overseas	19,175	3,724	22,900
Life insurance - General accounts	—	26,529	26,529
Other	6,448	17,090	23,539
Total	62,680	68,969	131,650

Current Year (as of December 31, 2022)

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	—	2,681	2,681
Equity instruments	34,441	12,937	47,379
Domestic	25,461	6,822	32,283
Overseas	8,980	6,114	15,095
Debt instruments	17,986	6,561	24,548
Domestic	1,826	3,727	5,553
Overseas	16,159	2,834	18,994
Life insurance - General accounts	—	25,598	25,598
Other	8,823	18,076	26,900
Total	61,251	65,855	127,107

(iv) Significant Actuarial Assumptions

Significant actuarial assumptions are analyzed as follows:

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Discount rate	0.57%	1.10%

A rise by 0.5% in the discount rate will lead to a decrease of defined benefit obligation by ¥7,505 million at the end of the current year (a decrease of ¥5,148 million at the year end of the previous year). This analysis is based on the assumption that only the discount rate is variable, and no other factors are considered to be variable. Thus, actual results may differ as it could be influenced by fluctuations in other variables.

(v) Influence in the Future

Under the defined benefit plans, the Group is required to maintain the plan assets at a certain level of funding against pension obligations in accordance with continuation or non-continuation criteria of the Defined Benefit Corporation Pension Act.

For example, the Group makes certain contribution to the plan every month in accordance with the terms of Group's plans. The contribution is calculated based on the future estimates of interest rate, mortality rate, withdrawal rate and other assumptions that could affect the plan assets which need to balance with the expected future payments and returns on the plan assets. The contribution is reviewed every 3 years (actuarial review).

In case that funding is below the minimum funding requirement, additional contribution is required to keep the balance at a certain level.

The contribution by the Group is expected to be ¥4,111 million for the year from January 1, 2023 to December 31, 2023.

The weighted average duration of the defined benefit obligations is 13.97 years (previous year: 14.23 years).

(3) Other Post-retirement Benefit Plans

Pension cost for the defined contribution plans is ¥5,044 million (previous year: ¥2,570 million).

(4) Employee Benefits Expense

Employee benefits expense recognized in the consolidated statement of profit or loss are ¥267,995 million (previous year: ¥248,173 million).

Employee benefits expense are primarily composed of salaries, bonuses, legal welfare costs and post-employment costs. They are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

19. Provisions

Provisions are analyzed as follows:

Provisions classified as non-current liabilities are included in "Other non-current liabilities" in the consolidated statement of financial position.

Previous Year (ended December 31, 2021)

Millions of yen

	Litigation related	Tax related	Other	Total
Balance as of January 1, 2021	486	7,468	4,455	12,409
Increase	30	1,402	3,933	5,366
Utilization	(73)	—	(2,951)	(3,024)
Reversal	(103)	(744)	(328)	(1,176)
Other	12	235	(47)	200
Balance as of December 31, 2021	351	8,361	5,062	13,775

Current Year (ended December 31, 2022)

Millions of yen

	Litigation Related	Tax related	Other	Total
Balance as of January 1, 2022	351	8,361	5,062	13,775
Increase	2	1,442	2,192	3,637
Utilization	(10)	—	(2,498)	(2,508)
Reversal	(182)	(1,023)	(269)	(1,475)
Other	4	639	232	876
Balance as of December 31, 2022	165	9,419	4,720	14,304

Litigation Related

These are mainly provisions to prepare for payments of litigation related expenses that may arise, and are reported based on the amount reasonably estimated as necessary at the end of each year.

The timing of the outflow of economic benefits will be affected by future developments in litigation.

Tax Related

These are mainly provisions to prepare for payments such as interest tax and penalties arising from income tax exposure.

The timing of the outflow of economic benefits will be affected by the judgments of each tax authority.

Other

Other includes provisions mainly related to business integration.

20. Other Liabilities

"Other current liabilities" and "Other non-current liabilities" are analyzed as follows;

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Accrued alcohol tax	94,696	91,292
Accrued consumption tax	17,516	24,187
Accrued bonus	4,878	4,988
Other	15,224	11,121
Total	132,315	131,590
Other current liabilities	125,985	125,816
Other non-current liabilities	6,330	5,774
Total	132,315	131,590

21. Equity and Other Equity Interest

(1) Issued Capital and Reserves

The number of shares authorized and shares issued are as follows:

in thousands of shares

	Shares authorized	Shares Issued
	Number of shares	Number of shares
Previous year (as of January 1, 2021)	972,305	507,003
Increase (Decrease)	—	—
Previous year (as of December 31, 2021)	972,305	507,003
Increase (Decrease)	—	—
Current year (as of December 31, 2022)	972,305	507,003

There are no par-value shares. Issued shares are fully paid.

Reserves are analyzed as follows:

(i) Share premium

Under the Companies Act of Japan, share premium is composed of capital reserve and other capital surplus. The Act stipulates that one-half or more of the proceeds from issuing a share should be recognized as share capital, and the rest should be recognized as capital reserve.

(ii) Retained earnings

Retained earnings are composed of legal reserve and other retained earnings. Under the Companies Act of Japan, one-tenth of appropriation should be reserved in capital reserve or legal reserve until the total of these amount reaches one-fourth of the share capital, and the rest of the appropriation can be distributed as dividends.

(2) Treasury shares

Treasury shares held by the Company, subsidiaries and associates are as follows:

in thousands of shares

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
	Number of shares	Number of shares
Held by the Company	182	186
Held by subsidiaries and associates	89	144

Treasury shares held by subsidiaries and associates in the current year include 135,468 (80,482 as of December 31, 2021) common shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

22. Dividends

Previous Year (ended December 31, 2021)

(1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 25, 2021	Ordinary shares	26,861	53.00	Dec 31, 2020	Mar 26, 2021
Board of Directors held on August 10, 2021	Ordinary shares	27,368	54.00	Jun 30, 2021	Sep 1, 2021

(i) Total amount ¥26,861 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 25, 2021 include dividends of ¥5 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

(ii) Total amount ¥27,368 million of dividends by a resolution of Board of Directors held on August 10, 2021 include dividends of ¥4 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

(2) Dividends that will be Effective in the Following Year of the Record Date

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 25, 2022	Ordinary shares	Retained earnings	27,875	55.00	Dec 31, 2021	Mar 28, 2022

Total amount ¥27,875 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 25, 2022 include dividends of ¥4 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

Current Year (ended December 31, 2022)

(1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 25, 2022	Ordinary shares	27,875	55.00	Dec 31, 2021	Mar 28, 2022
Board of Directors held on August 9, 2022	Ordinary shares	27,875	55.00	Jun 30, 2022	Sep 1, 2022

(i) Total amount ¥27,875 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 25, 2022 include dividends of ¥4 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

(ii) Total amount ¥27,875 million of dividends by a resolution of Board of Directors held on August 9, 2022 include dividends of ¥7 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

(2) Dividends that will be Effective in the Following Year of the Record Date

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 28, 2023	Ordinary shares	Retained earnings	29,395	58.00	Dec 31, 2022	Mar 29, 2023

Total amount ¥29,395 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 28, 2023 include dividends of ¥7 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

23. Share-based Payments

The Company has implemented Stock Compensation Plan.

(1) Details of Share Compensation Plan

In order to increase motivation to work toward sustainable growth and increase corporate value over the mid- to long-term of the Group, the Company introduced a Stock Compensation Plan (“the Plan”). Under the Plan, the Company will grant share points (one point = one share) to directors that fulfill certain criteria, and shares of the Company will be delivered to them on their retirement in exchange for the cumulative number of share points granted to them. Shares are distributed or payments are made in cash as compensation under the Plan, therefore there is no exercise price under the Plan.

Based on the Share Distribution Regulations, the number of share points are calculated according to the position and the role, and are granted to each director excluding outside directors on the date of the board meeting held for approval of financial results each year during the term of the trust.

On September 25, 2020 and on May 24, 2022 the Company additionally contributed cash to the trust, which was already established on December 28, 2016. The trust will be funded with the cash contribution (and, if there is any cash remaining in the trust before the additional contribution, that remaining cash) in order to acquire shares of the Company. Shares of the Company will be distributed by the trust to each director when they complete the beneficiary determination procedures as prescribed on their retirement. However, a certain proportion of such shares will be sold and converted into cash by the trust, and will be distributed in cash instead of the shares to directors. Also, the trust is allowed to make a distribution in cash instead of shares when shares of the Company held by the trust are sold for a tender offer or any other reasons.

With regard to the stock compensation plan for the period from the fiscal year ended on the last day of December 2016 to the fiscal year ended on the last day of December 2018, the number of points to be granted is calculated based on the Share Distribution Regulations by referring to the position of each director excluding outside directors and the level of achievement of target basic earnings per share (EPS) for the year that is the subject of evaluation. The aggregate number of share points to be granted by the Company to directors shall be 21,000 points at a maximum for each year.

With regard to the stock compensation plan for the period from the fiscal year ended on the last day of December 2019 to the fiscal year ending on the last day of December 2021, based on the Share Distribution Regulations, the number of share points are calculated according to the position and the role, and are granted to each director excluding outside directors on the date of the board meeting held for approval of financial results each year during the term of the trust. The aggregate number of share points to be granted by the Company to directors shall be 25,000 points at a maximum for each year.

With regard to the stock compensation plan for the period from the fiscal year ended on the last day of December 2022 to the fiscal year ending on the last day of December 2024, based on the Share Distribution Regulations, the number of share points are calculated according to the position and the role, and are granted to each director excluding outside directors on the date of the board meeting held for approval of financial results each year during the term of the trust. The aggregate number of share points to be granted by the Company to directors shall be 37,500 points at a maximum for each year.

Transactions settled by shares under the Plan are accounted for as equity-settled share-based payment transactions and those settled in cash as cash-settled share-based payment transactions. The Company recognized ¥68 million (previous year: ¥61 million) as share-based payment expense in selling, general and administrative expenses in the current year, and recognized in capital surplus. The Company recognized ¥17 million (previous year: ¥15 million) as cash-based payment expense in selling, general and administrative expenses in the current year, and ¥72 million (previous year: ¥60 million) were recognized in other non-current liabilities, respectively.

(2) Change in Number of Share Points and Weighted Average Fair Value of the Share Points

The number of share points and the weighted average fair value of the share points for each year are as follows. Due to the fact that the fair value on the date that the share points are granted is approximately the same as the stock price on the date that the share points are granted, the share price on the date that the share points are granted has been used.

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Change in number of share points:		
Unexercised balance at beginning of year	77,298 Points	67,038 Points
Increase due to grant of share points	19,690 Points	19,995 Points
Decrease due to exercise of share points	(29,950) Points	(1,518) Points
Decrease due to lapse of share points	—	—
Unexercised balance at end of year	67,038 Points	85,515 Points
Exercisable balance at end of year	67,038 Points	85,515 Points
Weighted average fair value:	¥4,474	¥4,119

24. Revenue

(1) Revenue Analysis and Reconciliation to Segment Revenue

The Group has broken down the reportable segments of “Japan,” “Europe,” “Oceania,” and “Southeast Asia, into the categories of “Manufacture and sales of alcohol beverages,” “Manufacture and sales of soft drinks,” “Manufacture and sales of food and pharmaceuticals,” and “Other,” depending on the type of goods and services.

The "Other" category includes the logistics business, restaurant business and others in "Japan" segment.

Previous Year (ended December 31, 2021)

Millions of yen

	Manufacture and sales of alcohol beverages	Manufacture and sales of soft drinks	Manufacture and sales of food and pharmaceuticals	Other	Elimination of intersegment revenue	Total
Japan	681,394	367,436	114,330	56,221	(3,856)	1,215,527
Europe	474,383	—	—	—	(2,155)	472,227
Oceania	390,488	109,506	—	—	(270)	499,723
Southeast Asia	—	42,684	—	—	(49)	42,635
Other	1,656	1,204	—	3,101	—	5,962
Consolidated	1,547,922	520,832	114,330	59,323	(6,332)	2,236,076

Current Year (ended December 31, 2022)

Millions of yen

	Manufacture and sales of alcohol beverages	Manufacture and sales of soft drinks	Manufacture and sales of food and pharmaceuticals	Other	Elimination of intersegment revenue	Total
Japan	742,474	378,549	117,296	63,411	(4,534)	1,297,197
Europe	573,875	—	—	—	(1,213)	572,662
Oceania	450,971	132,195	—	—	(2,321)	580,845
Southeast Asia	—	51,680	—	—	(40)	51,639
Other	3,281	1,945	—	3,536	—	8,764
Consolidated	1,770,604	564,370	117,296	66,947	(8,110)	2,511,108

(Note for changes in reportable segments)

Some of the companies changed the reportable segments in the current year, and accordingly the amount shown in segment information for the previous year reflected the changes in reportable segments. Please refer to "6. Segment Information" for details.

(2) Transaction Price Allocated to Remaining Performance Obligations

Due to the fact that the Group does not have material transactions whose expected contract periods exceed one year individually, the Group uses the practical expedient, and has omitted information regarding remaining performance obligations.

In addition, among consideration arising from contracts with customers, there are no material amounts not included in transaction price.

25. Selling, General and Administrative Expenses

Selling, general and administrative expenses are analyzed as follows: Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Promotion expense	103,810	108,635
Advertising	81,211	86,744
Transportation	88,222	103,037
Employee benefits expense	171,645	181,970
Depreciation and amortization expenses	67,638	69,447
Other	122,412	128,182
Total	634,940	678,018

26. Other Operating Income and Expense

'Other operating income' and 'Other operating expense' are analyzed as follows:

(1) Other Operating Income Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022
Gains on sales of property, plant and equipment	38,804	14,541
Other	7,251	2,309
Total	46,055	16,850

(2) Other Operating Expense Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Losses on disposals of property, plant and equipment	7,720	5,001
Impairment losses	13,442	18,490
Other(Note)	30,932	20,127
Total	52,096	43,619

(Note) Other in the previous year and the current year include expenses related to domestic and overseas business restructuring, and related to COVID-19 pandemic, such as expenses associated with disposal of inventory, cancellation of events, disinfection, and other expenses.

27. Finance Income and Finance Costs

'Finance income' and 'Finance costs' are analyzed as follows:

(1) Finance Income

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Interest received(Note)	818	953
Dividends received		
Financial assets measured at fair value through other comprehensive income	2,062	1,703
Gains on change in fair value of derivatives		
Financial assets measured at fair value through profit or loss	1,358	2,842
Foreign exchange gain	1,515	—
Total	5,754	5,498

(Note) This is principally due to interest received on financial assets measured at amortized cost.

(2) Finance Costs

Millions of yen

	Previous Year (ended December 31, 2021)	Current Year (ended December 31, 2022)
Interest paid(Note)	12,700	12,306
Loss on change in fair value of derivatives		
Financial liabilities measured at fair value through profit or loss	2,774	1,326
Foreign exchange loss	—	228
Other	3,041	3,360
Total	18,516	17,221

(Note) This is principally due to interest paid on financial liabilities measured at amortized cost.

28. Income Taxes

(1) Deferred Tax Assets and Deferred Tax Liabilities

'Deferred tax assets' and 'Deferred tax liabilities' are mainly composed of the following

Previous Year (ended December 31, 2021)

Millions of yen

	Balance as of January 1, 2021	Recognized in profit or loss	Recognized in Other Comprehensive Income	Other (Note)	Balance as of December 31, 2021
Deferred tax assets					
Loss allowance for credit losses	1,249	(291)	—	0	957
Retirement benefits	9,294	(1,335)	(2,012)	75	6,021
Property, plant and equipment and intangible assets	44,472	8,813	—	188	53,474
Unused tax losses	3,491	(2,346)	—	55	1,201
Income tax payable-enterprise tax	1,195	311	—	35	1,542
Accrued bonus	1,832	(35)	—	36	1,832
Other	24,473	14,868	971	498	40,811
Total of Deferred tax assets	86,009	19,984	(1,041)	889	105,842
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(237,679)	11,033	—	(8,131)	(234,778)
Equity instruments	(10,312)	(0)	(3,670)	(1,147)	(15,129)
Retained earnings of subsidiaries and associates	(91)	91	—	—	—
Other	(15,605)	(3,926)	(2,920)	(2,512)	(24,965)
Total of Deferred tax liabilities	(263,688)	7,198	(6,590)	(11,791)	(274,872)
Net amount of Deferred tax assets and Deferred tax liabilities	(177,679)	27,182	(7,632)	(10,901)	(169,030)

(Note) Amounts in the column 'Other' are primarily deferred tax assets and deferred tax liabilities recognized through business combination. Exchange rate fluctuations are also included in 'Other'.

Current Year (ended December 31, 2022)

Millions of yen

	Balance as of January 1, 2022	Recognized in profit or loss	Recognized in Other Comprehensive Income	Other (Note)	Balance as of December 31, 2022
Deferred tax assets					
Loss allowance for credit losses	957	(11)	—	16	962
Retirement benefits	6,021	143	(1,636)	397	4,927
Property, plant and equipment and intangible assets	53,474	10,650	—	874	64,999
Unused tax losses	1,201	1,071	—	(5)	2,267
Income tax payable-enterprise tax	1,542	(278)	—	23	1,287
Accrued bonus	1,832	(29)	—	89	1,892
Other	40,811	2,311	10,102	1,005	54,231
Total of Deferred tax assets	105,842	13,857	8,465	2,401	130,567
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(234,778)	5,859	—	(17,522)	(246,440)
Equity instruments	(15,129)	—	(1,218)	922	(15,425)
Retained earnings of subsidiaries and associates	—	(459)	—	—	(459)
Other	(24,965)	1,046	1,040	(3,971)	(26,848)
Total of Deferred tax liabilities	(274,872)	6,447	(177)	(20,571)	(289,174)
Net amount of Deferred tax assets and Deferred tax liabilities	(169,030)	20,305	8,288	(18,169)	(158,606)

(Note) Amounts in the column ‘Other’ is primarily exchange rate fluctuations.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognized are as follows:

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Deductible temporary differences	122,697	96,598
Unused tax losses		
Expires within 1 year	34	1,651
Expires between 1 and 5 years	1,759	5,585
Expires after 5 years	5,893	5,130
Total	7,687	12,368

A deferred tax liability is not recognized for taxable temporary difference associated with investments in subsidiaries if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Taxable temporary differences associated with investments in subsidiaries which deferred tax liabilities are not recognized for are ¥343,669 million (¥272,795 million in the previous year ended December 31, 2021).

The group applies a consolidated tax return filing system in Japan. The above does not include deductible temporary differences and unused tax losses that do not result in recognition of deferred tax assets associated with local taxes (inhabitant tax and enterprise tax), which is not within the scope of above-mentioned system. The amount of deductible temporary differences associated with local taxes (inhabitant tax and enterprise tax) is ¥114,968 million (¥76,096 million in the previous year ended December 31, 2021) and the amounts of unused tax losses derived from inhabitant tax and enterprise tax are ¥14,401 million (¥19,898 million in the previous year ended December 31, 2021) and ¥21,283 million (¥22,480 million in the previous year ended December 31, 2021), respectively.

Unused tax losses derived from inhabitant tax and enterprise tax expire principally in 10 years from their origination.

(2) Tax Expense

Tax expense is analyzed as follows: Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Current tax expense		
Current year	73,185	74,544
Total of current tax expense	73,185	74,544
Deferred tax expense		
Recognition and reversal of temporary differences	(16,605)	(18,455)
Revision of recoverability of deferred tax assets	(10,605)	(1,527)
Change in tax rate	28	(286)
Total deferred tax expense	(27,182)	(20,269)
Total	46,003	54,275

Differences between the effective statutory tax rate and the average effective tax rate are analyzed as follows:

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Effective statutory tax rate	30.6%	30.6%
Tax rate effect of foreign subsidiaries	(5.0)%	(3.5)%
Tax effect of non-taxable or non-deductible items for tax purposes	0.8%	(0.0)%
Tax effect from revision of recoverability of deferred tax assets	(5.3)%	(0.7)%
Profit (loss) of entities accounted for using equity method	(0.1)%	0.1%
Tax effect from change in tax rate	0.0%	(0.1)%
Impairment of goodwill	1.7%	0.0%
Retained earnings of subsidiaries and associates	0.3%	0.2%
Other	(0.1)%	(0.2)%
Average effective tax rate	23.0%	26.3%

Income tax, inhabitant tax and enterprise tax are main components of income taxes imposed on the Group, and the effective statutory tax rate based on those taxes is 30.6%. Foreign subsidiaries are subject to income taxes in the tax jurisdiction that it is located.

29. Earnings per Share

(1) Basic and Diluted Earnings per Share

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Basic earnings per share (Yen)	302.92	299.10
Diluted earnings per share (Yen)	302.89	299.06

(2) Basis of Calculation for Basic and Diluted Earnings per Share

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Profit attributable to owners of parent (Millions of yen)	153,500	151,555
Weighted average number of ordinary shares outstanding (Shares)	506,732,965	506,701,382
Effect of dilution (Shares):		
Trust for share issuance to executives	47,207	65,814
Adjusted weighted average number of ordinary shares outstanding (Shares)	506,780,172	506,767,196
Description of equity instruments not included in calculation of diluted earnings per share because they were not dilutive for the year	—	—

30. Other Comprehensive Income

Other comprehensive income and related tax effects are analyzed as follows:

Millions of yen

	Previous year (ended December 31, 2021)			Current year (ended December 31, 2022)		
	Before Tax	Tax Effects	After Tax	Before Tax	Tax Effects	After Tax
Items that will not be reclassified to profit or loss						
Changes in fair value of financial instruments measured at fair value through other comprehensive income						
Increase and decrease	(4,410)	(3,670)	(8,080)	(2,210)	1,218	(991)
Changes	(4,410)	(3,670)	(8,080)	(2,210)	1,218	(991)
Remeasurements of defined benefit plans						
Increase and decrease	6,620	(2,012)	4,607	5,412	(1,636)	3,776
Changes	6,620	(2,012)	4,607	5,412	(1,636)	3,776
Items that might be reclassified to profit or loss						
Cash flow hedges						
Increase and decrease	5,835	(762)	5,072	(4,021)	1,207	(2,814)
Reclassification to profit or loss	(2)	0	(1)	(73)	22	(50)
Changes	5,833	(762)	5,071	(4,095)	1,230	(2,865)
Costs of hedging						
Increase and decrease	345	(105)	240	179	(54)	124
Reclassification to profit or loss	(97)	29	(67)	(2)	0	(1)
Changes	248	(76)	172	176	(54)	122
Translation differences on foreign operations						
Increase and decrease	137,929	1,778	139,707	201,135	8,731	209,867
Reclassification to profit or loss	—	—	—	—	—	—
Changes	137,929	1,778	139,707	201,135	8,731	209,867
Share of other comprehensive income of entities accounted for using equity method						
Increase and decrease	319	—	319	155	—	155
Reclassification to profit or loss	—	—	—	—	—	—
Changes	319	—	319	155	—	155
Total other comprehensive income	146,542	(4,743)	141,799	200,574	9,489	210,063

31. Financial Instruments

(1) Capital Management

The Group's purpose for capital management is to maintain its ability to continue as a going concern in order to provide returns to shareholders, grant benefits to other stakeholders and maintain the most appropriate capital structure for reducing capital cost.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, redeem the capital to shareholders, issue new shares, or sell assets to reduce debts.

The Group monitors the capital based on the capital and liabilities ratio. This ratio is calculated by dividing the amount of net liabilities by the capital. The amount of net liabilities is calculated by deducting cash and cash equivalents from interest-bearing debts. The capital shall be the "equity" presented in the consolidated statement of financial position (equity attributable to owners of parent).

The capital and liabilities ratios are as follows:

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Interest-bearing debts	1,725,151	1,635,238
Less: Cash and cash equivalents	(52,743)	(37,438)
Net liabilities	1,672,407	1,597,800
Equity attributable to owners of parent	1,757,104	2,060,734
The capital and liabilities ratio	95.2%	77.5%

There are no capital adequacy requirements imposed by external organizations on the Group.

(2) Risk Management

The Group's activities are exposed to various financial risks such as market risks (including foreign exchange risk, price risk and interest rate risk), credit risks and liquidity risks. The Group's risk management policy focuses on the unpredictability of financial markets and minimize the potentially adverse impact on the Group's financial performance. The Group uses derivative transactions to hedge certain risk exposures.

The Company and its principal consolidated subsidiaries procure necessary funds via loans from financial institutions and by issuing commercial papers and bonds, while taking into account the balance between direct and indirect financing or the balance between short- and long-term debt from the perspective of fund procurement cost and risk diversification in response to changes in the business environment. To use funds efficiently in the entire Group, the Company and its principal consolidated subsidiaries have introduced a cash management system to reduce consolidated interest-bearing debt. If surplus funds are generated temporarily, the Company invests it only in safe financial instruments.

The Group uses derivative transactions to the extent of balances of foreign currency denominated assets and liabilities and bonds and borrowings, as means to mitigate foreign exchange risk, price risk of raw materials and others and interest rate risk, as well as to reduce fund procurement cost. When using derivative transactions, in principle, the Company trades only with financial institutions with high credit ratings.

At the Company, the Finance Section is in charge of executing and managing derivative transactions, in accordance with internal rules. Contracts on each derivative transaction are entered into after approval is received in accordance with the internal authorization criteria.

The Finance Section reviews the status of derivative transactions including the content and balances, and reports it to the General Manager of the Finance Section and the Officer in charge of finance as needed.

The consolidated subsidiaries also enter into such agreements in accordance with the Group's authorization criteria, and the Company reviews their status based on reports submitted by them on a regular basis.

(i) Market Risks

a. Foreign Exchange Risk

The Group conducts business activities internationally and is exposed to foreign exchange risk mainly related to US dollar, euro, Czech koruna and Australian dollar. Foreign exchange risk arises from forecast transactions such as future purchase, sale, financing and repayment or assets and liabilities that have already been recognized.

The Group uses foreign exchange contracts and currency swaps to mitigate foreign exchange risk. Hedge accounting is applied to the transactions that qualify for hedge accounting. When designating hedging instruments, the Group classifies the currency basis spread of currency swaps and the forward element of forward exchange contracts as costs of hedging for accounting treatment, and records them as costs of hedging, which are an independent item of other components of equity.

Although receivables, payables and others denominated in a foreign currency have a risk of foreign exchange fluctuations, the impact is limited since the risk is offset with the exchange contracts.

Exposure to Foreign Exchange Risk

The exposure to the US dollar, euro, Czech koruna and Australian dollar, which are major foreign currencies of the companies in the Group that use Japanese yen as the functional currency, is as follows. These amounts do not include amounts associated with foreign exchange risk, which are hedged by derivative transactions, etc.

Functional currency: Japanese yen

Millions of yen

	Previous year (as of December 31, 2021)			
	US dollar	Euro	Czech koruna	Australian dollar
Net exposure	207	2,051	4	404

Millions of yen

	Current year (as of December 31, 2022)			
	US dollar	Euro	Czech koruna	Australian dollar
Net exposure	532	2,234	7	537

In addition to the above, the major exposure to foreign exchange risk of subsidiaries that use euro as the functional currency is described below.

Functional currency: Euro

Millions of yen

	Previous year (as of December 31, 2021)	
	US dollar	Czech koruna
Net exposure	(2)	9

Millions of yen

	Current year (as of December 31, 2022)	
	US dollar	Czech koruna
Net exposure	1,875	(1,981)

Sensitivity Analysis

Assuming that the Japanese yen appreciates by 1% against the US dollar, euro, Czech koruna and Australian dollar, it will affect net profit of the Group as follows. The effect will be reversed in cases of depreciation by 1% given that all other variables remain constant.

Functional currency: Japanese yen

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
US dollar	(1)	(4)
Euro	(14)	(15)
Czech koruna	(0)	(0)
Australian dollar	(2)	(4)

Assuming that the euro appreciates by 1% against the US dollar and Czech koruna, it will affect net profit of the Group as follows. The effect will be reversed in case of depreciation by 1% given that all other variables remain constant.

Functional currency: Euro

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
US dollar	0	(15)
Czech koruna	(0)	16

b. Price Risk

The Group is exposed to price risk of equity instruments since it holds investments classified as the category measured at fair value in the consolidated statement of financial position. To manage price risk arising from investments in equity instruments, the Group regularly keeps track of fair value, financial conditions of issuers and others, and also reviews the overall status on an ongoing basis.

The Group has no equity instruments held for short-term trading and does not intend to actively trade these investments.

With an increase or a decrease in share price of 5% and all other variables remaining constant, other components of equity (before tax) will increase or decrease by ¥3,887 million (previous year: ¥3,821 million) as a result of changes in fair value.

Furthermore, the Group is exposed to price risk of raw materials and others since prices of major raw materials used in its products fluctuate according to weather, natural disaster and other factors. The Group engages in commodity swap transactions to mitigate risks of fluctuations in prices of raw materials and others. Although commodity swap transactions used by the Group have risks of fluctuations in market prices of commodities, price risk is limited because these risks are offset with risks of fluctuations in market prices of commodities in association with trade payables of those commodities that the Group has.

c. Interest Rate Risk

The Group raises funds with variable interest rates and is exposed to interest rate risk. Interest rate risk mainly arises from non-current borrowings.

The Group uses interest rate swaps, which substantially fix interest rates, to mitigate interest rate risk. Hedge accounting is applied to the transactions that qualify for hedge accounting.

Assuming that interest rates fluctuate by 1% for financial instruments held by the Group at the end of the current year, it will affect on net profit as set out below. The analysis relates only to the financial instruments influenced by interest-rate fluctuation, and given that the other factors such as foreign exchange effects remain constant. The table below shows a sensitivity analysis for the outstanding balance of floating rate borrowings less the balance whose interest rate is practically fixed by an interest rate swap.

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Net profit	1,085	957

(ii) Credit Risk

The Group is exposed to credit risks for trade receivables (notes and accounts receivable-trade), other receivables (accounts receivable-other) and other financial assets (operating loans and others).

In accordance with the accounting regulations, the Group regularly monitors the status of major business partners for trade receivables and operating loans and routinely checks the management status of deadlines and balances for each business partner. The Group also monitors credit-impaired financial assets and their collection status.

When executing derivative transactions, in principle, the Group trades only with financial institutions with high credit ratings to mitigate credit risk.

The Group classifies receivables based on credit risk profile to calculate loss allowance.

For trade receivables, loss allowance is always recognized at the amount equal to lifetime expected credit losses. For receivables other than trade receivables, loss allowance is recognized at the amount equal to 12-month expected credit losses, in principle. However, in cases such as overdue, because the credit risk is considered to have significantly increased from the initial recognition, loss allowance is recognized at the amount equal to lifetime expected credit losses. For those receivables other than trade receivables which calculate loss allowance equal to 12-month expected credit losses are all calculated in a collective basis.

The amount of loss allowance is calculated as follows:

- Trade receivables

  The simplified approach is applied. The Group categorizes receivables according to credit risk profile of the counterparty and calculates loss allowance by multiplying the receivables by the provision rate, which is determined by adding projection of future economic conditions and others to the historical rate of credit losses calculated according to the category.

- Receivables other than trade receivables

  The general approach is applied. Loss allowance for receivables for which the credit risk is not considered to have significantly increased is calculated by multiplying the carrying amount by the provision rate, which is determined by adding projection of future economic conditions and others to the historical rate of credit losses for similar assets. For assets for which the credit risk is considered to have significantly increased and credit-impaired financial assets, loss allowance is calculated as difference between the amount of the present value, which is computed by discounting estimated future cash flows using the original effective interest rate of the asset, and the carrying amount.

Carrying amounts of financial assets subject to impairment and the amount of loss allowance are as follows:

Trade and Other Receivables

Millions of yen

Carrying amount	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses	Financial assets to which the simplified approach is applied
Previous year (as of January 1, 2021)	25,091	412	360,450
Previous year (as of December 31, 2021)	23,524	214	381,435
Current year (as of December 31, 2022)	28,719	163	396,918

Financial assets with loss allowance measured at lifetime expected credit losses consist mainly of credit-impaired financial assets.

Credit Risk Rating

The credit risk rating of financial assets with loss allowance measured at lifetime expected credit losses is relatively low compared to that of financial asset with loss allowance measured at 12-month expected credit losses, whereas that of financial assets to which the simplified approach is applied is equivalent to that of financial asset with loss allowance measured at 12-month expected credit losses. Credit risk of financial assets within the same stage is approximately the same.

The Group includes impairment losses related to credit risk in "Other operating expense" in the consolidated statement of profit or loss in the light of its immateriality.

Millions of yen

Loss allowance	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses	Financial assets to which the simplified approach is applied
Previous year (as of January 1, 2021)	150	372	6,506
Increase	143	1	2,386
Utilization	(378)	(3)	(515)
Reversal	(15)	(73)	(1,899)
Other	294	4	2,223
Previous year (as of December 31, 2021)	195	302	8,701
Increase	16	0	1,354
Utilization	0	(60)	(2,579)
Reversal	(18)	(2)	(1,257)
Other	(174)	117	3,529
Current Year (as of December 31, 2022)	19	356	9,748

Other Financial Assets

Millions of yen

Carrying amount	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses
Previous year (as of January 1, 2021)	10,015	2,089
Previous year (as of December 31, 2021)	9,986	2,067
Current year (as of December 31, 2022)	9,626	1,937

Financial assets with loss allowance measured at lifetime expected credit losses consist mainly of credit-impaired financial assets.

Credit Risk Rating

The credit risk rating of financial assets with loss allowance measured at lifetime expected credit losses is relatively low compared to that of financial asset with loss allowance measured at 12-month expected credit losses. Credit risk of financial assets within the same stage is approximately the same.

The Group includes impairment loss related to credit risk in "Other operating expense" in the consolidated statement of profit or loss in the light of its immateriality.

Millions of yen

Loss allowance	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses
Previous year (as of January 1, 2021)	44	830
Increase	67	61
Utilization	—	—
Reversal	(126)	(433)
Other	242	(4)
Previous year (as of December 31, 2021)	227	454
Increase	10	98
Utilization	(32)	(0)
Reversal	(69)	(56)
Other	13	2
Current year (as of December 31, 2022)	149	499

Effect of Significant Changes in Gross Carrying Amount of Financial Instruments during the Year

There was no significant increase or decrease in gross carrying amount of the financial instruments which contributed to changes in the loss allowance during the previous year and the current year.

Maximum Exposure to Credit Risk

The maximum exposure to the credit risk associated with financial assets is the carrying amount presented in the consolidated statement of financial position unless considering collateral and other credit enhancement held by the Group as of the reporting date. The maximum exposure to the credit risk with guarantees is as follows:

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Guarantees	22	18

Provision for expected credit losses on financial guarantees which may occur as a result of fulfillment of debt guarantee contracts stated above is not recorded because the amount is not expected to be material.

The amount of collateral and other credit enhancement held as a guarantee for the credit-impaired financial assets at the end of the fiscal period is ¥2,567 million at the end of the current year (¥2,434 million in the previous year ended December 31, 2021).

The collateral held as guarantee is mainly composed of deposit money.

(iii) Liquidity Risk

The Group raises funds via loans and by issuing commercial papers and bonds, and is exposed to liquidity risk, which means there is a possibility the Group fails to make payment on the due date due to deterioration in the fund procurement environment.

Since the Company and its principal consolidated subsidiaries have introduced the cash management system, the Company manages liquidity risks of those companies participating in this system.

Based on reports from each Group company, the Company creates its cash management plan and updates the plan on a timely basis. The Group monitors an ongoing forecast for fund demand, while always maintaining sufficient margin in the unused portion of the contractual credit line and ensuring that all loan agreements do not conflict with the borrowing limits or covenants (if applicable). In these forecasts, the Group takes into account its borrowing and financing plan, compliance with covenants, adherence to internal targets for the statements of financial position ratio as well as applicable external regulatory and statutory requirements, such as a regulation of currency, if any.

Surplus that the Company and its principal consolidated subsidiaries hold in excess of the balance necessary for management of working capital is managed at the Group level under the cash management system. The Group chooses financial instruments with appropriate maturity and liquidity, and makes investments in current deposits, time deposits, money market deposits and marketable securities to ensure a sufficient margin determined in the above forecast.

Maturity analysis of non-derivative financial liabilities and net-settled derivative liabilities held by the Group based on the remaining period to the maturity is as follows:

Previous Year (as of December 31, 2021)

Millions of yen

	Carrying amount	Contractual cash flow	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
Trade and other payables	531,573	531,573	531,573	—	—	—	—	—
Bonds and borrowings	1,596,204	1,627,739	429,428	148,154	328,551	130,690	75,167	515,746
Derivative liabilities	2,424	2,424	2,091	122	18	192	—	—

Current Year (as of December 31, 2022)

Millions of yen

	Carrying amount	Contractual cash flow	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
Trade and other payables	591,869	591,869	591,869	—	—	—	—	—
Bonds and borrowings	1,497,310	1,536,552	373,315	346,456	137,584	75,428	168,668	435,099
Derivative liabilities	6,399	6,399	4,620	1,182	118	—	—	477

(3) Fair Value of Financial Instruments

In fair value measurement, the Group uses observable market data whenever available. The fair value measurement is categorized into any of the following levels based on the level of the input:

Level 1: Input consisting of unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: Input consisting of directly or indirectly observable prices other than market prices used in level 1

Level 3: Input that is not based on observable market data

Reclassification between levels in the fair value hierarchy is recognized on the date of the event or change in circumstances that caused the reclassification.

The carrying amounts and fair values of financial instruments not measured at fair value in the financial statements are as follows:

Millions of yen

	Previous year (as of December 31, 2021)		Current year (as of December 31, 2022)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans receivable	1,666	1,582	2,423	2,317
Long-term borrowings	197,997	197,978	146,678	146,689
Bonds	1,165,905	1,176,248	1,126,329	1,074,992

Each of the amounts in the above table includes the portion scheduled to be collected, repaid, or redeemed within one year.

Financial instruments for which the carrying amount is reasonably approximate to the fair value, and lease liabilities, are not included in the table above.

The fair value of long-term loans receivable is calculated by discounting the expected amount of principal and interest receivable by the interest rate expected if a similar new loan were to be issued, thereby deriving the present value.

The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest by the interest rate expected if a similar new borrowing were to be taken out, thereby deriving the present value.

The fair value of bonds is set to market prices when market prices are available.

In the above fair value measurement, bonds are classified into Level 2, while others are classified into Level 3. For bonds in Level 2, fair value is estimated using the reference trading statistics of Japan Securities Dealers Association and others. Fair value of financial instruments in Level 3 is measured by discounting contractual cash flows using the market interest rate, and the difference with carrying amount is due to a difference between the market interest rate and the contractual interest rate.

Financial assets and liabilities measured at fair value are as follows:

Please note that the figures in the table below include carrying amounts included in “Assets held for sale”.

Previous Year (as of December 31, 2021)

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	7,025	4,088	11,113
Derivatives not designated as hedging instruments	—	15	—	15
Equity instruments	76,425	55	40,461	116,942
Others	—	807	—	807
Total assets	76,425	7,903	44,549	128,878
Liabilities				
Derivatives designated as hedging instruments	—	1,758	—	1,758
Derivatives not designated as hedging instruments	—	666	—	666
Contingent consideration	—	—	27,863	27,863
Total liabilities	—	2,424	27,863	30,288

There were no material transfers between Levels 1 and 2 during the year.

Current Year (as of December 31, 2022) Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	7,983	5,514	13,498
Derivatives not designated as hedging instruments	—	1,779	—	1,779
Equity instruments	77,755	52	29,907	107,715
Others	—	1,415	—	1,415
Total assets	77,755	11,230	35,422	124,408
Liabilities				
Derivatives designated as hedging instruments	—	5,191	—	5,191
Derivatives not designated as hedging instruments	—	1,208	—	1,208
Contingent consideration	—	—	31,028	31,028
Total liabilities	—	6,399	31,028	37,427

There were no material transfers between Levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is the quoted market prices at the end of the fiscal period. The financial instruments are categorized into Level 1. Financial instruments categorized into Level 1 comprise primarily equity instruments traded in active markets.

The fair value of financial instruments that are not traded in an active market (for example, interest rate swaps and foreign exchange contracts) is determined by using another valuation technique which maximizes the use of observable market input and minimizes the use of entity specific estimates as much as possible. Derivative financial instruments are primarily valued based on the price indicated from financial institutions. If all significant inputs are observable, the financial instrument is categorized into Level 2. If one or more of the significant inputs is not based on observable market data, the financial instrument (for example, an equity instrument that is not traded in an active market) is categorized into Level 3. These financial instruments are primarily valued with the comparable company analysis method or the discounted cash flow method, using inputs that are reasonably available and that many market participants consider reasonable. Contingent consideration is calculated based on expected payment by taking into account future business performance.

The principal unobservable input used in calculating the fair value of instruments classified as Level 3 is equity instruments of the price book-value ratio in the comparable company analysis method, which is distributed in a rage from 0.6 times to 1.6 times (from 0.6 times to 1.5 times in the previous year).

Each calculation model used for fair value measurement is annually reviewed by the Finance Section. The Group also engages a review, if necessary, by an external independent specialist of fair value measurement. The Group sometimes use internal estimates in fair value measurement. Various analyses are performed for internal estimates such as time-series comparison to review appropriateness of these estimates, and then the Chief Financial Officer reviews the details as needed.

The Group analyzes changes in fair value measurements (including Level 3) based on factors such as inputs. The result of fair value measurements and the calculation processes (including assessments of valuation performed by a third party) as well as the results of analysis for the factors which caused the changes in the fair value are reported to Chief Financial Officer, and then the Officer reviews them and reports to the Board of Directors as necessary.

As to financial instruments categorized into Level 3, significant changes in fair value are not expected in case that an unobservable input is replaced by a reasonable alternative assumption.

Financial instruments categorized into Level 3 are analyzed as follows:

Previous Year (ended December 31, 2021) Millions of yen

	Equity instruments measured at fair value through other comprehensive income	Derivatives	Financial liabilities measured at fair value through in profit or loss.
Balance of assets (liabilities) at beginning of period	66,338	1,193	(25,930)
Gains (losses) recognized in profit or loss	—	—	(3,021)
Gains (losses) recognized in other comprehensive income (Note)	(431)	2,894	(1,511)
Purchases	28	—	—
Sales	(25,474)	—	—
Settlements	—	—	1,666
Other	—	—	932
Balance of assets (liabilities) at end of period	40,461	4,088	(27,863)
Of gains (losses) recognized in profit or loss: Gains (losses) for assets and liabilities held at end of period	—	—	(3,021)

(Note) Financial liabilities measured at fair value through profit or loss within gains and losses recognized in other comprehensive income are included in "Translation differences on foreign operations" in the consolidated statement of comprehensive income.

Current Year (ended December 31, 2022) Millions of yen

	Equity instruments measured at fair value through other comprehensive income	Derivatives	Financial liabilities measured at fair value through in profit or loss.
Balance of assets (liabilities) at beginning of period	40,461	4,088	(27,863)
Gains (losses) recognized in profit or loss	—	—	(3,284)
Gains (losses) recognized in other comprehensive income (Note)	(4,602)	1,426	(2,073)
Purchases	2,034	—	—
Sales	(8,870)	—	—
Settlements	—	—	2,193
Other	885	—	—
Balance of assets (liabilities) at end of period	29,907	5,514	(31,028)
Of gains (losses) recognized in profit or loss: Gains (losses) for assets and liabilities held at end of period	—	—	(3,284)

(Note) Financial liabilities measured at fair value through profit or loss within gains and losses recognized in other comprehensive income are included in "Translation differences on foreign operations" in the consolidated statement of comprehensive income.

(4) Derivatives and Hedge Accounting

Hedge accounting conducted in the Group's risk management is described in '(2) Risk Management'.

(i) Effect on the Consolidated Statement of Financial Position

Effect of derivatives designated as hedging instruments is set out below. Carrying amounts of derivatives designated as hedging instruments are measured at fair value and included in 'Other financial assets' or 'Other financial liabilities' or 'Bonds and borrowings' in the consolidated statement of financial position.

Previous Year (as of December 31, 2021)

Hedge type	Hedging instrument	Notional amount (Millions of yen)	Carrying amount (fair value)	
			Assets (Millions of yen)	Liabilities (Millions of yen)
Cash flow hedge	Foreign exchange contract	154,764	1,166	1,153
	Currency swap	82,816	866	392
	Commodity swap	30,876	9,080	212
Total		268,457	11,113	1,758
Hedges of net investments in foreign operations	Euro denominated bonds	391,577 (Euro 3,000 million)	—	391,577

The average rates applied to the foreign exchange contracts are ¥108.07 per US dollar, ¥127.13 per euro, 0.21 euro per Polish zloty and 0.67 US dollar per Australian dollar. The average rates applied to the currency swap is ¥130.46 per euro.

Current Year (as of December 31, 2022)

Hedge type	Hedging instrument	Notional amount (Millions of yen)	Carrying amount (fair value)	
			Assets (Millions of yen)	Liabilities (Millions of yen)
Cash flow hedge	Foreign exchange contract	321,460	2,322	2,254
	Currency swap	87,300	967	86
	Commodity swap	54,023	10,207	2,850
Total		462,785	13,498	5,191
Hedges of net investments in foreign operations	Euro denominated bonds	424,438 (Euro 3,000 million)	—	424,438

The average rates applied to the foreign exchange contracts are ¥122.14 per US dollar, ¥132.38 per euro, 0.21 euro per Polish zloty, 0.71 US dollar per Australian dollar and ¥18.14 per Chinese yuan. The average rates applied to the currency swap is ¥130.46 per euro.

Hedge transactions conducted by the Group hedge all hedged items, and there are no transactions that only hedge certain risk elements. The periods for which the foreign exchange contract, currency swap and commodity swap would hedge cash flow fluctuations are approximately 3 years, 3 years and 5 years at the longest, respectively.

The ineffective portion recognized in profit or loss is not significant, and thus a description of changes in fair value is omitted for the hedging instruments which were used as a basis to recognize the ineffective portion.

Fair value of derivatives that are not designated as a hedging instrument is as follows:

Millions of yen

	Previous year (as of December 31, 2021)		Current year (as of December 31, 2022)	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange contract	15	2	49	—
Currency swap	—	663	1,730	1,139
Commodity swap	—	—	—	68
Total	15	666	1,779	1,208

Reserve of cash flow hedges, reserve of costs of hedging and hedges of net investments in foreign operations are as follows:

There is no reserve of cash flow hedges arising from hedging relationships for which their hedge accounting is discontinued.

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
Reserve of cash flow hedges		
Foreign exchange contract	(841)	(5,493)
Currency swap	1,200	713
Commodity swap	7,127	7,357
Total	7,486	2,577
Reserve of costs of hedging		
Currency swap (period-related)	(601)	(478)
Hedges of net investments in foreign operations		
Euro denominated borrowings	718	—
Euro denominated Bonds	(8,887)	(33,356)

The ineffective portion recognized in profit or loss is not significant, and thus a description of changes in fair value is omitted for the hedging instruments which were used as a basis to recognize the ineffective portion.

(ii) Effect on the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income

Effect on profit or loss and comprehensive income of derivatives designated as hedging instruments in cash flow hedges, costs of hedging and hedges of net investments in foreign operations are as follows:

Previous Year (ended December 31, 2021) Millions of yen

Risk type	Gains (losses) recognized in other comprehensive income (Note)	Amount reclassified from other equity interest to profit or loss (Note)	Line item in profit or loss on reclassification
Cash flow hedges			
Foreign exchange risk	(3,201)	(2)	Finance costs
Price risk	9,037	—	
Interest rate risk	—	—	
Total	5,835	(2)	
Costs of hedging			
Foreign exchange risk (period-related)	345	(97)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	(6,862)	—	

(Note) The amounts are gross values before tax.

Current Year (ended December 31, 2022) Millions of yen

Risk type	Gains (losses) recognized in other comprehensive income (Note)	Amount reclassified from other equity interest to profit or loss (Note)	Line item in profit or loss on reclassification
Cash flow hedges			
Foreign exchange risk	(4,297)	(73)	Finance costs
Price risk	275	—	
Interest rate risk	—	—	
Total	(4,021)	(73)	
Costs of hedging			
Foreign exchange risk (period-related)	179	(2)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	(33,918)	—	

(Note) The amounts are gross values before tax.

There is no reclassification due to discontinuation of hedge accounting. Reserve of cash flow hedges accumulated in other components of equity is reclassified and included in the cost of the assets such as an inventory if the hedged item is a forecast transaction to acquire the assets.

There are ¥(2,042) million (previous year: ¥(248) million) of foreign exchange risks and ¥- million (previous year: ¥136 million) of price risks, among the amounts reclassified to the cost.

The ineffective portion recognized in profit or loss is not significant.

(5) Offset of financial assets and liabilities

The Company has entered into cash pooling agreements with financial institutions. The Company has a legally enforceable right to offset financial assets and liabilities recognized based on the cash pooling agreements, and an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities recognized based on the above cash pooling agreements at the end of the current year are as follows:

Previous Year (ended December 31, 2021)

	Aggregate amount recognized (Millions of yen)	Amount offset (Millions of yen)	Net amount presented in the statement of financial position (Millions of yen)
<Financial assets> Cash and cash equivalents	128,847	(119,590)	9,256
<Financial liabilities> Bonds and borrowings	119,590	(119,590)	—

Current Year (ended December 31, 2022)

	Aggregate amount recognized (Millions of yen)	Amount offset (Millions of yen)	Net amount presented in the statement of financial position (Millions of yen)
<Financial assets> Cash and cash equivalents	130,028	(127,421)	2,607
<Financial liabilities> Bonds and borrowings	127,421	(127,421)	—

32. Significant Non-cash Transactions

Previous Year (ended December 31, 2021)

There are no significant non-cash transactions.

Current Year (ended December 31, 2022)

There are no significant non-cash transactions.

33. Changes in Ownership Interests in Subsidiaries

(1) Earnings and Expenses on Acquisitions of Subsidiaries

Previous Year (ended December 31, 2021)

The Group acquired shares in Allpress Espresso NZ LTD. and 5 other companies which resulted in their addition to the scope of consolidation. The main assets and liabilities of investees on commencement of consolidation as well as the relationship between the acquisition cost of shares, etc. and net consideration paid are analyzed as follows:

	Millions of yen
Current assets	1,236
Non-current assets	5,115
Goodwill	11,860
Current liabilities	(1,036)
Non-current liabilities	(1,992)
Acquisition cost of shares, etc.	15,184
Cash and cash equivalents of acquired companies	(421)
Net cash used for acquisition of acquired companies	14,762

Current year (ended December 31, 2022)

Omitted due to lack of materiality.

(2) Earnings and Expenses on Sales of Subsidiaries

Previous Year (ended December 31, 2021)

Omitted due to lack of materiality.

Current Year (ended December 31, 2022)

There are no significant changes in ownership interests in subsidiaries.

34. Changes in Liabilities Arising from Financing Activities

Previous Year (ended December 31, 2021)

Millions of yen

Item	Balance as of January 1, 2021	Change owing to financing cash flow	Non-cash changes						Balance as of December 31, 2021
			Acquisition	Long- and short-term transfer	Change in scope of consolidation	Exchange differences	Changes in fair value	Other	
Short-term borrowings (Note)	672,079	(440,775)	—	—	382	614	—	—	232,301
Lease obligations	88,156	(25,215)	25,035	—	1,158	4,236	—	—	93,370
Current portion of long-term borrowings	164,429	(182,783)	—	69,276	—	465	—	—	51,388
Long-term borrowings	25,713	190,094	—	(69,276)	—	76	—	—	146,608
Current portion of bonds	88,250	(88,328)	—	139,902	—	—	—	137	139,962
Bonds	873,153	280,884	—	(139,902)	—	10,718	—	1,089	1,025,943
Derivative liabilities (assets) held to hedge liabilities arising from financing activities	2,136	—	—	—	—	—	(1,051)	(1,930)	(844)
Total	1,913,920	(266,123)	25,035	—	1,540	16,111	(1,051)	(703)	1,688,729

(Note) Short-term borrowings include commercial papers.

Current Year (ended December 31, 2022)

Millions of yen

Item	Balance as of January 1, 2022	Change owing to financing cash flow	Non-cash changes						Balance as of December 31, 2022
			Acquisition	Long- and short-term transfer	Change in scope of consolidation	Exchange differences	Changes in fair value	Other	
Short-term borrowings (Note)	232,301	(8,527)	—	—	—	528	—	—	224,302
Lease obligations	93,370	(23,307)	26,643	—	13	5,399	—	—	102,120
Current portion of long-term borrowings	51,388	(50,520)	—	42,101	—	75	—	—	43,046
Long-term borrowings	146,608	(940)	—	(42,101)	—	66	—	—	103,632
Current portion of bonds	139,962	(140,000)	—	99,875	—	—	—	81	99,919
Bonds	1,025,943	59,748	—	(99,875)	—	39,437	—	1,156	1,026,409
Derivative liabilities (assets) held to hedge liabilities arising from financing activities	(844)	—	—	—	—	—	37	—	(807)
Total	1,688,729	(163,548)	26,643	—	13	45,508	37	1,238	1,598,622

(Note) Short-term borrowings include commercial papers.

35. Related Party Transactions

(1) Transactions and Outstanding Balances with Related Parties

There are no material transactions with related parties.

(2) Key Management Personnel Compensation

Compensation to the Group’s key management personnel is as follows:

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Short-term employee benefits expense	689	642
Share-based Payments	77	86
Total	766	728

36. Business combination

Previous year (ended December 31, 2021)

There are no significant business combinations.

Current year (ended December 31, 2022)

There are no significant business combinations.

37. Interest in Other Entities

(1) Interest in Subsidiaries

Subsidiaries included in the consolidated financial statements are as follows:

Previous Year (ended December 31, 2021)

Name	Location	Proportion of ownership interest (%)
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	100.00
NADAMAN CO., LTD.	Shinjuku-ku, Tokyo	100.00 (100.00)
The Nikka Whiskey Distilling Co., Ltd.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Group Japan, Ltd.	Sumida-ku, Tokyo	100.00
Asahi Quality & Innovations, Ltd.	Moriya City, Ibaraki	100.00
ENOTECA CO.,LTD.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	100.00
Calpis Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Soft Drink Sales Co., Ltd.	Taito-ku, Tokyo	100.00 (100.00)
Asahi Group Foods, Ltd.	Shibuya-ku, Tokyo	100.00
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	100.00
Asahi Holdings (Australia) Pty Ltd.	Victoria, Australia	100.00
CUB Pty Ltd.	Victoria, Australia	100.00 (100.00)
Asahi Beverages Pty Ltd.	Victoria, Australia	100.00 (100.00)
Asahi Beverages (NZ) Limited	Papakura, New Zealand	100.00 (100.00)
Asahi Group Holdings Southeast Asia Pte. Ltd.	Singapore	100.00
Etika Beverages Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Asahi Loi Hein Company Limited	Yangon, Myanmar	51.00 (51.00)
Asahi Europe & International Ltd.	Woking, United Kingdom	100.00
Asahi International Ltd.	Woking, United Kingdom	100.00
Birra Peroni S.r.l.	Roma Italy	100.00 (100.00)
Royal Grolsch NV	Enschede Netherlands	100.00 (100.00)
Meantime Brewing Company Ltd.	London United Kingdom	100.00 (100.00)

Name	Location	Proportion of ownership interest (%)
Asahi UK Ltd.	London United Kingdom	100.00 (100.00)
Plzeňský Prazdroj, a.s.	Pilsen Czech Republic	100.00 (100.00)
Plzeňský Prazdroj Slovensko, a.s.	Vel'ký Šariš Slovakia	100.00 (100.00)
Kompania Piwowarska S.A.	Wielkopolskie Poland	100.00 (100.00)
Ursus Breweries SA	Buzau Romania	98.68 (98.68)
Dreher Sörgyárak Zrt.	Budapest Hungary	99.78 (99.78)
Asahi Logistics, Ltd.	Minato-ku, Tokyo	100.00
Asahi Professional Management Co., Ltd.	Sumida-ku, Tokyo	100.00
Other 178 Subsidiaries	—	—

(Notes) 1. Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.

2. Asahi Group Japan, Ltd., a wholly owned subsidiary of the Company, was established in 2021.

3. The Nikka Whiskey Distilling Co., Ltd., a wholly owned subsidiary of the Company, sold all of its ordinary shares of Sainte Neige Wine Co., Ltd. to SAN.foods Co., Ltd.

4. The company name of Asahi Breweries Europe Ltd. was changed to Asahi Europe & International Ltd. in 2021.

Current Year (ended December 31, 2022)

Name	Location	Proportion of ownership interest (%)
Asahi Group Japan, Ltd.	Sumida-ku, Tokyo	100.00
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
The Nikka Whiskey Distilling Co., Ltd.	Yoichi-cho, Hokkaido	100.00 (100.00)
ENOTECA CO.,LTD.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Calpis Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Soft Drink Sales Co., Ltd.	Taito-ku, Tokyo	100.00 (100.00)
Asahi Group Foods, Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Logistics, Ltd.	Ota-ku, Tokyo	100.00 (100.00)

Name	Location	Proportion of ownership interest (%)
NADAMAN CO., LTD.	Chiyoda-ku, Tokyo	100.00 (100.00)
Asahi Professional Management Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Europe & International Ltd.	Surrey, United Kingdom	100.00
Birra Peroni S.r.l.	Roma Italy	100.00 (100.00)
Koninklijke Grolsch N.V.	Enschede Netherlands	100.00 (100.00)
Meantime Brewing Company Ltd.	London United Kingdom	100.00 (100.00)
Asahi UK Ltd.	London United Kingdom	100.00 (100.00)
Plzeňský Prazdroj, a.s.	Pilsen Czech Republic	100.00 (100.00)
Plzeňský Prazdroj Slovensko, a.s.	Vel'ký Šariš Slovakia	100.00 (100.00)
Kompania Piwowarska S.A.	Wielkopolskie Poland	100.00 (100.00)
Ursus Breweries SA	Buzau Romania	98.68 (98.68)
Dreher Sörgyárak Zrt.	Budapest Hungary	99.78 (99.78)
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	100.00
Asahi Holdings (Australia) Pty Ltd.	Victoria, Australia	100.00
CUB Pty Ltd.	Victoria, Australia	100.00 (100.00)
Asahi Beverages Pty Ltd.	Victoria, Australia	100.00 (100.00)
Asahi Beverages (NZ) Limited	Auckland, New Zealand	100.00 (100.00)
Asahi Holdings Southeast Asia Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Beverages Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Asahi Loi Hein Company Limited	Yangon, Myanmar	51.00 (51.00)
Asahi Quality & Innovations, Ltd.	Moriya-shi, Ibaraki	100.00
Other 177 Subsidiaries	—	—

(Note) Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.

(2) Interests in Associates and Joint Ventures

(i) Associates

The carrying amount of interests, share of profit of and share of other comprehensive income of associates are as follows. There are no associates that are material to the Group.

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
The carrying amount of interests	6,555	6,613

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Profit	806	668
Other comprehensive income	291	129
Total comprehensive income	1,098	797

(ii) Joint Ventures

The carrying amount of interests, share of profit of and share of other comprehensive income of joint ventures are as follows. There are no joint ventures that are material to the Group.

Millions of yen

	Previous year (as of December 31, 2021)	Current year (as of December 31, 2022)
The carrying amount of interests	84	109

Millions of yen

	Previous year (ended December 31, 2021)	Current year (ended December 31, 2022)
Profit	(118)	(0)
Other comprehensive income	28	25
Total comprehensive income	(90)	24

38. Commitments

There are no significant commitments regarding acquisition of assets.

39. Contingencies

There are no significant contingencies.

40. Subsequent Events

Based on a resolution of Board of Directors held on January 26, 2023, the terms of the Asahi Group Holdings, Ltd. 19th Unsecured Corporate Bond, 20th Unsecured Corporate Bond (Green Bond) and 21st Unsecured Corporate Bond were determined on March 2, 2023, and issued on March 8, 2023. The Company has issued corporate bonds with the following terms and conditions.

Overview of the 19th Unsecured Straight Bonds

(1) Name of bonds

Asahi Group Holdings, Ltd. 19th Issuance of unsecured straight bonds (with specific inter-bond pari passu clause)

(2) Total amount of issue

JPY 50 billion

(3) Coupon rate

0.280% per annum

(4) Closing date

March 8, 2023

(5) Maturity date

March 6, 2026 (3 years)

(6) Coupon payment date

March 8 and September 8 of each year

(7) Rating

AA- (Japan Credit Rating Agency, Ltd.)

A+ (Rating & Investment Information, Inc.)

(8) Underwriters

Nomura Securities Co., Ltd., Daiwa Securities Co. Ltd., SMBC Nikko Securities Inc. and Mizuho Securities Co., Ltd.

(9) Fiscal agent

Sumitomo Mitsui Banking Corporation

(10) Use of proceeds

All proceeds will be used for a part of redemption of commercial papers, which matures on Mar 31, 2023

Overview of the 20th Unsecured Straight Bonds

(1) Name of bonds

Asahi Group Holdings, Ltd. 20th Issuance of unsecured straight bonds (with specific inter-bond pari passu clause) (Green Bonds)

(2) Total amount of issue

JPY 25 billion

(3) Coupon rate

0.544% per annum

(4) Closing date

March 8, 2023

(5) Maturity date

March 8, 2028 (5 years)

(6) Coupon payment date

March 8 and September 8 of each year

(7) Rating

AA- (Japan Credit Rating Agency, Ltd.)

A+ (Rating & Investment Information, Inc.)

(8) Second-party opinion for green bond framework

Asahi has obtained the highest rating "Green 1(F)" of "JCR Green Finance Framework Evaluation" from Japan Credit Rating Agency, Ltd.

(9) Underwriters

An underwriter syndicate where Nomura Securities Co., Ltd., Daiwa Securities Co. Ltd., SMBC Nikko Securities Inc. and Mizuho Securities Co., Ltd. act as joint lead managers for this syndication

(10) Green bond structuring agent

Nomura Securities Co., Ltd.

(11) Fiscal agent

Sumitomo Mitsui Banking Corporation

(12) Use of proceeds

All proceeds will be used for the eligible projects below.

- Capital investments, Promotion of renewable energy for the energy to be used and initiatives for CO2 absorption in Asahi Breweries' Tosu Brewery
- Procurement of recycled PET, Procurement of biomass plastic
- Purchase of renewable energy

Overview of the 21th Unsecured Straight Bonds

(1) Name of bonds

Asahi Group Holdings, Ltd. 21th Issuance of unsecured straight bonds (with specific inter-bond pari passu clause)

(2) Total amount of issue

JPY 25 billion

(3) Coupon rate

0.870% per annum

(4) Closing date

March 8, 2023

(5) Maturity date

March 8, 2030 (7 years)

(6) Coupon payment date

March 8 and September 8 of each year

(7) Rating

AA- (Japan Credit Rating Agency, Ltd.)

A+ (Rating & Investment Information, Inc.)

(8) Underwriters

An underwriter syndicate where Nomura Securities Co., Ltd., Daiwa Securities Co. Ltd., SMBC Nikko Securities Inc. and Mizuho Securities Co., Ltd.

(9) Fiscal agent

Sumitomo Mitsui Banking Corporation

(10) Use of proceeds

All proceeds will be used for a part of redemption of commercial papers, which matures on Mar 31, 2023

REGISTERED HEAD OFFICE

Asahi Group Holdings, Ltd.
23-1 Azumabashi 1-chome
Sumida-ku, Tokyo 130-8602
Japan

FISCAL AGENT, PAYING AGENT AND REGISTRAR

Mizuho Trust & Banking (Luxembourg) S.A.
1B, Rue Gabriel Lippmann
L-5365 Munsbach
Grand Duchy of Luxembourg

LEGAL ADVISORS

To Asahi Group Holdings, Ltd. as to Japanese Law

Mori Hamada & Matsumoto
Marunouchi Park Building
6-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8222
Japan

To the Joint Lead Managers as to English Law

Gaikokuho Kyodo-Jigyo Horitsu Jimusho Linklaters
Meiji Yasuda Building 10F
1-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-0005
Japan

INDEPENDENT AUDITORS

To Asahi Group Holdings, Ltd.

KPMG AZSA LLC
Otemachi Financial City South Tower
9-7, Otemachi 1-chome
Chiyoda-ku, Tokyo 100-8172
Japan

Asahi
GROUP