Offering Circular

€800,000,000 0.010 per cent Bonds due 2024

Offer price: 100.06 Per cent

€600,000,000 0.336 per cent Bonds due 2027

Offer price: 100.00 Per cent

The €800,000,000 0.010 per cent Bonds due 2024 (the "2024 Bonds") and the €600,000,000 0.336 per cent Bonds due 2027 (the "2027 Bonds" and together with the 2024 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 19 in each year commencing on April 19, 2022.

The 2024 Bonds will mature on April 19, 2024 and the 2027 Bonds will mature on April 19, 2027. 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 19, 2021 (the "Closing Date") for the accounts of their respective accountholders.

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (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. Approval in-principle granted for the listing 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 or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the Securities Act ("Regulation S")).

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** **Barclays** **UBS Investment Bank**

The date of this Offering Circular is April 12, 2021

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 by virtue of the European Union (Withdrawal) Act 2018 (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 ("COBS"), 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.

Regulation / 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 Regulations (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 or will be 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.

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 by virtue of the European Union (Withdrawal) Act 2018; 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 by virtue of the European Union (Withdrawal) Act 2018; or (iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "UK Prospectus Regulation"). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (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 (Chapter 289) 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 an individual resident of Japan or a Japanese corporation, nor 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 per cent 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, and "ABIH" refers to ABI Australia Holding Pty Ltd (n/k/a CUB Australia Holding Pty Ltd.) and its consolidated subsidiaries, which we acquired on June 1, 2020. "CUB" refers to Carlton & United Breweries, the trade name of the businesses operated by ABIH. "AB InBev" refers to Anheuser-Busch InBev SA/NV and its consolidated subsidiaries, the former owner of CUB. For more information about ABIH and our acquisition of CUB, see "Acquisition of CUB." References to our "Europe business" or results of operations in "Europe" refer to our operations in the Czech Republic, Slovakia, Poland, Hungary, Romania, Italy and the Netherlands, and do not encompass the United Kingdom or Ireland. For more information on our recent reorganization of our overseas beer business, see "Business—Our Business Operations—Overseas." References to our "Oceania business" or results of operations in "Oceania" refer to our operations in Australia and New Zealand.

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 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, except for the financial information of ABIH, where amounts of less than one million Australian dollars have been rounded unless otherwise specified. In this Offering Circular, where information is presented as percentages, amounts less than 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, 2018, 2019 and 2020 included herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The fiscal year end of ABIH is December 31."

In the year ended December 31, 2020, some of the companies changed the reporting segment from the overseas segment to the soft drinks segment, and some of the operations included in the other segment changed the reporting segment to the food segment. Accordingly, the results of operations for the year ended December 31, 2019 in this Offering Circular have been restated reflecting these changes in reporting segments for comparison purposes.

In addition, in the year ended December 31, 2019, some of the companies changed the reporting segment from the overseas segment to the soft drinks segment, and the export operations included in the alcohol beverages segment changed the reporting segment to the overseas segment. Accordingly, the results of operation for the year ended December 31, 2018 in this Offering Circular have been restated reflecting these changes in reporting segments for comparison purposes.

The unaudited pro forma condensed consolidated statements of profit or loss for the twelve-month periods ended December 31, 2019 and 2020 included in this Offering Circular reflects our acquisition of ABIH as if it had been completed on January 1, 2019. The unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2019 is based on (i) our audited consolidated financial statements for the year ended December 31, 2019, which were prepared in accordance with IFRS, and (ii) the audited consolidated financial statements of ABIH for the year ended December 31, 2019, which were prepared in accordance with Australian Accounting Standards ("AAS"). The unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2020 is based on (a) our audited consolidated financial statements for the year ended December 31, 2020, which were prepared in accordance with IFRS and (b) the accounting records of ABIH for the five-month period ended May 31, 2020 (the profit or loss data of ABIH has been included in our consolidated statement of profit or loss from June 1, 2020). See our unaudited pro forma condensed consolidated statements of profit or loss and the notes related thereto starting on page P-1 for a detailed discussion of the unaudited pro forma condensed consolidated statements of profit or loss and adjustments reflected thereto.

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

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. Potential risks and uncertainties include, without limitation.

- unfavorable general economic conditions in Japan or other major markets;
- the COVID-19 pandemic;
- risks associated with our international operations;
- failure to successfully integrate CUB with our group;
- our substantial debt;
- recognizing impairment losses with regard to intangible assets, including goodwill;
- failure to successfully identify and complete acquisitions and business alliances;
- long-term economic and demographic trends in Japan;
- our inability to effectively respond to changing consumer preferences and emerging technologies;
- the highly competitive environments in which we operate;
- shortages or substantial price increases of certain raw materials that we use;
- fluctuations in foreign currency exchange rates and interest rates;
- disruptions to our supply chain;
- disruption of our information systems and services;
- changes in the social perception of alcohol beverage consumption or regulations related to alcohol;
- failure to comply with applicable laws and regulations;
- adverse events regarding our brands and other intellectual property rights; and
- adverse developments relating to excise and other taxes.

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," "Acquisition of CUB," "Recent 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.

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The Offerings

Issuer	Asahi Group Holdings, Ltd.
Securities Offered	€800,000,000 0.010 per cent Bonds due 2024.
	€600,000,000 0.336 per cent Bonds due 2027.
Offer Price	2024 Bonds: 100.06 per cent.
	2027 Bonds: 100.00 per cent.
Closing Date	On or about April 19, 2021.
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 "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 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 €1,396 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 19 in each year commencing April 19, 2022.
Interest Rate	2024 Bonds: 0.010 per cent per annum. 2027 Bonds: 0.336 per cent per annum.
Maturity Date	2024 Bonds: April 19, 2024. 2027 Bonds: April 19, 2027.
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 19, 2024, in the case of the 2024 Bonds and April 19, 2027, in the case of the 2027 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 12, 2021 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")	2024 Bonds: XS2328980979.
	2027 Bonds: XS2328981431.
Common Code	2024 Bonds: 232898097.
	2027 Bonds: 232898143.
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 Relating to our Business

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 products to lower-priced offerings from other companies, including private label brands. 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, it is uncertain how the changes in taxation of beer-type beverages in Japan could impact levels of consumer spending on and demand for beer-type beverages and our other products. The first step in the liquor tax reform was implemented on October 1, 2020, and the two remaining steps are scheduled to be implemented in October 2023 and October 2026, in which the applicable tax for the three categories of beer-type beverages will gradually converge and ultimately become uniform. See "Regulation—Liquor Tax Act." In addition, there are also uncertainties in the global economy due to factors such as geopolitical risks, including implementation of the trade agreement or other future developments in the relationship between the United Kingdom and the European Union, the uncertain impact of the policies and priorities of the new presidential administration in the United States and ongoing trade tensions between the United States and China, which could result in increased tariffs that may apply to some of our products.

The COVID-19 pandemic may continue to adversely affect our business and results of operations.

The COVID-19 pandemic has resulted in significant disruption to global economic activity and financial market volatility, and prospects for the containment of the COVID-19 pandemic remain uncertain. Countermeasures such as business closures and travel restrictions have had a negative impact on sales of our products in Japan and elsewhere. Although restrictive measures were eased in certain countries and regions and certain economies experienced a rebound in economic activity in the second half of 2020, restrictive measures were re-introduced in many countries around the world, including Japan, as they grappled with increases in the number of COVID-19 cases as well as the discovery of potentially more infectious strains of the virus. In particular, in January 2021, a new state of emergency was declared for certain parts of Japan including the Tokyo metropolitan area. Although the new state of emergency was lifted in March 2021, there is no guarantee that another state of emergency will not be declared in the future. Furthermore, although vaccines have been approved for use in some countries, including Japan, the timing of widespread availability of such vaccines is highly uncertain, and there is no guarantee that such vaccines will be effective in stopping the spread of the COVID-19 pandemic.

Sales of beer-type beverages in Japan declined year-on-year in April and May 2020 following the declaration of the first nationwide emergency and voluntary business closures or operating hours restrictions. While such sales have recovered to an extent after such emergency declaration and restrictions were lifted, they remained lower on a year-on-year basis in June through December 2020. After the declaration of the new state of emergency declared in January 2021, the decrease in sales volumes, particularly in the commercial sector has continued. On-trade sales such as restaurant and bar sales, which account for a relatively high proportion of our sales of beer-type beverages, were particularly impacted as a result. In addition, sales of our *MINTIA* mint tablet brand have also been lower in the year ended December 31, 2020 as compared to the prior year due to the fact that many consumers stopped commuting to work and physically attending school after restrictions related to COVID-19 were implemented, reducing the occasions where such tablets would generally be consumed. Prolonged closures, operating hour restrictions or consumer avoidance of establishments, such as restaurants and bars, could continue to adversely impact our sales, particularly sales of alcohol beverages. The ongoing pandemic has had a similar impact in certain of our other markets, including Australia.

The pandemic could result in long-term changes in consumer behavior and preferences that could require us to change our product lineup or marketing strategies to remain competitive. See also "—We may not effectively respond to changing consumer preferences." The pandemic has also led to the postponement of the 2020 Tokyo Olympic and Paralympic Games, for which we are a gold sponsor, disrupting our planned events and other marketing activities for 2020. Further, in March 2021, the decision was made not to allow entry into Japan for overseas spectators for the 2020 Tokyo Olympic and Paralympic Games. Cancellation or further postponement of, or material modification to, the 2020 Tokyo Olympic and Paralympic Games, currently scheduled to be held in summer 2021, may prevent us from realizing the anticipated benefits of our sponsorship. A continuation or worsening of the negative impact of the pandemic on consumer spending and global economic activity could adversely affect our business, results of operations and financial condition, as well as have an adverse effect on our ability to access funding.

We may be unable to successfully execute our business strategies set forth in our medium-term management policy.

In February 2021, reflecting factors such as the ongoing COVID-19 pandemic and the impact of the acquisition of CUB on our business, we announced a revised medium-term management policy, which sets forth certain strategic initiatives and financial performance objectives from the year ending December 31, 2021 onward. We face a number of challenges in executing our 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, including as a result of nearer-term effects such as from the ongoing COVID-19 pandemic. 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 plan.

For a more detailed discussion of the strategic initiatives underlying our medium-term management policy, see "Business—Medium-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 in 2009, the former SAB Miller's Western European beer business in 2016 and Central and Eastern European beer business in 2017. Our recent acquisition of CUB has further increased our exposure to the Australian market. These international operations involve risks such as the following:

- needing to comply with differing legal, regulatory, excise tax and other tax regimes;
- negative economic or political developments in our overseas markets;
- lower brand recognition for our products compared to some of our competitors;
- regional trade and political tensions that could result in increased tariffs, trade barriers or events such as the boycotting of Japanese brands in South Korea from July 2019, which adversely impacted our sales in that market;
- social or economic disruptions caused by terrorism, climate change, natural disasters, political instability, civil unrest or events such as the COVID-19 pandemic;
- difficulties in capitalizing on our international beer business following its recent reorganization; and
- fluctuations in foreign currency exchange rates.

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.

Any failure to successfully integrate CUB with our group could adversely impact our stock price and future business and operations.

The integration of CUB into our operations is expected to be a complex and time-consuming process and may not be successful. Even if we successfully integrate these businesses into our operations, there can be no assurance that we will realize the anticipated benefits and synergies resulting from the acquisition. Potential risks stemming from the acquisition include:

- the assumption of unknown or underestimated liabilities, including if we are unable to enforce indemnity provisions in the acquisition agreement;
- the challenge of managing larger and more complex operations and facilities, and employees from a variety of corporate cultures located in different geographic areas;
- inability to hire and retain key management personnel and employees of the acquired businesses;
- inability to realize cost and operating synergies or other expected benefits;
- a reduction or perceived reduction in our financial strength, together with a resulting downgrade in our credit ratings; and
- challenges in maintaining the value of the acquired brands and integrating them into our product portfolio.

Taken together with our existing operations in Oceania, we expect the acquisition of CUB to make Oceania the third pillar of our global business, together with Japan and Europe. We will seek to achieve cost and operating synergies between CUB and our existing operations in Oceania, as well as explore opportunities to cross-sell brands between our major markets and in new areas. There is however no assurance we will be successful in achieving these targeted synergies. The acquisition of CUB has increased our exposure to economic trends in Australia and the rest of Oceania, including a reduction in demand for alcohol beverages in restaurants and bars and an increase in demand for alcohol beverages for consumption within households caused by the COVID-19 pandemic, the long-term effects of which are uncertain.

The unaudited pro forma condensed consolidated statements of profit or loss in this Offering Circular may not be indicative of what our actual results of operations would have been or what our future results of operations will be.

The unaudited pro forma condensed consolidated statements of profit or loss presented in this Offering Circular for the years ended December 31, 2019 and 2020 have been prepared by us for illustrative purposes only to show the effect of the acquisition of CUB on our results of operations, as if CUB had been fully consolidated on January 1, 2019.

The unaudited pro forma condensed consolidated statements of profit or loss contained in this Offering Circular, because of their nature, are subject to uncertainties and may not give an accurate picture of our actual or expected results of operations. We have prepared the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2019 based on (i) our audited consolidated financial statements for the year ended December 31, 2019, which were prepared in accordance with IFRS, and (ii) the audited consolidated financial statements of ABIH for the year ended December 31, 2019, which were prepared in accordance with AAS. We have prepared the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2020 based on (a) our audited consolidated financial statements for the year ended December 31, 2020, which were prepared in accordance with IFRS and (b) the accounting records of ABIH for the five-month period ended May 31, 2020 (the profit or loss data of ABIH has been included in our consolidated statement of profit or loss from June 1, 2020). See the notes to the unaudited pro forma condensed consolidated statements of profit or loss included elsewhere in this Offering Circular.

The unaudited pro forma condensed consolidated statements of profit or loss are based upon available information and certain estimates that we believe are reasonable, and prepared by us by using certain adjustments, assumptions and allocations which have not been independently verified and are not fully set out herein. The unaudited pro forma condensed consolidated statements of profit or loss for the years ended December 31, 2019 and 2020 do not include any adjustments to reflect the divestitures made pursuant to our undertaking to the Australian Competition and Consumer Commission (the "ACCC"), described under "Acquisition of CUB—Divestitures Pursuant to Undertakings to the Australian Competition and Consumer Commission."

The unaudited pro forma condensed consolidated statements of profit or loss presented in this Offering Circular have not been audited or been subject to procedures specified by review standards by our independent auditor, nor have they been presented in compliance with the guidelines of any regulatory body or stock exchange. There can be no assurance that the adjustments, assumptions or allocation principles applied in preparing the unaudited pro forma condensed consolidated statements of profit or loss presented in this Offering Circular are accurate or appropriate or that they are necessarily indicative of our business, financial condition and results of operations had the acquisition of CUB taken effect on January 1, 2019. In addition, the unaudited pro forma condensed consolidated statements of profit or loss are not necessarily representative of our current or future financial performance.

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, 2020, our total of bonds and borrowings (including current and non-current portions) was ¥1,823,627 million. Our level of indebtedness could have important consequences. For example, it could:

- divert cash flows away from investments 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, whether to fund additional 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. In addition, any downgrades in our credit ratings resulting from the incurrence of additional indebtedness 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, 2020, we had goodwill of ¥1,723 billion and other intangible assets of ¥978 billion, representing 38.8% and 22.0%, respectively, of our total assets as of such date. In connection with our acquisition of CUB, for which the purchase price was determined prior to the global outbreak of the COVID-19 pandemic, we recognized additional goodwill of ¥1,019 billion and ¥296 billion in trademarks on our balance sheet as of December 31, 2020 based on a provisional purchase price allocation. We have not yet completed the purchase price allocation relating to the acquisition, and we plan to complete such allocation by May 31, 2021 in accordance with applicable accounting rules. We anticipate a portion of the goodwill recorded as of December 31, 2020 will be allocated to trademarks and subject to amortization. See Note 3 to the unaudited pro forma condensed consolidated statements of profit or loss of Asahi Group Holdings, Ltd. beginning on page P-1. There may be further refinements of the purchase price allocation as additional information regarding the acquisition becomes available to us and the amount of goodwill and other intangible assets attributable to the acquisition of CUB may change as a result. 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, and we conduct an impairment test every year with regard to goodwill and other intangible assets, 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, the COVID-19 pandemic 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 tested non-financial assets, including goodwill and other intangible assets, will increase our expenses and adversely affect our results of operations and financial condition.

Failure to successfully identify and complete acquisitions and business alliances that complement our existing operations could have an adverse effect on our medium- and long-term growth objectives.

We have actively pursued 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. Although we do not plan to actively pursue large-scale acquisitions for the time being, prioritizing the strengthening of our financial base, we will continue to utilize existing external management resources for growth. 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 segments, 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;
- 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;
- our management's focus on integration of new acquisitions could result in distraction from other operating objectives;
- 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.

If we do not successfully execute our acquisition and alliance strategy, we may be unable to realize our medium- and long-term growth objectives.

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

Japan remains our largest market, accounting for 60.9% of our revenue for the year ended December 31, 2020, but is experiencing a long-term demographic shift towards an aging and shrinking population, which may negatively impact demand for consumer products. The market for beer-type beverages in Japan, measured by taxable shipment volume, peaked in size in 1994 and has been on a declining trend since then, with sales of "new genre" beer-taste alcohol beverages generally increasing compared to sales of beer and *happoshu*. For the year ended December 31, 2020, more than 40% of our domestic revenue was attributable to beer-type beverages, including beer, *happoshu* and "new genre" beer-taste alcohol beverages.

In addition, deflationary pressure in the Japanese economy has created and could continue to create strong pressure for price competition that could adversely affect the profitability of our domestic business if prices for competing products decline beyond our expectations. Any such reduced demand or heightened competitive pressure could reduce our profitability and negatively affect our financial performance in the future. If, due to the foregoing or other demographic or economic factors sales of our beer-type beverages decline, it could adversely affect our results of operations and financial condition.

In addition to the above, distribution capacity and cost is an important factor in the operation of our domestic alcohol beverage, soft drinks 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. 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, greater automation, modal shifts away from truck delivery, 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.

We may not effectively respond to changing consumer preferences.

The alcohol beverage, soft drinks and food industries are highly susceptible to changes in consumer preferences. In order to generate revenue and profits, we must offer products that appeal to consumers. Drawing on our strength as a diversified manufacturer offering soft drinks, whisky and other spirits, RTD beverages, beer, wine as well as a range of food products, we strive to remain sensitive to changes in consumer preference and develop products that appeal to consumers. In addition, consumer preferences have been evolving due to factors, including the emergence of younger generations which have different spending habits, growing concerns with health and wellness (including a preference for products with less added sugars and low- or non-alcohol beverages), concerns regarding packaging materials, including single-use and other plastic packaging, and their environmental impact, as well as the diversification of sales channels, in particular the popularity of e-commerce. More recently, the COVID-19 pandemic has caused a shift from alcohol consumption in bars and restaurants towards greater home consumption, where consumers are preferring to drink RTD and "new genre" beer-taste alcohol beverages instead of beer, which negatively affects our revenue and profitability. There is no assurance that we will be able to develop and launch successful new products or sell our products through new sales channels that respond to these and other changes in consumer preferences. 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, 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.

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. Increased competition and unanticipated actions by competitors or customers 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.

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, 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 and global supply and demand. 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, which could negatively affect our results of operations and financial condition.

In addition, some raw materials we use are sourced from industries characterized by a limited supply base, such as coffee beans. 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, terrorism, bulk-buying by our competitors and bankruptcy of such suppliers. 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 could substantially harm our results of operations and financial condition.

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 and the euro, 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 one-third of our revenue is attributable to our overseas businesses, 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 and the Australian dollar, 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.

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

Although the alcohol beverage, soft drinks and food industries in which we compete have been relatively stable, our continued success is also dependent on our ability to innovate. Over the medium to long term, we expect that developments such as the introduction of beer-taste (non-alcohol) drinks and functional drinks and the use of technologies like the internet-of-things (IoT) and artificial intelligence (AI) to increase consumer convenience and improve supply chains could lead to significant changes in business models in those industries. Furthermore, due to the impact of the COVID-19 pandemic, changes that were previously assumed to occur in the future are now emerging ahead of schedule, such as the rapid spread of telework and the accelerated use of online channels such as e-commerce. A key element of our current medium-term management policy is to take advantage of such trends by investing proactively in intangible assets (such as R&D and human resources) with the aim of boosting innovation and new value creation and by constructing new operating model by accelerating digital transformation. To the extent we are not able to execute on such initiatives, 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.

Our supply chain may be subject to disruptions or other difficulties.

We consider proper quality control, reductions in cost and increases in efficiency through improved supply chain management to be a key function of our business and are targeting cost savings through the introduction of zero-based budgeting, whereby funds are budgeted according to needs and not based on previous budgets, and optimization of procurement systems as part of our medium-term management policy. We may be unable to achieve our targeted cost reductions or efficiency gains, or may face unexpected supply chain disruption for many reasons, including those which are outside of our control, such as adverse weather, natural disasters, fires, labor shortages, labor safety issues, strikes, manufacturing problems, transportation interruptions, government regulation or sanctions, political instability, terrorism and health pandemics (such as the COVID-19 pandemic). If we are unable to take sufficient steps to prevent or respond to such disruptions efficiently, our business could be adversely affected, and we may also be required to undertake significant expenditures to remedy any such disruptions, either of which could materially and adversely affect our results of operations and financial condition.

Natural disasters and severe weather 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.

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-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. 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 systems and services.

We depend on key information systems and services to accurately and efficiently transact business, interface with customers, 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 and raise awareness of security procedures. Despite these efforts, our 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, and negatively affect our reputation, 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.

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

In recent years, particularly during the COVID-19 pandemic, 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. At the World Health Organization, there is consideration of global regulations on the sale and marketing of alcohol beverages. It is possible 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 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 beverages business and our results of operations and financial condition.

We may incur additional costs to comply with laws and regulations related to the protection of the environment and corporate social responsibility.

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 alcohol beverage and soft drinks 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 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 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.

We face risks related to climate change.

Under the framework of the Paris Agreement negotiated at the 2015 United Nations Climate Change Conference (COP 21), there is a global move to decrease emissions of carbon dioxide and other greenhouse gases, which contribute to climate change and global warming. 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 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 are taking measures to reduce emissions under our Asahi Group Environmental Vision 2050 and to increase the use of electricity from renewable energy sources under global environmental initiative “RE100”, but if we fail to achieve our goals for any reason, there is a risk of reputational damage.

Any failure of our products to meet safety or quality 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 comply with applicable rules and regulations and ensure that our products and services meet all required quality 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.

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 and tax laws which apply to various aspects of our business, including the manufacture, safety, labeling, transportation, advertising and sales of our products. 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.

Violations of applicable laws or regulations could damage our reputation or result in 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 soft drinks businesses are subject to excise taxes in Japan, Australia and many of our other international markets. In many jurisdictions, there is growing concern among consumers and government agencies about the health problems associated with sweetened soft drinks. 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 expected to take effect in stages, which could impact demand for categories of beer-type beverages. The first step in the liquor tax reform was implemented on October 1, 2020, and the two remaining steps are scheduled to be implemented in October 2023 and October 2026, in which the applicable tax for the three categories of beer-type beverages will gradually converge and ultimately become uniform. While we intend to take advantage of a scheduled decrease in tax on beer to promote our market-leading Asahi Super Dry brand and to actively promote sales of happoshu and "new genre" beer-taste beverages for which excise taxes are expected to increase, these measures may not be effective to counter any negative effects on demand and sales that result from changes to excise taxes. 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 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, 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.

Our business is subject to seasonal fluctuation.

Demand for and sales of certain of our products, such as beer and soft drinks, are significantly influenced by weather conditions, and unusually cool weather during the spring and summer months, during which we typically experience increases in sales of our beverages, in particular, may result in a fall in revenue with respect to such products and negatively impact our results of operations.

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 behaviour 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 €1,396 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, 2020, which has been extracted without material adjustment from our audited annual consolidated financial statements, and as adjusted to give effect to (i) the issuance of yen-denominated senior bonds in March 2021 and (ii) 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, 2020			
	Actual		As adjusted	
	(millions of yen)			
Current liabilities:				
Bonds and borrowings	¥	924,760	¥	924,760
Total current liabilities	¥	924,760	¥	924,760
Non-current liabilities:				
Bonds and borrowings		898,867		898,867
The yen-denominated senior bonds		—		100,000
The Bonds now being issued(2)		—		170,690
Total non-current liabilities	¥	898,867	¥	1,169,557
Equity				
Issued capital:				
Authorized—972,305,309 shares				
Issued—507,003,362 shares (including 287,954 treasury shares)		220,044		220,044
Share Premium		161,783		161,783
Retained earnings		967,230		967,230
Treasury shares		(1,031)		(1,031)
Other components of equity		168,097		168,097
Total equity attributable to owners of parent		1,516,124		1,516,124
Non-controlling interests		1,691		1,691
Total equity	¥	1,517,816	¥	1,517,816
Total capitalization and indebtedness	¥	3,341,443	¥	3,612,133

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=¥121.88, the average exchange rate during the year ended December 31, 2020.

(3) Save as disclosed above, there has been no material adverse change in our consolidated capitalization, indebtedness or contingent liabilities since December 31, 2020.

Conditions of the 2024 Bonds

The following Conditions, save for paragraphs in italics, will be endorsed on the Certificates (as defined below) evidencing the 2024 Bonds (as defined below).

The issue of the €800,000,000 0.010 per cent Bonds due 2024 (the "Bonds") was authorised by a resolution of the Board of Directors of Asahi Group Holdings, Ltd. (the "Company") passed on 27 January 2021. A fiscal agency agreement dated 19 April 2021 (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 19 April 2021 (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. Bondholders (as defined below) 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 2024 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 2024 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 2024 Bonds represented by a Global Certificate will not be entitled to receive definitive certificates in respect of their individual holdings of 2024 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 2024 Bonds represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "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 19 April 2021 at the rate of 0.010 per cent per annum, payable annually in arrear in the amount of €0.10 per Calculation Amount (as defined below) on 19 April in each year commencing on 19 April 2022 (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 19 April 2021 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 0.010 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 19 April 2024. 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 12 April 2021, 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 19 March 2024 (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 2024 Bonds are represented by a Global Certificate and such 2024 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 the TARGET System is open for the settlement of payments in euro.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system or any successor thereto.

(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 2024 Bonds are represented by a Global Certificate and such 2024 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 Hackwood Secretaries 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 2027 Bonds

The following Conditions, save for paragraphs in italics, will be endorsed on the Certificates (as defined below) evidencing the 2027 Bonds (as defined below).

The issue of the €600,000,000 0.336 per cent Bonds due 2027 (the "Bonds") was authorised by a resolution of the Board of Directors of Asahi Group Holdings, Ltd. (the "Company") passed on 27 January 2021. A fiscal agency agreement dated 19 April 2021 (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 19 April 2021 (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. Bondholders (as defined below) 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 2027 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 2027 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 2027 Bonds represented by a Global Certificate will not be entitled to receive definitive certificates in respect of their individual holdings of 2027 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 2027 Bonds represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "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 19 April 2021 at the rate of 0.336 per cent per annum, payable annually in arrear in the amount of €3.36 per Calculation Amount (as defined below) on 19 April in each year commencing on 19 April 2022 (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 19 April 2021 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 0.336 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 19 April 2027. 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 12 April 2021, 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 19 February 2027 (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 2027 Bonds are represented by a Global Certificate and such 2027 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 the TARGET System is open for the settlement of payments in euro.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system or any successor thereto.

(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 2027 Bonds are represented by a Global Certificate and such 2027 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 Hackwood Secretaries 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.

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, 2018, 2019 and 2020, which have been derived from, and should be read in conjunction with, our annual audited consolidated financial statements and related notes for these years included elsewhere in this Offering Circular.

	As of and for the year ended December 31,		
	2018	2019	2020
	(in millions of yen)		
Selected statement of profit or loss data:			
Revenue[(1)]			
Alcohol beverages segment revenue	¥ 913,387	¥ 886,860	¥ 758,270
Soft drinks segment revenue[(2)]	370,776	376,867	353,381
Food segment revenue[(2)]	115,973	128,966	123,486
Overseas segment revenue[(2)]	710,403	698,546	792,956
Other segment revenue[(2)]	109,467	97,707	93,155
Total intersegment adjustments[(3)]	(99,718)	(99,900)	(93,488)
Total revenue:	2,120,291	2,089,048	2,027,762
Cost of sales	(1,303,246)	(1,297,302)	(1,283,150)
Liquor tax	(493,766)	(478,108)	(463,713)
Gross profit	817,044	791,745	744,612
Selling, general and administrative expenses	(595,661)	(578,774)	(576,789)
Other operating income	4,369	6,078	14,870
Other operating expense	(13,980)	(17,613)	(47,526)
Operating profit			
Alcohol beverages segment operating profit[(2)]	106,154	102,957	65,933
Soft drinks segment operating profit[(2)]	34,707	30,782	28,901
Food segment operating profit[(2)]	11,762	13,345	11,178
Overseas segment operating profit[(2)]	77,365	75,923	52,089
Other segment operating profit[(2)]	2,315	1,187	1,093
Total intersegment adjustments[(4)]	(20,532)	(22,760)	(24,028)
Total operating profit	211,772	201,436	135,167
Finance income	8,282	8,094	7,230
Finance costs	(12,731)	(13,012)	(14,982)
Share of profit of investments accounted for using equity method	887	872	285
Loss on sales of investments accounted for using equity method	(901)	—	(2,300)
Profit before tax	207,308	197,391	125,399
Income tax expense	(56,370)	(56,100)	(32,815)
Profit	¥ 150,938	¥ 141,290	¥ 92,584
Profit attributable to:			
Owners of parent	¥ 151,077	¥ 142,207	92,826
Non-controlling interests	(139)	(916)	(241)
Total	¥ 150,938	¥ 141,290	¥ 92,584
Selected statement of financial position data:			
Total assets	¥ 3,079,315	¥ 3,140,788	¥ 4,439,378
Total current assets	714,576	735,113	689,086
Cash and cash equivalents	57,317	48,489	48,460
Trade and other receivables	427,279	407,621	378,924
Inventories	160,319	171,717	183,166
Total non-current assets	2,364,738	2,405,674	3,750,292
Property, plant and equipment	689,985	735,022	810,264
Total goodwill and intangible assets	1,428,543	1,398,422	2,701,985
Goodwill	705,087	702,930	1,723,943
Intangible assets	723,456	695,492	978,042
Other financial assets	184,533	198,657	160,064
Total liabilities	1,929,668	1,892,509	2,921,562
Total current liabilities	939,591	1,075,673	1,652,655
Trade and other payables	416,842	423,810	477,098
Bonds and borrowings	262,620	408,259	924,760
Total non-current liabilities	990,076	816,835	1,268,906
Bonds and borrowings	764,768	534,955	898,867
Total equity	1,149,647	1,248,279	1,517,816

	As of and for the year ended December 31,		
	2018	2019	2020
	(in millions of yen)		
Selected statement of cash flows data:			
Net cash flows from operating activities	¥ 252,441	¥ 253,469	¥ 275,859
Net cash flows from (used in) investing activities	22,505	(103,666)	(1,243,372)
Net cash flows from (used in) financing activities	(270,564)	(158,841)	956,759

Notes:

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

(2) In the year ended December 31, 2020, some of the companies changed the reporting segment from the overseas segment to the soft drinks segment, and some of the operations included in the other segment changed the reporting segment to the food segment. Accordingly, the results of operations for the year ended December 31, 2019 have been restated reflecting these changes in reporting segments for comparison purposes.

In addition, in the year ended December 31, 2019, some of the companies changed the reporting segment from the overseas segment to the soft drinks segment, and the export operations included in the alcohol beverages segment changed the reporting segment to the overseas segment. Accordingly, the results of operation for the year ended December 31, 2018 have been restated reflecting these changes in reporting segments for comparison purposes.

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

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

Other Data

The table below sets forth certain other historical financial data as of and for each of the three years ended December 31, 2020.

	As of and for the year ended December 31,		
	2018	2019	2020
	(in millions of yen, except per share data, percentages and ratios)		
Other data:			
Core Operating Profit(1)	¥ 221,384	¥ 212,971	¥ 167,823
Adjusted EBITDA(2)	318,463	304,848	269,447
Adjusted Profit Attributable to Owners of Parent(3)	150,688	142,207	92,826
EPS(4)	329.8	310.4	196.5
Adjusted EPS(5)	329.0	310.4	196.5
ROE(6)	13.2%	11.9%	6.7%
Adjusted ROE(7)	15.2%	13.0%	7.5%
Net Debt(8)	970,071	894,725	1,626,240
Dividends per share	99	100	106
Dividends paid	41,229	48,556	46,265
Capital expenditures	83,616	108,012	103,764
Free cash flows(9)	168,825	145,457	172,095
Free cash flows after dividends(10)	127,596	96,901	125,830

Notes:

(1) Core Operating Profit = revenue – cost of sales – selling, general and administrative expenses.

(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.

(3) Adjusted Profit Attributable to Owners of Parent = profit attributable to owners of parent – nonrecurring expenses from business portfolio restructuring.

(4) EPS is calculated by dividing profit attributable to owners of parent by the average number of our shares of common stock at the beginning and end of the period.

(5) Adjusted EPS is calculated by dividing Adjusted Profit Attributable to Owners of Parent by the average number of our shares of common stock at the beginning and end of the period.

(6) ROE is calculated by dividing profit attributable to owners of parent by equity attributable to owners of parent.

(7) Adjusted ROE is calculated by dividing Adjusted Profit Attributable to Owners of Parent by equity attributable to owners of parent.

(8) Net Debt is calculated by subtracting cash and cash equivalents from bonds and borrowings (current and non-current portions). 50% of the outstanding yen-denominated subordinated bonds is also subtracted from the calculation of net debt as at December 31, 2020.

(9) Free cash flow is calculated by subtracting capital expenditures from net cash flows from operating activities.

(10) Free cash flow after dividends is calculated by subtracting dividends paid from free cash flow.

Non-GAAP Measures

Core Operating Profit, Adjusted EBITDA, Adjusted Profit Attributable to Owners of Parent, Adjusted EPS Adjusted ROE and Net Debt 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.

Core Operating Profit, Adjusted EBITDA, Adjusted Profit Attributable to Owners of Parent, Adjusted EPS, Adjusted ROE and Net Debt 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 and Adjusted Profit Attributable to Owners of Parent exclude some, but not all, items that affect profit. Our definitions of Core Operating Profit, Adjusted EBITDA, Adjusted Profit Attributable to Owners of Parent, Adjusted EPS, Adjusted ROE and Net Debt 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 Adjusted EBITDA to profit, a reconciliation of Adjusted Profit Attributable to Owners of Parent to profit attributable to owners of parent as well as the calculation of Core Operating Profit, Adjusted EPS, Adjusted ROE and Net Debt.

Reconciliation of Adjusted EBITDA to profit

	For the year ended December 31,		
	2018	2019	2020
	(in millions of yen)		
Profit	¥ 150,938	¥ 141,290	¥ 92,584
Add: Income tax expense	56,370	56,100	32,815
Profit before tax	207,308	197,391	125,399
Subtract: Gain (loss) on sales of investments accounted for using equity method	(901)	—	(2,300)
Subtract: Share of profit of investments accounted for using equity method	887	872	285
Add: Finance costs	12,731	13,012	14,982
Subtract: Finance income	8,282	8,094	7,230
Operating profit	211,772	201,436	135,167
Add: Other operating expense	13,980	17,613	47,526
Subtract: Other operating income	4,369	6,078	14,870
Add: Amortization of intangible assets	22,018	21,198	25,499
Add: Depreciation	75,061	70,678	76,124
Adjusted EBITDA	¥ 318,463	¥ 304,848	¥ 269,447

Reconciliation of Adjusted Profit Attributable to Owners of Parent to Profit Attributable to Owners of Parent

	For the year ended December 31,		
	2018	2019	2020
	(in millions of yen)		
Profit attributable to owners of parent	¥ 151,077	¥ 142,207	¥ 92,826
Subtract: nonrecurring expenses from business portfolio restructuring	389	—	—
Adjusted Profit Attributable to Owners of Parent	¥ 150,688	¥ 142,207	¥ 92,826

Calculation of Core Operating Profit

Asahi Group Holdings

	For the year ended December 31,		
	2018	2019	2020
	(in millions of yen)		
Revenue	¥2,120,291	¥2,089,048	¥2,027,762
Subtract: Cost of sales	1,303,246	1,297,302	1,283,150
Subtract: Selling, general and administrative expenses	595,661	578,774	576,789
Core Operating Profit	¥ 221,384	¥ 212,971	¥ 167,823

Alcohol beverages segment

	For the year ended December 31,		
	2018	2019	2020
	(in millions of yen)		
Alcohol beverages segment revenue(1)	¥ 913,387	¥ 886,860	¥ 758,270
Alcohol beverages segment revenue (excluding liquor tax)	543,580	530,979	461,918
Subtract: Cost of sales and Selling, general and administrative expenses(2)	803,850	781,317	677,822
Alcohol beverages segment Core Operating Profit(3)	¥ 109,537	¥ 105,543	¥ 80,448

Notes:

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

(2) Cost of sales and Selling, general and administrative expenses and alcohol beverages segment core operating profit for the year ended December 31, 2018 without taking into account certain overhead costs which are allocated to each segment under IFRS were ¥797,522 million and ¥115,865 million, respectively.

(3) Segment core operating profit calculated based on reported financials.

Soft drinks segment

	For the year ended December 31,		
	2018	2019	2020
	(in millions of yen)		
Soft drinks segment revenue	¥ 370,776	¥ 376,867	¥ 353,381
Subtract: Cost of sales and Selling, general and administrative expenses[1]	333,515	343,422	325,581
Soft drinks segment Core Operating Profit[2]	¥ 37,261	¥ 33,445	¥ 27,800

Notes:

(1) Cost of sales and Selling, general and administrative expenses and soft drinks segment core operating profit for the year ended December 31, 2018 without taking into account certain overhead costs which are allocated to each segment under IFRS were ¥332,490 million and ¥38,286 million, respectively.

(2) Segment core operating profit calculated based on reported financials.

Food segment

	For the year ended December 31,		
	2018	2019	2020
	(in millions of yen)		
Food segment revenue	¥ 115,973	¥ 128,966	¥ 123,486
Subtract: Cost of sales and Selling, general and administrative expenses[1]	103,610	115,230	112,489
Food segment Core Operating Profit[2]	¥ 12,363	¥ 13,736	¥ 10,997

Notes:

(1) Cost of sales and Selling, general and administrative expenses and food segment core operating profit for the year ended December 31, 2018 without taking into account certain overhead costs which are allocated to each segment under IFRS were ¥103,772 million and ¥12,201 million, respectively.

(2) Segment core operating profit calculated based on reported financials.

Europe business

	For the year ended December 31,		
	2018	2019	2020[2]
	(in millions of yen)		
Europe business revenue	¥ 465,514	¥ 492,613	¥ 351,551
Subtract: Cost of sales and Selling, general and administrative expenses	384,397	407,799	292,009
Europe business Core Operating Profit[1]	¥ 81,117	¥ 84,814	¥ 59,543

Notes:

(1) Segment core operating profit calculated based on reported financials.

(2) The figures for the year ended December 31, 2020 do not include the results of Asahi International Ltd.

Calculation of Adjusted EPS

	For the year ended December 31,		
	2018	2019	2020
Adjusted Profit Attributable to Owners of Parent (in millions of yen)	¥ 150,688	¥ 142,207	¥ 92,826
Divide by: average number of shares of common stock at the beginning and end of the period	458,088,184	458,078,035	472,359,740
Adjusted EPS	¥ 329.0	¥ 310.4	¥ 196.5

Calculation of Adjusted ROE

	For the year ended December 31,		
	2018	2019	2020
	(in millions of yen, except percentages)		
Adjusted Profit Attributable to Owners of Parent	¥150,688	¥ 142,207	¥ 92,826
Divide by: Equity attributable to owners of parent	991,882	1,094,494	1,245,618
Adjusted ROE	15.2%	13.0%	7.5%

Calculation of Net Debt

	As of December 31,		
	2018	2019	2020
	(in millions of yen)		
Bonds and borrowings (current portion)	¥262,620	¥408,259	¥ 924,760
Add: Bonds and borrowings (non-current portion)	764,768	534,955	898,867
Subtract: Cash and cash equivalents	57,317	48,489	48,460
Subtract: 50% of the outstanding yen-denominated subordinated bonds	—	—	148,927
Net Debt	¥970,071	¥894,725	¥1,626,240

Acquisition of CUB

General

On June 1, 2020, our wholly owned subsidiary, Asahi Holdings (Australia) Pty Ltd ("AHA"), completed the acquisition of 100% of the shares of common stock of ABI Australia Holding Pty Ltd (n/k/a CUB Australia Holding Pty Ltd.) ("ABIH"), a wholly owned subsidiary of AB InBev, for A$16 billion in cash (¥1.17 trillion). ABIH owns CUB Pty Ltd (doing business as Carlton & United Breweries, or "CUB"), an Australian brewing company that manufactures and sells popular brands of beer and cider in Australia.

Starting on June 1, 2020, ABIH's assets and liabilities and results of operations were consolidated in our consolidated financial statements. As a result, our audited consolidated statement of profit or loss for the year ended December 31, 2020 includes ABIH's statement of operations from June 1, 2020 to December 31, 2020.

Overview of CUB

CUB traces its origins to the mid-nineteenth century when it first brewed Victoria Bitter and even earlier to the Cascade Brewery, which was established in 1824 and commenced brewing in Tasmania in 1832. CUB brews some of Australia's most popular beers, including Victoria Bitter, Carlton Draught, Great Northern, Pure Blonde, Carlton Dry, Melbourne Bitter, Crown Lager, Cascade Premium Light and the Yak Ales, as well as popular brands of cider, including Bulmers, Strongbow, Little Green and Mercury. According to CUB's internal price segment categorization, for the year ended December 31, 2019, approximately one quarter of CUB's revenue was attributable to mainstream products, over half of revenue was attributable to upper mainstream products and over 10% of revenue was attributable to premium products.

Selected Historical Financial Data of ABIH

The table below sets forth certain selected consolidated financial data of ABIH as of and for the years ended December 31, 2018 and 2019, which have been derived in part from ABIH's annual consolidated financial statements and the notes thereto audited by PricewaterhouseCoopers, independent accountants.

As part of our acquisition of CUB, we acquired 55 entities that formed a part, but not all, of ABIH and its consolidated subsidiaries at the time of signing of the sale and purchase agreement between us and AB InBev on July 19, 2019. The selected consolidated financial data of ABIH as of and for the years ended December 31, 2018 and 2019 presented below includes the operation of ABIH and its consolidated subsidiaries, including the entities not acquired by us. From January 1, 2020, ABIH's accounting systems were configured to track results for the 55 entities acquired and exclude the non-acquired entities. The financial contribution of the excluded entities to ABIH's operating results for the year ended December 31, 2019 was immaterial. For further information, see Note 3 to the unaudited pro forma condensed consolidated statements of profit or loss of Asahi Group Holdings, Ltd. beginning on page P-1.

In addition, the selected consolidated financial data of ABIH presented below does not include any adjustments to reflect the divestitures made pursuant to our undertaking to the ACCC, described below under "—Divestitures Pursuant to Undertakings to the Australian Competition and Consumer Commission."

	As of and for the year ended December 31,	
	2018	2019
	(in millions of Australian dollars)	
Selected statement of profit or loss data:		
Revenue	A$ 2,335	A$ 2,259
Cost of sales	(872)	(809)
Gross profit	1,463	1,450
Marketing expenses	(138)	(133)
Fixed expenses	(356)	(355)
Profit before tax and finance costs	872	1,111
Net finance costs	(344)	(475)
Profit before tax	528	636
Income tax expense	(130)	(200)
Net profit attributable to members of ABI Australia Holding Pty Ltd	A$ 398	A$ 436
Selected statement of financial position data:		
Total assets	A$ 14,452	A$ 13,335
Total liabilities	13,464	12,023
Total borrowings	10,619	9,644
Total equity	988	1,312
Other Data		
Adjusted EBITDA[1]	A$ 920	A$ 1,004
Adjusted EBITDA margin[2]	39%	44%

Notes:

(1) Adjusted EBITDA = net profit attributable to members of ABI Australia Holding Pty Ltd + income tax expense + net finance costs + depreciation and amortization – nonrecurring gain from sale of subsidiary.

(2) Adjusted EBITDA margin = Adjusted EBITDA / revenue

Rationale for the Acquisition

Under our new group philosophy, "Asahi Group Philosophy," introduced in January 2019, we articulated our vision of "being a value creator globally and locally, growing with high value-added brands." In our medium-term management policy announced in February 2019 and guided by the Asahi Group Philosophy, we aimed to drive sustainable group growth by promoting premiumization and creating cross-selling initiatives across our core premium brands.

Our acquisition of CUB is aligned with this strategy. By adding CUB's leading Australian beer and cider businesses to our existing Australian operations, we are creating a stronger global business platform with three core pillars in Japan, Europe and Australia. CUB has a range of popular brands, such as Carlton and Great Northern, which are some of the leading brands in Australia, as well as strong marketing and product development capabilities. CUB has been highly profitable, leveraging its broad brand portfolio and operational excellence across Australia.

In addition, we believe that Australia is an attractive market enjoying sustainable economic growth. Prior to the acquisition, we already had a presence in the Australian beer and cider markets (with global premium brands such as Asahi Super Dry, Peroni and Pilsner Urquell) and the Australian non-alcohol beverage market through several soft drinks acquisitions since 2009. The acquisition provides us with the broad distribution network of CUB as well as the advantage of greater scale in areas such as procurement by collaborating with our pre-acquisition Australian business, which was of comparable size to CUB in terms of sales. The acquisition also further enhances our management resources by bringing with it a talented and experienced management team.

We believe that the acquisition will improve the financial performance of our Australian business, creating a third core pillar to our global business alongside the Japanese business and the Europe business. We aim to deliver sustained growth and enhanced corporate value in the medium to long term by integrating the strengths of our brands and human resources in each of our three core regions. We aim to realize revenue synergies through the acquisition by utilizing CUB's sales channels to accelerate growth of our Asahi Super Dry and Peroni brands in Australia and expanding sales channels for alcoholic beverages other than beer and soft drinks. We also plan to realize cost synergies, such as through integrating and mutually utilizing distribution centers and strengthening procurement capabilities through economies of scale. Over the medium to long term, we are targeting approximately ¥10 billion in cost synergies as a result of the acquisition.

The discussion above includes forward-looking statements that are 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" and elsewhere in this Offering Circular. These and other unanticipated events and circumstances could affect our ability to achieve the strategic objectives or synergies set forth above. As a result, we cannot and do not make any representation or assurance as to the achievability of such strategic objectives or synergies or whether our underlying assumptions are appropriate. You should be aware that actual results may vary, potentially materially, from the above forward-looking statements. See "Forward-looking Statements."

Divestitures Pursuant to Undertakings to the Australian Competition and Consumer Commission

On August 23, 2019, the ACCC commenced its public review of our proposed acquisition of CUB in order to assess whether, if completed as proposed, it would have the effect, or be likely to have the effect, of substantially lessening competition in any market in Australia. The ACCC concluded that in the absence of an undertaking from us and AB InBev, the acquisition would (i) lead to a significant consolidation in the market for the supply of cider products in Australia, and (ii) remove us and AB InBev as vigorous and effective competitors in the concentrated market for the supply of beer products in Australia.

In order to address the ACCC's competition concerns, on March 31, 2020, we gave the ACCC an undertaking in accordance with which we agreed to divest the beer brands Stella Artois and Beck's and the cider brands Strongbow, Little Green and Bonamy's.

We obtained, through our wholly-owned subsidiary, Asahi Holdings (Australia) Pty Ltd., approvals from the ACCC on November 17, 2020 and from the Foreign Investment Review Board on December 12, 2020, respectively, in relation to the proposed sale of the above brands to Heineken N.V. All conditions precedent for the contemplated divestments have been satisfied and we completed the transfer to Heineken N.V. on January 5, 2021.

As of the end of the year ended December 31, 2020, the fair value of the brands transferred, net of disposal costs were recorded as "Assets held for sale" in the amount of ¥17,652 million and "Liabilities directly related to assets held for sale" in the amount of ¥134 million. The Group considers that the financial impact of the divestments on the consolidated performance of the Group for the year ended December 31, 2020 is insignificant.

Selected Pro Forma Condensed Consolidated Statement of Profit or Loss Data

The table below sets forth our selected pro forma condensed consolidated statements of profit or loss data for the years ended December 31, 2019 and 2020, which reflects the acquisition of CUB as if it had occurred on January 1, 2019 and has been derived from, should be read in conjunction with and is qualified in its entirety by, the unaudited pro forma condensed consolidated statements of profit or loss beginning on page P-1 of this Offering Circular.

We have prepared the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2019 based on (i) our audited consolidated financial statements for the year ended December 31, 2019, which were prepared in accordance with IFRS, and (ii) the audited consolidated financial statements of ABIH for the year ended December 31, 2019, which were prepared in accordance with AAS. We have prepared the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2020 based on (a) our audited consolidated financial statements for the year ended December 31, 2020, which were prepared in accordance with IFRS and (b) the accounting records of ABIH for the five-month period ended May 31, 2020 (the profit or loss data of ABIH has been included in our consolidated statement of profit or loss from June 1, 2020).

The unaudited pro forma condensed consolidated statements of profit or loss for the years ended December 31, 2019 and 2020 do not include any adjustments to reflect the divestitures made pursuant to our undertaking to the ACCC, described under "—Divestitures Pursuant to Undertakings to the Australian Competition and Consumer Commission." In addition, the accounting records of ABIH for the five-month period ended May 31, 2020 used in the preparation of the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2020 were prepared to reflect the fact that we acquired 55 entities that formed a part, but not all, of ABIH and its consolidated subsidiaries at the time of signing of the sale and purchase agreement between us and AB InBev on July 19, 2019. On the other hand, the audited consolidated financial statements of ABIH for the year ended December 31, 2019 used in the preparation of the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2019 cover all of ABIH and its consolidated subsidiaries. As a result, the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2019 includes an adjustment related to excluding the contribution of the excluded entities. For a description of these and other adjustments to the unaudited pro forma condensed consolidated statements of profit or loss, see the notes to the unaudited pro forma condensed consolidated statements of profit or loss included elsewhere in this Offering Circular.

Our management believes that, based upon available information, the assumptions made in preparing the unaudited pro forma condensed consolidated statements of profit or loss provide a reasonable basis for presenting the significant effects of the acquisition. The unaudited pro forma condensed consolidated statements of profit or loss have not been subject to procedures specified by review standards by our independent auditors. Future results may vary significantly from the results reflected in the unaudited pro forma condensed consolidated statements of profit or loss due to a variety of factors, including those described in "Risk Factors."

	Pro Forma Basis	
	For the twelve-month period ended December 31,	
	2019	2020
	(millions of yen)	
Revenue	¥ 2,352,730	¥ 2,122,894
Cost of sales	(1,452,061)	(1,338,321)
Gross profit	900,668	784,572
Selling, general and administrative expenses	(626,140)[1]	(599,684)
Other operating income (expense) – net	(15,415)	(32,602)
Operating profit	259,113	152,286
Finance income (costs) – net	(10,007)	(9,841)
Share of profit (loss) of investments accounted for using equity method	872	(2,015)[2]
Profit before tax	249,979	140,429
Income tax expenses	(72,537)	(36,096)
Profit	¥ 177,441	¥ 104,333
Profit attributable to:		
Owners of parent	¥ 178,358	¥ 104,575
Non-controlling interests	(916)	(241)
Total	¥ 177,441	¥ 104,333

Notes:

(1) Includes marketing expenses and fixed expenses disclosed in ABI Australia Holding Pty Ltd's financial report for the year ended December 31, 2019.

(2) Includes gain (loss) on sales of investments accounted for using equity method for the twelve-month period ended December 31, 2020.

Pro Forma Adjusted EBITDA

Pro Forma Adjusted EBITDA is not a measure prescribed by IFRS but is a supplemental financial measure that we believe is useful for investors to assess the operating performance of our business as if the acquisition of CUB had been completed on January 1, 2019 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.

Pro Forma Adjusted EBITDA should not be considered as an alternative to other pro forma measures or any measures presented in accordance with IFRS, as it has important limitations as an analytical tool. In particular, Pro Forma Adjusted EBITDA excludes some, but not all, items that affect profit. Our definition of Pro Forma Adjusted EBITDA may not be comparable to similarly titled measures of other companies in our industry, thereby diminishing their utility. The following table presents a reconciliation of Pro Forma Adjusted EBITDA for the years ended December 31, 2019 and 2020.

	For the year ended December 31,	
	2019	**2020**
	(in millions of yen)	
Pro forma profit	¥177,441	¥104,333
Add: pro forma income tax expense	72,537	36,096
Pro forma profit before tax	249,979	140,429
Subtract: Pro forma share of profit (loss) of investments accounted for using equity method	872	(2,015)
Subtract: pro forma finance income (costs) – net	(10,007)	(9,841)
Pro forma operating profit	259,113	152,286
Subtract: Pro forma other operating income (expense) – net	(15,415)	(32,602)
Add: Pro forma amortization of intangible assets	32,234	29,621
Add: Pro forma depreciation	74,543	78,869
Pro Forma Adjusted EBITDA	¥381,306	¥293,380

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* and soft drinks. 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, 2020 were ¥2,027 billion, ¥135 billion and ¥92 billion, respectively.

Our businesses are organized into the following four reportable segments:

- *Alcohol beverages*. Our alcohol beverages segment comprises the production and sale of 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 in Japan. This segment also includes the operation of restaurants in Japan. For the year ended December 31, 2020, revenue (after intersegment eliminations) from the alcohol beverages segment represented 36.1% of consolidated revenue.

- *Soft drinks*. In this segment, we produce and sell a wide range of soft drinks in Japan, 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 soft drinks. For the year ended December 31, 2020, revenue (after intersegment eliminations) from the soft drinks segment represented 17.0% of consolidated revenue.

- *Food*. Our food segment consists of the production and sale of a variety of food products, including confectioneries, health foods, dietary supplements, baby foods, infant formula and freeze-dried foods in Japan. For the year ended December 31, 2020, revenue (after intersegment eliminations) from the food segment represented 6.0% of consolidated revenue.

- *Overseas*. In our overseas segment, we produce and sell alcohol beverages and soft drinks, principally in Europe, Oceania and Southeast Asia, and export our premium beer brands into various overseas markets and Japan. For the year ended December 31, 2020, revenue (after intersegment eliminations) from the overseas segment represented 39.1% 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 primarily consists of various logistics-related operations, including product distribution and storage facility management. Operations in our "Other" segment also include the management of our internal information technology resources as well as our internal systems, including those relating to payroll, benefits and accounting. This segment is also responsible for the design and construction of our manufacturing facilities. For the year ended December 31, 2020, revenue (after intersegment eliminations) from the "Other" segment represented 1.7% of consolidated revenue.

On June 1, 2020, we completed the acquisition of CUB from AB InBev. CUB's businesses comprise beer and cider businesses and other related businesses, intellectual property rights associated with all CUB beer and cider brands, including Carlton, Great Northern and other brands, perpetual licenses to sell certain AB InBev brands in Australia and manufacturing licenses of some AB InBev's brands and other related assets.

In the year ended December 31, 2020, some of the companies changed the reporting segment from the overseas segment to the soft drinks segment, and some of the operations included in the other segment changed the reporting segment to the food segment. Accordingly, the results of operations for the year ended December 31, 2019 discussed below have been restated reflecting these changes in reporting segments for comparison purposes.

COVID-19 pandemic

The COVID-19 pandemic has had and is expected to continue to have adverse effects on our sales. Measures taken by governments, such as declarations of nationwide emergencies and voluntary business closures or operation hours restrictions, have resulted in a decline in our sales, especially on-trade sales such as those originating from restaurants and bars, which account for a relatively high proportion of our sales of beer-type beverages. Although restrictive measures were eased in certain countries and regions and certain economies experienced a rebound in economic activity in the second half of 2020, restrictive measures were re-introduced in many countries around the world, including Japan, as they grappled with sudden increases in the number of COVID-19 cases as well as the discovery of potentially more infectious strains of the virus. In particular, in January 2021, a new state of emergency was declared for certain parts of Japan including the Tokyo metropolitan area. Although the new state of emergency was lifted in March 2021, there is no guarantee that another state of emergency will not be declared in the future. Furthermore, although vaccines have been approved for use in some countries, including Japan, the timing of widespread availability of such vaccines is highly uncertain, and there is no guarantee that such vaccines will be effective in stopping the spread of COVID-19. For further information on the impact of COVID-19 on our business and results of operations, see "Risk Factors—The COVID-19 pandemic may continue to adversely affect our business and results of operations."

Due to the effects of COVID-19, domestic sales of beer-type beverages were lower year-on-year on a value basis in April and May 2020 following the declaration of the first nationwide emergency and voluntary business closures or operating hours restrictions. Domestic sales gradually recovered to an extent after such emergency declaration and restrictions were lifted, however, sales remained lower compared to the prior year between June and December 2020. After the declaration of the new state of emergency in January 2021, the decrease in sales volumes, particularly in the commercial sector has continued. In our Europe business, although from July to September 2020, when lockdown measures were eased, demand recovered substantially, especially for commercial sales, from October 2020 onward, with the resumption of lockdown measures due to the resurgence of COVID-19 cases, sales once again entered a significant downward trend, which has continued to the present. In our Australian operations, including CUB, although lockdowns and restrictions on the number of people allowed to enter stores in the state of Victoria continued, restrictions have gradually eased and since September 2020 year-on-year sales has been higher as compared to the previous year due to the expansion of sales to consumers.

Since 2020, we have implemented various growth initiatives amid the COVID-19 pandemic. For example, in our alcohol beverages business, we have implemented various initiatives for *Asahi Super Dry,* including the launch of "*Savor the Freshness*" packs and *Asahi Super Dry Nama Jokki Can,* in order to provide rediscovery of the value of the beer and special drinking experiences. In our Europe business, we have promoted premium beer and non-alcohol beverages, which has resulted in an enhancement of price mix in off-premise channel and sales volume growth of non-alcohol beverages.

Comparison of the year ended December 31, 2020 with the year ended December 31, 2019

Revenue. Revenue was ¥2,027,762 million in the year ended December 31, 2020, a decrease of ¥61,286 million, or 2.9%, from ¥2,089,048 million in the year ended December 31, 2019. Although revenue increased in the Overseas Business due to the impact of the consolidation of the CUB business from June 2020, revenue declined in the three domestic businesses due to the impact of the spread of COVID-19.

Alcohol beverages. Revenue of the alcohol beverages segment (after intersegment eliminations) was ¥732,435 million in the year ended December 31, 2020, a decrease of ¥126,786 million, or 14.8%, from ¥859,221 million in the year ended December 31, 2019. Although sales of new genres and RTD, which captured the demand for home consumption, were higher than the previous year, sales of beer to restaurants decreased sharply due to the spread of COVID-19, resulting in the decrease in revenue. Before intersegment eliminations, the decrease was ¥128,590 million, or 14.5%, from ¥886,860 million in the year ended December 31, 2019 to ¥758,270 million in the year ended December 31, 2020.

Soft drinks. Revenue of the soft drinks segment (after intersegment eliminations) was ¥345,345 million in the year ended December 31, 2020, a decrease of ¥23,059 million, or 6.3%, from ¥368,404 million in the year ended December 31, 2019. Although sales volume of carbonated drinks increased compared to the previous year, this was offset by a decline in sales from vending machines due to the spread of COVID-19. Before intersegment eliminations, revenue decreased by ¥23,486 million, or 6.2%, from ¥376,867 million in the year ended December 31, 2019 to ¥353,381 million in the year ended December 31, 2020.

Food. Revenue of the food segment (after intersegment eliminations) was ¥122,543 million in the year ended December 31, 2020, a decrease of ¥5,503 million, or 4.3%, from ¥128,046 million in the year ended December 31, 2019. The decrease was due mainly to the decline in sales of our MINTIA brand of mint tablets, although there was an increase in sales of health and beauty related food products and freeze-dried miso soup compared to the previous year. Before intersegment eliminations, the decrease was ¥5,480 million, or 4.2%, from ¥128,966 million in the year ended December 31, 2019 to ¥123,486 million in the year ended December 31, 2020.

Overseas. Revenue of the overseas segment (after intersegment eliminations) was ¥792,865 million in the year ended December 31, 2020, an increase of ¥94,591 million, or 13.5%, from ¥698,274 million in the year ended December 31, 2019. Despite a decrease in revenue for this segment due to the contraction in the market due to restrictions put in place by governments in response to the spread of COVID-19, this was offset by the consolidation of the CUB business, resulting in overall increase in revenue. Before intersegment eliminations, the increase was ¥94,410 million, or 13.5%, from ¥698,546 million in the year ended December 31, 2019 to ¥792,956 million in the year ended December 31, 2020.

Other. Revenue of our other businesses (after intersegment eliminations) was ¥34,572 million in the year ended December 31, 2020, a decrease of ¥529 million, or 1.5%, from ¥35,101 million in the year ended December 31, 2019. Before intersegment eliminations, the decrease was ¥4,552 million, or 4.7%, from ¥97,707 million in the year ended December 31, 2019 to ¥93,155 million in the year ended December 31, 2020.

Cost of sales. Cost of sales was ¥1,283,150 million in the year ended December 31, 2020, a decrease of ¥14,152 million, or 1.1%, from ¥1,297,302 million in the year ended December 31, 2019. The decrease was due mainly to a decrease in our consolidated revenue.

Gross profit. As a result of the foregoing, gross profit was ¥744,612 million in the year ended December 31, 2020, a decrease of ¥47,133 million, or 6.0%, compared to gross profit of ¥791,745 million in the year ended December 31, 2019.

Selling, general and administrative expenses. The following table presents our selling, general and administrative expenses for the years ended December 31, 2019 and 2020:

	For the year ended December 31,	
	2019	**2020**
	(in millions of yen)	
Promotion expense	¥120,241	¥117,273
Advertising	61,099	54,301
Transportation	75,743	81,671
Employee benefits expense	159,582	149,041
Depreciation and amortization expenses	55,487	60,835
Other	106,619	113,665
Total	¥578,774	¥576,789

Selling, general and administrative expenses were ¥576,789 million in the year ended December 31, 2020, a decrease of ¥1,985 million, or 0.3%, from ¥578,774 million in the year ended December 31, 2019. The decrease was due mainly to a decrease in costs related to sales activities.

Other operating income. Other operating income was ¥14,870 million in the year ended December 31, 2020, an increase of ¥8,792 million, or 144.7%, from ¥6,078 million in the year ended December 31, 2019. The increase was due mainly to an increase in gains on sales of property, plant and equipment.

Other operating expense. Other operating expense was ¥47,526 million in the year ended December 31, 2020, an increase of ¥29,913 million, or 169.8%, from ¥17,613 million in the year ended December 31, 2019. The increase was due mainly to ¥11.8 billion in expenses that we incurred in responding to the COVID-19 pandemic, including but not limited to costs related to temporarily halting operations at certain production facilities and expenses related to the cancelling of various promotional and marketing events, as well as ¥8.8 billion in impairment losses in the year.

Operating profit. As a result of the foregoing, operating profit was ¥135,167 million in the year ended December 31, 2020, a decrease of ¥66,269 million, or 32.9%, compared to operating profit of ¥201,436 million in the year ended December 31, 2019. This decrease was mainly due to a decline in core operating profit as well as an increase in COVID-19 related one-time costs and impairment losses in our domestic businesses such as the restaurant business. Operating profit, before adjustments, decreased by ¥65,000 million to ¥159,196 million in the year ended December 31, 2020 from ¥224,196 million in the year ended December 31, 2019. We estimate that we achieved ¥30.5 billion in cost reductions during the year ended December 31, 2020.

Alcohol beverages. Operating profit (before adjustments) of the alcohol beverages segment was ¥65,933 million in the year ended December 31, 2020, a decrease of ¥37,024 million, or 36.0%, from ¥102,957 million in the year ended December 31, 2019. The decrease was due mainly to a decrease in revenue for the segment despite efforts to reduce manufacturing costs and to reform the profit structure. We estimate that we achieved ¥13.0 billion in cost reductions in the alcohol beverages segment during the year ended December 31, 2020.

Soft drinks. Operating profit (before adjustments) of the soft drinks segment was ¥28,901 million in the year ended December 31, 2020, a decrease of ¥1,881 million, or 6.1%, from ¥30,782 million in the year ended December 31, 2019. The decrease was due mainly to the decline in sales and the deterioration in the mix of products due to lower sales through vending machines, despite efforts to reduce manufacturing costs by improving the efficiency of advertising and sales promotion expenses through the selection and concentration of brands and by switching to in-house manufacturing. We estimate that we achieved ¥5.6 billion in cost reductions in the soft drinks segment during the year ended December 31, 2020.

Food. Operating profit (before adjustments) of the food segment was ¥11,178 million in the year ended December 31, 2020, a decrease of ¥2,167 million, or 16.2%, from ¥13,345 million in the year ended December 31, 2019. The decrease was due mainly to a decline in sales revenue, despite efforts to improve efficiency of fixed costs. We estimate that we achieved ¥2.0 billion in cost reductions in the food segment during the year ended December 31, 2020.

Overseas. Operating profit (before adjustments) of the overseas segment was ¥52,089 million in the year ended December 31, 2020, a decrease of ¥23,834 million, or 31.4%, from ¥75,923 million in the year ended December 31, 2019. The decrease was due mainly to changes in composition of sales by segment and the recording of one-off costs associated with the acquisition of the CUB business, despite efforts to improve efficiency of fixed costs. We estimate that we achieved ¥9.9 billion in cost reductions in the overseas segment during the year ended December 31, 2020.

Other. Operating profit (before adjustments) of our other businesses was ¥1,093 million in the year ended December 31, 2020, a decrease of ¥94 million, or 7.9%, from ¥1,187 million in the year ended December 31, 2019.

Finance income. Finance income was ¥7,230 million in the year ended December 31, 2020, a decrease of ¥864 million, or 10.7%, from ¥8,094 million in the year ended December 31, 2019. The decrease was due mainly to a decrease in gain on change in fair value of derivatives.

Finance costs. Finance costs were ¥14,982 million in the year ended December 31, 2020, an increase of ¥1,970 million, or 15.1%, from ¥13,012 million in the year ended December 31, 2019. The increase was due mainly to an increase in interest paid.

Share of profit of investments accounted for using equity method. Share of profit of investments accounted for using equity method was ¥285 million in the year ended December 31, 2020, a decrease of ¥587 million, or 67.3%, from ¥872 million in the year ended December 31, 2019.

Gain (loss) on sales of investments accounted for using equity method. We incurred a loss on sales of investments accounted for using equity method of ¥2,300 million in the year ended December 31, 2020. This was in relation to sale of our interest in a joint venture in Yantai, China with TSINGTAO BREWERY COMPANY LIMITED. We did not record any gain or loss on sales of investments accounted for using the equity method in the year ended December 31, 2019.

Profit before tax. As a result of the foregoing, profit before tax in the year ended December 31, 2020 decreased by ¥71,992 million, or 36.5%, to ¥125,399 million, from ¥197,391 million in the year ended December 31, 2019.

Income tax expense. Income tax expense was ¥32,815 million in the year ended December 31, 2020, compared to income tax expense of ¥56,100 million in the year ended December 31, 2019.

Profit. As a result of the foregoing, profit in the year ended December 31, 2020 decreased by ¥48,706 million, or 34.5%, to ¥92,584 million, from ¥141,290 million in the year ended December 31, 2019.

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, 2018, 2019 and 2020 were as set forth below:

	For the year ended December 31,		
	2018	2019	2020
	(in millions of yen)		
Total capital expenditures	¥83,616	¥108,012	¥103,764
Alcohol beverages	25,386	23,999	25,161
Soft drinks	14,724	21,452	16,363
Food	3,138	5,589	4,056
Overseas	36,964	48,252	45,113
Other	650	4,531	5,716
Corporate	2,752	4,186	7,352

For the years ended December 31, 2018, 2019 and 2020, we invested ¥83,616 million, ¥108,012 million and ¥103,764 million, respectively, in capital expenditures. These capital expenditures were made primarily for the replacement of existing manufacturing equipment and strategic investments to improve profitability in the alcohol beverages segment, to increase the proportion of products produced in-house and the acquisition of vending machines in the soft drinks segment, towards investments to increase sales in our food segment, and to improve the effectiveness of our operations and invest in our manufacturing equipment in our European beer operations in the overseas 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, 2020 were ¥924,760 million. Bonds and borrowings in non-current liabilities on our consolidated statement of financial position as of December 31, 2020 were ¥898,867 million.

The following table sets forth our aggregate annual maturities of trade and other payables, bonds and borrowings and derivative liabilities for the next several years, as of December 31, 2020:

	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
Trade and other payables	¥ 477,098	¥ 477,098	¥477,098	—	—	—	—	—
Bonds and borrowings	1,823,627	1,850,885	924,471	¥158,487	¥109,931	¥133,107	¥90,395	¥434,492
Derivative liabilities	4,891	4,891	4,123	419	139	2	206	—

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, 2020, we had ¥1,823,627 million of interest-bearing debt, including the following:

- ¥924,760 million in current bonds and borrowings; and
- ¥898,867 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, 2021.

CUB Bridge Loan

On May 25, 2020, we entered into a loan agreement (the "CUB Bridge Loan") with Sumitomo Mitsui Banking Corporation to fund the acquisition of CUB. Details of the CUB Bridge Loan are as follows:

- *Initial principal amount*: ¥1,185,000 million

- *Maturity date*: May 19, 2021
- *Interest rate*: floating rate based on spread over yen Tokyo Interbank Offering Rate
- *Interest payments*: monthly

We have not been subject to any financial covenants under this loan agreement. By March, 2021, we completed the early repayment in full of the principal of the CUB Bridge Loan using the net proceeds of ¥156 billion from a global offering of shares of our common stock, the net proceeds of ¥300 billion from the issuance of yen-denominated subordinated bonds, the net proceeds of ¥200 billion from the issuance of yen denominated senior bonds, the net proceeds of ¥195 billion from the issuance of euro-denominated senior bonds, the amount borrowed under short term and long term borrowings and the net proceeds from divestitures made pursuant to our undertaking to the ACCC.

Cash flows

Comparison of the year ended December 31, 2020 with the year ended December 31, 2019

In the year ended December 31, 2020, we had ¥275,859 million net cash flows from operating activities, ¥1,243,372 million net cash flows used in investing activities and ¥956,759 million net cash flows from financing activities. As a result, cash and cash equivalents at the end of the year ended December 31, 2020 decreased by ¥29 million to ¥48,460 million, from ¥48,489 million at the end of the year ended December 31, 2019.

Net cash flows from operating activities increased by ¥22,390 million to ¥275,859 million in the year ended December 31, 2020, from ¥253,469 million in the previous year. Although profit before tax was ¥125,399 million, there was an increase in non-cash items such as depreciation and amortisation as well as a decrease in use of working capital.

In the year ended December 31, 2020 net cash flows used in investing activities increased by ¥1,139,706 million, to ¥1,243,372 million from ¥103,666 million in the previous year. This change was due mainly to the acquisition of the CUB business.

In the year ended December 31, 2020, we had net cash flows from financing activities of ¥956,759 million, from ¥158,841 million used in the previous year. This change was due mainly to the issuance of new shares, as well as an increase in short-term borrowings.

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 soft drinks, 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 Asahi Azumabashi Building headquarters.

During the 1990s, we continued to grow our domestic operations while also expanding into international 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 international markets while continuing to pursue domestic growth through the introduction of new products. Some highlights of our international 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, P&N Beverages Australia Pty Ltd., Charlie's Group Limited of New Zealand and acquisition of a stake in Flavoured Beverages Groups Holdings Limited of New Zealand. We completed the acquisition of AB InBev's Australian beer and cider businesses on June 1, 2020. See "Acquisition of CUB."

- *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, revised our medium-term management policy originally released in 2016 (and further revised in 2021) and announced the Asahi Group Environmental Vision 2050.

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* and soft drinks. 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 operations are organized into four reportable segments: alcohol beverages, soft drinks, food and overseas. 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, 2020, revenue (after intersegment eliminations) from our alcohol beverages, soft drinks, food and overseas segments represented 36.1%, 17.0%, 6.0% and 39.1%, respectively, of consolidated revenue for the period.

Our main brands include the following:

- Alcohol beverages segment: *Asahi Super Dry*, *Asahi Style Free*, *Clear Asahi* and *Asahi The Rich*. We also offer non-alcohol beer-taste beverages under our *Asahi Dry Zero* brand and a number of whisky brands associated with The Nikka Whisky Distilling Co. Ltd.

- Soft drinks segment: *Mitsuya Cider*, *Wilkinson Tansan*, *WONDA Morning Shot*, *Asahi Juroku-cha*, *Asahi OISHII MIZU* and *CALPIS*.

- Food segment: *MINTIA*, *Itsumono Miso Soup, Ippon Manzoku Bar, Goo Goo Kitchen, Dear Natura* and *Balance Kondate*.

- Overseas segment: *Asahi Super Dry*, *Peroni Nastro Azzurro*, *Kozel*, *Pilsner Urquell, Grolsch, Carlton Northern* and *Victoria Bitter*.

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

We are globally diversified with operations in over 20 countries and offer our brands, including through third parties with which we have licensing agreements, in over 50 countries across Asia, Europe, North America and Oceania. On June 1, 2020, we completed the acquisition of CUB, which is a key initiative in our growth strategy and has strengthened our Australian operations through the addition of CUB's leading beer and cider businesses in the region. We believe that CUB's well-known brands, broad distribution network and talented management teams will enable us to pursue new opportunities in the growing Australian market.

For the year ended December 31, 2020, our revenue and profit were ¥2,027 billion and ¥92 billion, respectively. On a pro forma basis to reflect our acquisition of CUB, which was completed on June 1, 2020, we had ¥1,789 billion in revenue (excluding liquor taxes) and ¥381 billion in Adjusted EBITDA in the year ended December 31, 2019, which would have ranked us third among global beer companies, and ¥1,627 billion in revenue (excluding liquor taxes) and ¥293 billion in Adjusted EBITDA in the year ended December 31, 2020.

The COVID-19 pandemic has had, and continues to have, an adverse effect on our results of operations, including those of CUB. Measures taken by governments, such as declarations of nationwide emergencies and voluntary business closures or operation hours restrictions, have resulted in a decline in sales, especially on-trade sales such as those originating from restaurants and bars, which account for a relatively high proportion of our sales of beer-type beverages.

Strengths of the Asahi Group

We are a global premium beer company with a strong brand portfolio

We are a global company with a strong brand portfolio, including premium brands such as *Asahi Super Dry*, *Peroni Nastro Azzurro*, *Kozel*, *Pilsner Urquell* and *Grolsch*. On a pro forma basis to reflect our recent acquisition of CUB, we had ¥1,789 billion in revenue (excluding liquor taxes) and ¥381 billion in Adjusted EBITDA for the year ended December 31, 2019, which would have ranked us third in terms of both revenue and Adjusted

EBITDA among global beer companies based on the public results of those companies. We operate principally in our core markets of Japan, Europe and Oceania. For the year ended December 31, 2019, on a pro forma basis to reflect our recent acquisition of CUB, Japan accounted for over half of consolidated revenue excluding liquor tax, while Europe and Oceania each accounted for approximately a fifth of revenue excluding liquor tax, and Japan accounted for almost half of Adjusted EBITDA, while Europe and Oceania each accounted for approximately a fourth and a fifth of Adjusted EBITDA, respectively.

According to GlobalData Plc, from 2006 to 2019, the Super Premium and Premium categories of beer have achieved higher growth rates than other categories in recent years, with a compound annual growth rate ("CAGR") on a volume basis of 5.2% and 3.1%, respectively, as compared to a CAGR on a volume basis of 0.9% and (0.1)% for the mainstream and discount categories of beer, respectively, while from 2019 to 2020, a CAGR on a volume basis was (11.7)%, (11.7)%, (11.8)% and (10.9)% for the Super Premium, Premium, mainstream and discount categories of beer, respectively. We expect this long-term premiumization trend to continue and believe we are in a favorable position to capitalize on it by utilizing our core premium brands.

Our Europe business is representative of how we are executing our premium strategy. Through our leading position in core markets and the effective post-acquisition integration of our operations in Western and Central Europe, we achieved 7% annual growth in revenue (excluding liquor taxes) and 10% annual growth in Core Operating Profit from 2018 to 2019, in the region, in each case on a constant currency basis, while in 2020 revenue (excluding liquor taxes) and Core Operating Profit of our Europe business (not including Asahi International Ltd.) were ¥289 billion and ¥59 billion, respectively. In addition, our Core Operating Profit margin in the region was 23.0% of revenue (excluding liquor taxes) in 2019 and our Core Operating Profit margin of our Europe business (not including Asahi International Ltd.) was 20.6% of revenue (excluding liquor taxes) in 2020, which we believe compares favorably to the EMEA and Europe operations of other global beer companies. Our strong financial performance in Europe is supported by operations in seven countries and a leading market share on a volume basis in our target categories in most countries. We have global premium brands such as *Peroni Nastro Azzurro* and *Pilsner Urquell*, and we also have flagship local brands such as Lech in Poland, a market in which we had a market share on a volume basis of 39% in the premium beer category in 2020 according to GlobalData Plc. Moreover, we are pursuing multiple initiatives for further premiumization, such as strengthening our flagship brands in their home markets, expanding our premium brand portfolio into lager, craft beer and non-alcohol beer, and strategic cross-selling of global premium brands, such as *Asahi Super Dry, Peroni Nastro Azzurro, Kozel, Pilsner Urquell, Grolsch, Carlton Northern* and *Victoria Bitter*.

We have further developed our global business platform through the acquisition of CUB

Australia is an attractive beer market showing stable growth with a high penetration of the premium category. According to GlobalData Plc, the Australian beer market had a CAGR of 1% on a volume basis from 2014 to 2019, while it had a CAGR of (10)% on a volume basis from 2019 to 2020. According to GlobalData Plc, the premium category accounted for 39% of the Australian beer market in 2020 and the premium category market size grew at a CAGR of 4% from 2014 to 2019 by volume, while it shrank at a CAGR of (8)% from 2019 to 2020 by volume. In 2020, we had a 38% market share in the premium category on a volume basis, making our share more than twice that of any competitor. Our Adjusted EBITDA margin for the year ended December 31, 2020 improved from 18.9% for the year ended December 31, 2019 on a historical basis to 21.3% on a pro forma basis giving effect to the acquisition of CUB.

Through our acquisition of CUB in June 2020, we have strengthened our business platform in Oceania to form a third pillar of our global operations together with Japan and Europe. CUB's profitable operations are supported by a strong brand portfolio, including leading Australian brands such as *Carlton* and *Great Northern*, as well as strong marketing and distribution capabilities. By combining CUB with our existing Australian business, we believe we will be able to further accelerate our premiumization strategy in an attractive market. We also aim to realize ¥10 billion in cost synergies over the medium to long term, which is consistent with the amount of cost synergies we targeted in connection with our acquisition of the European brands discussed above. In our Europe business, we had achieved approximately ¥6 billion in cost synergies by the year ended December 31, 2020. We also aim to achieve top-line growth synergies by utilizing the strong distribution networks of CUB to enhance sales of our existing global premium brands and by creating our "Alliance for Growth" project, pursuant to which we intend to utilize the talents of our increased management resources in Oceania.

The stable profit foundation of our domestic business supports sustainable growth

We have a leading position in Japan's beer-type beverage market. On a volume basis, overall consumption of beer-type products, consisting of beer, *happoshu* and "new-genre" beer-taste beverages, RTD beverages, and non-alcohol beer beverages has been stable over the long term, although the product mix has changed due to factors such as generational shifts and liquor tax rates. We have a particular strength in the whole beer-type market, which includes beer, *happoshu* and "new-genre" beer-taste beverages.

Although sales of beer, and to a lesser extent *happoshu*, have been on a declining trend, including due to increasing sales of RTD beverages, we expect scheduled reforms to Japan's liquor tax rates to present an opportunity to promote our premium beer products. Under the current tiered liquor tax system, beer is taxed at the highest level, but between October 2020 and October 2026 tax reforms will equalize the rates on all beer-type products. We believe we are well positioned to benefit from any increase in beer sales as a result of these tax reforms. In anticipation of the tax reforms, we intend to further invest in the brand equity of *Asahi Super Dry* through multiple initiatives such as advertising campaigns targeting particular consumer segments and providing special drinking experiences to expand beer demand with younger demographics.

In addition to reinforcing our strong position in the beer market, we have invested in product development in the "new-genre" beer-taste beverages, RTD beverages, and non-alcohol beer categories to respond to diverse consumer needs. Examples of our initiatives include:

- Introduction of our *Clear Asahi* and *Asahi the Rich* offerings in the growing "new-genre" category;
- Development of differentiated offerings such as our *Zeitaku Shibori* brand in the RTD market; and
- Promotion of our *Asahi Dry Zero* non-alcohol beer, which had the top market share by shipment volume in its category in 2019.

Apart from our alcohol beverages segment, we also have a solid business foundation in the domestic soft drink and food markets. Each of our soft drinks and food segments possesses a diversified brand portfolio encompassing a variety of products with strong brand recognition and high market share in particular product categories. Our soft drinks and food segments generated revenue of ¥353 billion and ¥123 billion, respectively, in the year ended December 31, 2020. The revenue growth rate of our soft drinks segment has consistently outperformed that of the industry as a whole. Our food segment is also a steady profit contributor, with year-on-year growth of Core Operating Profit for seven consecutive years through 2019.

As a whole, our domestic businesses have proven to be a steady foundation for our Group, generating at least ¥900 billion in revenue (excluding liquor tax) and 12% in core operating profit margin in each of the fiscal years during the five-year period ended December 31, 2020.

In order to further improve group profitability, we have introduced expense reduction initiatives to our domestic businesses that we have previously implemented in our Europe business. By systematically implementing cost reduction initiatives globally, we estimate that we achieved ¥58.1 billion and ¥30.5 billion in cost reduction during the period from 2016 to 2019 and during 2020, respectively.

We have a solid financial base with robust cash flow

We follow a disciplined financial policy and are focused on prioritizing the repayment of debt incurred in connection with our acquisition of CUB while also maintaining our dividend policy of delivering stable shareholder returns and increasing our dividend payout ratio in the medium to long term.

Following the acquisition of CUB, we plan to lower our Net Debt/Adjusted EBITDA ratio to approximately 3 times over the medium to long term, aiming to maintain an investment grade rating. We have a proven track record of steadily repaying debt following our prior acquisitions and will emphasize debt reduction to enhance our financial soundness. In the year ended December 31, 2020, among other financings, we completed a global equity offering of ¥156 billion and issued ¥300 billion of yen-denominated subordinated bonds, which have been assigned 50% equity credit by major credit rating agencies, contributing to our planned deleveraging.

Our operations provide robust cash flow that allows us to execute our deleveraging strategy. We have recorded positive free cash flow after dividends of at least approximately ¥100 billion during each of the last 4 years. Despite significant impact from the COVID-19 pandemic, in the year ended December 31, 2020, net cash flows from operating activities and free cash flow after dividends increased as compared to the year ended December 31, 2019 by reducing working capital and selling non-operating assets. This strong cash flow profile has been further strengthened through the addition of CUB's highly profitable business. On a pro forma basis, 2020 Adjusted EBITDA was ¥293 billion compared to Asahi's standalone 2020 Adjusted EBITDA of ¥269 billion.

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, though 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.

Medium-term Management Policy

Our medium-term management policy for realizing the group's long-term goals consists of three key priorities. In light of the completion of our acquisition of CUB in June 2020 and the changes in the operating environment in our global markets caused by the COVID-19 pandemic, we updated and refined our three key priorities in February 2021. Our three key priorities are as follows.

Strengthening earnings power by further enhancing added value and earnings structure reform.

We aim to:

- promote the premiumization strategy by enhancing high-added-value brands in all businesses and expand the five global brands (*Asahi Super Dry*, *Peroni Nastro Azzurro*, *Kozel*, *Pilsner Urquell* and *Grolsch*); and

- reform our cost structure in response to changes in the business environment.

Enhancing management resources aimed at expanding new foundations for growth.

We aim to:

- invest proactively in intangible assets (R&D, human resources, etc.) with the aim of boosting innovation and new value creation; and

- construct new operating model by accelerating digital transformation.

Reinforcing ESG initiatives supporting our sustainable value creation process.

We aim to:

- integrate sustainability into management strategy through such initiatives as "Asahi Group Environmental Vision 2050" and "Sustainable Communities"; and

- enhance risk management systems and strengthen global governance centered on the three pillars in Japan, Europe and Australia.

Reinforcing ESG initiatives

Formulating "Asahi Group Environmental Vision 2050" and improving the Group's sustainable activities through value creation that leverages the Group's unique strengths.

The Group aims to improve sustainable activities and expand CSV (creating shared value) initiatives that capitalize on the Group's unique strengths, including yeast and lactobacilli technologies. Additionally, the Group intends to formulate "Asahi Group Environmental Vision 2050" as a medium/long-term target and step up efforts toward attainment of zero greenhouse gas emissions and 100% sustainable resource usage by 2050. Further, in October 2020, the Group joined global environmental initiative "RE100", which aims to provide 100% of the electricity used in operations from renewable energy sources and in February 2020, the Group received certification from the Science Based Targets Initiative for the 1.5 °C target, which aims to limit the global average temperature increase due to climate change to less than 1.5 °C compared to pre-industrial levels.

Promoting glocal talent management and diversity and developing a human rights management system.

With non-Japanese personnel accounting for a majority of the workforce, the Group will promote human resource development and diversity in combination with optimal HR management on a local basis and deployment of global human resources on a "best fit for the job" basis. The Group also intends to further upgrade the Group's human rights management through such means as revamping human rights due diligence.

Enhancing risk management systems ("Enterprise Risk Management") and reforming corporate governance systems supporting Group and global growth.

The Group will start conducting Enterprise Risk Management and building a global risk-management system that supports appropriate risk-taking. The Group will also move forward with governance reforms conducive to transparent, fair, swift and decisive decision-making, including monitoring-based governance upgrades and reforms and further diversification of its boards of directors.

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 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

Our Business Operations

The table below presents our revenue including liquor tax and revenue excluding liquor tax for our alcohol beverages and overseas segments for the year ended December 31, 2020:

	Revenue (including liquor tax)[(1)]	**Revenue (excluding liquor tax)[(1)]**
	(in billions of yen)	
Alcohol beverages segment	¥758	¥461
Overseas segment		
Europe	351	289
Oceania	339	254
Southeast Asia	43	43
Asahi International Ltd.	78	58

Note:
(1) Revenue figures are before intersegment adjustments.

Alcohol beverages

The business carried out by our alcohol beverages segment primarily involves the manufacture and sale of a wide variety of alcohol beverages in Japan, which is principally undertaken by Asahi Breweries, Ltd. in conjunction with a number of our other subsidiaries. Our alcohol beverages segment also includes the management of a number of beer halls and the restaurant business operations of our subsidiary, Nadaman Co., Ltd.

Beer-type beverages

We offer a portfolio of beer-type beverages through various brands, including *Asahi Super Dry*, our flagship brand of beer, 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*. Our alcohol beverages business is also involved in the sale of our international beer brands, such as *Peroni Nastro Azzurro*, *Pilsner Urquell* and *Grolsch Premium Lager* within Japan.

As domestic liquor tax reform is implemented, we plan to take advantage of lower liquor tax for beer to promote further growth of our *Asahi Super Dry* brand as described in more detail under "—Strengths of the Asahi Group—The stable profit foundation of our domestic business supports sustainable growth" above. 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 *Jack Daniel's Tennessee Whiskey* and *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*, *SKYY Vodka*, *Appleton Estate Rum*, *Campari*, *Southern Comfort* and *Aperol*.

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*, *Mogitate Strong*, *Cocktail Partner* and *Wilkinson Highball*.

Wine

Our subsidiary, Sainte Neige Wine Co., Ltd., produces wines under the *Sainte Neige* brand at our winery in the Kofu Basin of Yamanashi prefecture. We also engage in the import and wholesale of over 600 varieties of wine and the operation of retail and online wine stores through our subsidiary, Enoteca Co., Ltd.

Beer halls and Nadaman Restaurants

Our alcohol beverages segment also includes the management of a number of beer halls in Japan. In addition, our subsidiary, Nadaman Co., Ltd., operates the *Nadaman* group of 26 restaurants in Japan and six restaurants abroad, including in Hong Kong and Singapore. Nadaman Co., Ltd. is also involved in the sale of prepared foods and boxed lunches through 40 retail outlets, mainly in department stores across Japan.

Our alcohol beverages business had revenue of ¥758 billion in the year ended December 31, 2020.

Soft drinks

Our soft drinks business involves the production and sale of popular soft drink beverages in the Japanese market, primarily through our consolidated subsidiary, Asahi Soft Drinks Co., Ltd. Our six core brands in the soft drinks business are the *Mitsuya Cider* carbonated beverage, the *Calpis* lactic acid drink, *Wilkinson Tansan* sparkling water, the *WONDA Morning Shot* 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 soft drinks business had revenue of ¥353 billion in the year ended December 31, 2020.

Our soft drinks business had the third largest market share in Japan for the year ended December 31, 2020 based on sales 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 volume growth compared to the industry average between 2003 and 2019 according to Inryou Souken. In particular, our *Wilkinson* and *Calpis* brands have exhibited compound annual growth rates of 18.6% and 1.9%, respectively, during the 2015 to 2020 period in part due to the success of marketing campaigns that we executed during this period. Overall, our soft drinks business has experienced a 1.8% compound annual growth rate by sales volume during the five-year period ended December 31, 2019, while sales volume for the year ended December 31, 2020 decreased by 6.2% as compared to the previous year. The profitability of our soft drinks business is largely attributable to the strength of our six core brands, which contributed 71.7% and 72.2% of our soft drinks business' Core Operating Profit for the years ended December 31, 2019 and 2020, respectively (compared to 71.0% in the year ended December 31, 2015), as well as an increase in the use of small PET bottles (which represented 64.5% and 65.5% of all PET bottle products on a volume basis in the years ended December 31, 2019 and 2020, respectively, compared to 51.9% in the year ended December 31, 2015) and other operational efficiencies that we have realized. During the period from December 31, 2015 to December 31, 2020, we have achieved approximately ¥7.2 billion in cost-saving as a result of initiatives to improve operational efficiencies.

Food

Our food business, operated through our Asahi Group Foods, Ltd. subsidiary, 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, *Itsumono Miso Soup* freeze-dried miso soup, *Ippon Manzoku Bar* cereal bar*,* the *Goo Goo Kitchen* line of baby food*, our Dear Natura* health supplement tablets *and Balance Kondate* line of nursing food. During the year ended December 31, 2020, we had the largest market share on a value basis in both the baby food market, with a 51% market share, and the domestic candy tablet market, with a 55% market share, according to research published by INTAGE Inc. Since its launch, our *Dear Natura* health supplement tablets have exhibited continuous sales growth on a value basis for 13 consecutive years during the 2007 to 2020 period.

Our food business had revenue of ¥123 billion in the year ended December 31, 2020.

Overseas

Our overseas business primarily involves the manufacture and sale of our beverages in international markets. The largest regional markets for our overseas business are currently Europe, Oceania and Southeast Asia. We also offer our products in a number of other regions, including in East Asia and North America.

Our overseas business had revenue of ¥792 billion in the year ended December 31, 2020.

Europe

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 and Grolsch. In March 2017, we also acquired former SABMiller's Czech, Slovak, Polish, Hungarian, and Romanian businesses and the intellectual property rights for brands such as *Pilsner Urquell*. Our main countries of European operation and brands offered within them include the following:

- Czech Republic and Slovakia: *Pilsner Urquell and Kozel*
- Poland: *Lech* and *Tyskie*
- Romania: *Ursus* and *Timisoreana*
- Italy: *Peroni*
- Netherlands: *Grolsch* and *Kornuit*

In addition to the countries above, we acquired Meantime, a pioneer U.K. craft beer brand, from SABMiller plc in October 2016. We also completed the acquisition of The Fuller's Beer Company Limited of the United Kingdom in April 2019, and through their flagship brand, London Pride, we have further strengthened our presence in the United Kingdom and Western Europe.

The following table presents Asahi's market share ranking on a volume basis according to GlobalData Plc in the countries in which our Europe business operate and in the United Kingdom and the percentage of revenue excluding liquor tax for our Europe business and for our business in the United Kingdom attributable to each country, in each case for the year ended December 31, 2020:

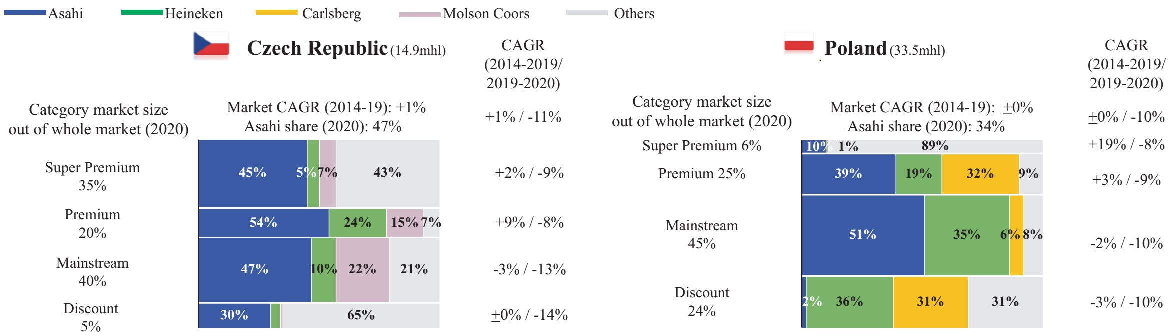
Country	Market Share Ranking(1)	% of revenue for our Europe business and for our business in the United Kingdom (excluding liquor tax)
Poland	#1	25%
Czech Republic	#1	25% (combined figure for the Czech Republic
Slovakia	#2	and Slovakia)
Romania	#1	13%
Italy	#2	10%
United Kingdom	#3	9%

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 "Super Premium" category being defined as being at least 51% more expensive.

The following presents market share data by GlobalData Plc on a volume basis in our two largest European markets by revenue for the year ended December 31, 2020 within various price segments:

◆ **Market Composition by Price Segment in our two largest European markets (2020, volume basis)**



Note:

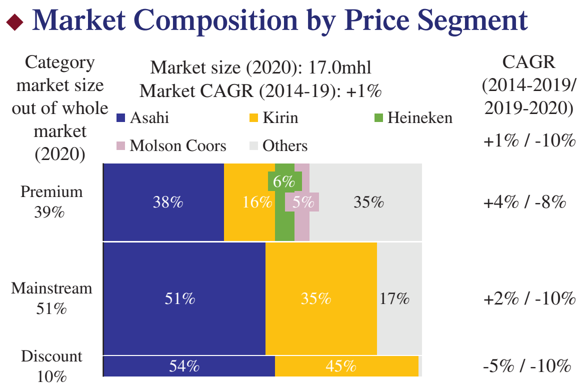
(1) Categories are based on price of the product relative to the price of the leading brand in the most popular pack type in each country, with products in the "Super Premium" category being defined as being at least 51% more expensive, products in the "Premium" category being defined as being between 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.

Oceania

Our Oceania operations consist of the manufacture and sale of alcohol beverages and soft drinks in Australia and New Zealand. Our first major push into the alcohol beverages business in Oceania began in 2011 with our acquisition of the Independent Liquor Group, and in June 2020, we completed our acquisition of CUB. For additional information relating to CUB's business and our acquisition thereof, see "Acquisition of CUB." We sell a number of beer, RTD beverages, spirits and wine in Oceania. Our main alcohol beverage brands in the region, including those that we recently added to our portfolio through the acquisition of CUB, include the following:

- Beer: *Victoria Bitter*, *Carlton*, *Great Northern*, *Asahi Super Dry*, *Peroni*, *Two Suns*, *GB*, *BRB* and *Mountain Goat*
- RTD: *Woodstock* and *Vodka Cruiser*
- Cider: *Somersby* and *Bulmers*

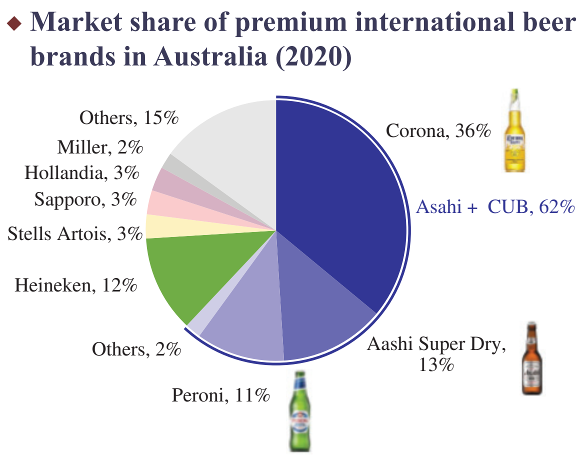
The following presents market share data from GlobalData Plc on a volume basis in the Australian beer market for the year ended December 31, 2020 within the premium, mainstream and discount price segments:



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 "Premium" category being defined as being at least 15% 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.

We also import a number of our international brands into Australia and, according to Aztec, had the highest market share among premium international beer brands in Australia on a volume basis during the year ended December 31, 2020 after including brands imported by CUB, as detailed in the diagram below:



In addition, we also offer a variety of soft drinks 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 Pty Ltd and Mountain H2O Pty Ltd. Our main brands of soft drinks in the region include the following: Cool Ridge, Gatorade, Lipton, Lipton Kombucha, MUSASHI, Pepsi Max, Phoenix, Schweppes and Solo.

Southeast Asia

Our Southeast Asia operations consist of the manufacture and sale of soft drinks and dairy products throughout a number of countries in the region. Our main market in the region is currently Malaysia and Singapore, which made up 65% of our sales in the region during the year ended December 31, 2020. 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 segment primarily consists of various logistics-related operations, including delivery of our products and management of storage facilities. Operations in this segment also include the management of our internal information technology resources as well as our internal systems, including those relating to payroll, benefits and accounting. This segment is also responsible for the design and construction of our manufacturing facilities.

Competition

In our alcohol beverages business, we primarily compete with three other major Japanese companies: Kirin Brewery Company, Limited, Suntory Beer Ltd. and Sapporo Breweries Limited. Although competition in the Japanese alcohol beverages market is intense, based on information compiled by the Brewers Association of Japan, in the year ended December 31, 2018, we enjoyed the highest market share in beer-type beverages in terms of volume. 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.

The domestic soft drinks market is also highly competitive. Our soft drink brands compete in Japan 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 soft drinks 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 compete in Japan primarily with other manufacturers of candy tablets and confectioneries, baby food and instant miso soup. Our main competitors in the Japanese candy tablets and confectioneries market, are Kracie Foods, Ltd. and Mondelēz Japan Limited, and we compete primarily with Pigeon Corporation and Kewpie Corporation in the Japanese baby food market. While competition in each of these markets is fierce, we had the highest market share on a sales basis in 2019 in each of these markets according to surveys by INTAGE Inc. Our main competitors in the Japanese instant miso soup market are Nagatanien Co., Ltd. and Marukome Co., Ltd.

In our international business, we compete in each of our markets with local and international alcohol beverage manufacturers. Our main competitors in our European markets are Heineken International and Carlsberg A/S. In Oceania, we compete primarily with subsidiaries and affiliates of AB InBev and Kirin Holdings Company, Limited in alcohol beverages and with affiliates of The Coca-Cola Company in soft drinks.

Distribution

In our domestic alcohol beverages business, our primary sales channels are supermarkets, convenience stores, discount stores and commercial liquor stores. In our soft drinks business, our principal sales channels in Japan consist of supermarkets, vending machines and convenience stores. In our 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 business, 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 soft drinks. 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.

Production and Inventory

We own and operate a global network of production facilities that carry out our manufacturing and production activities both in Japan and overseas. The key production facilities of our domestic alcohol beverages, soft drinks and food businesses are located in Japan. The key production facilities of our overseas business are located in Europe, Oceania and Southeast Asia, which are our primary international markets. In addition, CUB maintains a number of manufacturing facilities throughout Australia, including their main beer production facilities in Yatala, Abbotsford and Cascade.

The following table presents our domestic production bases as of December 31, 2020:

Name	Main Products and Operations	Location	Start of Operations
Asahi Breweries, Ltd. (eight 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, soft drinks	Moriya, Ibaraki Pref.	1991
Kanagawa Brewery	Beer, *happoshu*, liqueurs	Minami Ashigara, Kanagawa Pref.	2002
Nagoya Brewery	Beer, *happoshu*, liqueurs	Nagoya, Aichi Pref.	1973
Suita Brewery	Beer, *happoshu*, liqueurs, non-alcohol beer-taste beverages	Suita, Osaka Pref.	1891
Shikoku Brewery	Beer, *happoshu*, liqueurs	Saijo, Ehime Pref.	1998
Hakata Brewery	Beer, *happoshu*, liqueurs	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,syrup, brandy, apple wine	Hirosaki, Aomori Pref.	1960
Miyagikyo Distillery	Malt whisky, gin	Sendai, Miyagi Pref.	1969
Tochigi Plant	Aging and blending of whisky	Sakura, Tochigi Pref.	1977
Kashiwa Plant	Filling of whisky and *shochu* bottles, filling of kegged shochu cocktails and whisky with soda products	Kashiwa, Chiba Pref.	1967
Nishinomiya Plant	Filling of kegged *shochu* cocktails and whisky with soda products	Nishinomiya, Hyogo Pref.	1959
Moji Plant	*Shochu*, filling of whisky and *shochu* bottles, "*umeshu*" plum liqueur	Kitakyushu, Fukuoka Pref.	1914
Satsuma Tsukasa Distillery	Singly distilled *shochu*	Aira, Kagoshima Pref.	—
Sainte Neige Wine Co., Ltd. (one winery)			
Sainte Neige Winery	Wine, organic wine	Yamanashi, Yamanashi Pref.	—
Asahi Soft Drinks Co., Ltd. (seven factories)			
Fujisan Factory	Tea, water	Fujinomiya, Shizuoka Pref.	2001
Hokuriku Factory	Coffee	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, butter	Soja, Okayama Pref.	1968
Gunma Factory	Lactic acid drinks, carbonated drinks, butter	Tatebayashi, Gunma Pref.	1972
Asahi Group Foods, Ltd. (seven factories)			
Ibaraki Factory	Dietary supplements	Hitachiomiya, 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.	—
Wako Food Industry Co., Ltd.	Powdered milk for wholesale	Nagano, Nagano Pref.	
NIPPON FREEZE DRYING Co., Ltd.	Freeze-dried food	Azumino, Nagano Pref.	

Name	Main Products and Operations	Location	Start of Operations
Asahi Beer Malt, Ltd. (two factories)			
Yasu Factory	Malt, powdered malt, barley tea	Yasu, Shiga Pref.	—
Koganei Factory	Same as above	Shimotsuke, Tochigi Pref.	—
Asahi Bio Cycle Co., Ltd. (one factory)			
Gunma Factory	Feeds	Tatebayashi, Gunma Pref.	

The following table presents the number of production bases that we operate overseas as of December 31, 2020:

Area/business	Factories	Number
Europe		
Western European beer business	Italy: 3, Netherlands: 1, UK: 2	6
Central & Eastern beer business	Poland: 3, Czech: 3, Slovakia: 1, Romania: 3, Hungary: 1	11
Oceania		
Non-Alcohol Beverages business	Australia: 7	7
Alcohol Beverages business	Australia: 6, New Zealand: 1	7
Southeast Asia		
Beverages and Dairy business	Malaysia: 2, Indonesia: 2, Myanmar: 1	5
China		
Alcohol Beverages business	China: 1	1
Others		
Asahi Bio Cycle (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 in each of our business segments. Our research and development is focused on the following pillars: "product development," through which we employ our unique technologies to develop new products or refine existing brands; "fundamental technologies," which includes quality assurance, the development of production technologies and delivering safer and higher-quality products; and "search for new ingredients," through which we maximize the potential of functional microorganisms, such as brewing yeast and lactic acid bacteria, and expand their uses within our products. During the year ended December 31, 2020, we invested ¥13,189 million on research and development on a group-wide basis.

Each of Asahi Breweries, Ltd., Asahi Soft Drinks Co., Ltd. and Asahi Group Foods, Ltd. has research and development departments 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 successful research and development activities:

- In our alcohol beverages segment, one notable example of our research and development efforts in Japan is the production of *Asahi The Rich*. Launched in 2020 as a "new genre" beer-taste beverage, this product line incorporates our latest high-fermentation and filtration technologies to create a malt and barley-based beer-type beverage that very closely resembles the taste of an authentic beer but at a lower cost. In addition, *Asahi Super Dry Shunrei Karakuchi* was awarded a gold medal in the 2017 Brussels Beer Challenge.

- In our soft drinks business, we launched *WONDA Morning Shot* in 2002, which was the first brand of canned coffee in Japan to be developed specifically for consumption in the morning. In 2018, we established a new "Morning Quality Manufacturing Method," for the brand to strengthen the "coffee feel" by adding concentrated coffee components and create a more refreshing aftertaste by making the milk particles finer. In developing this new manufacturing method, we carried out tasting surveys among the general public and engaged in joint research with Keio University using the latest electroencephalograph technology to increase feelings of positivity in consumers as a result of drinking our product.

- In our soft drinks business, we also recently developed a "white bottle" for our 500 milliliter CALPIS products, which was awarded a Good Design Award 2017 from the Japan Institute of Design Promotion. This new PET bottle has a unique shape and reduces the bumps on the bottle's panels to increase the area through which the white liquid is visible. We also recently developed a new container package for use in some of our *Mitsuya Cider* products, which has won numerous awards in Japan as well as a WorldStar Packaging Award in 2018 by the World Packaging Organisation. This new packaging reduces our environmental impact by using 30% bio-based materials in the bottle and its cap and 80% bio-based materials in its label.

Corporate Social Responsibility

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-term management policy reinforces ESG initiatives as one of our key priorities. Some highlights of our ESG initiatives include the following:

- *Environmental*: We aim to improve sustainable activities and expand CSV initiatives that capitalize on our unique strengths, including yeast and lactobacilli technologies. Additionally, as part of the "Asahi Group Environmental Vision 2050," we aim to achieve zero greenhouse gas emissions and 100% sustainable resource usage by 2050. In February 2021, we revised our target for reducing our carbon dioxide emissions by 2030 from a 30% reduction to a 50% reduction. Additionally, in October 2020, we issued ¥10 billion aggregate principal amount of "Green Bonds", the funds of which are required to be used exclusively towards solving environmental problems, making us the first Japanese food manufacturer to issue such securities. We plan to use the proceeds from the green bonds mainly for procurement of recycled PET and biomass plastic, purchase of renewable energy and forest conservation activities at the company forest, "Asahi Forest."

- *Social*: With non-Japanese personnel accounting for a majority of our workforce, we aim to promote human resource development and diversity in combination with optimal HR management on a local basis and deployment of global human resources on a "best fit for the job" basis. We also intend to further upgrade our human rights management through various means such as revamping human rights due diligence.

- *Governance*: We will start conducting Enterprise Risk Management and building a global risk-management system that supports appropriate risk-taking. We will also move forward with governance reforms conducive to transparent, fair, swift and decisive decision-making, including monitoring-based governance upgrades and reforms and further diversification of our board of directors.

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, 2020, we had 29,850 employees, including temporary employees, on a consolidated basis. During the year ended December 31, 2020, we employed an average of 6,849 temporary employees. We believe our labor relations are good.

Legal Proceedings

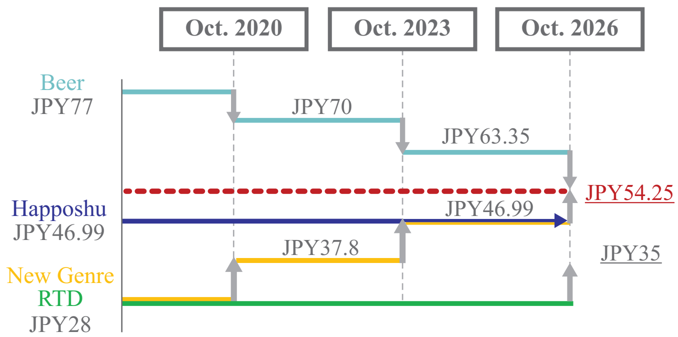
From time to time, we are involved in litigation and other legal proceedings in connection with the ordinary course of our business. We are not currently involved in any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have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

Alcoholic beverages are subject to the Liquor Tax Act in Japan. Under the Liquor Tax Act, the production and sale of alcoholic 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 ¥220,000, ¥134,250 and ¥80,000 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. The changes will effectively lower taxes on beer, while raising taxes on low-malt happoshu and new-genre beer-taste beverages. To manage the effect on consumer trends and alcoholic beverage manufacturers, the changes will not be applied immediately, and will be carried out in stages. The first phase was implemented on October 1, 2020 where the tax rates for beer and new-genre beer-taste beverages became ¥200,000 and ¥108,000 per kiloliter, respectively. Additional adjustments will be made in October 2023 and October 2026, with the rate eventually being unified at ¥155,000 per kiloliter. The chart below shows the scheduled changes to the liquor tax per 350ml can or bottle:



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

Manufacturers, distributors, wholesalers and retailers of alcohol beverages are subject to the Act regarding Protection of Liquor Tax and Alcoholic Beverages Business Union, etc. of Japan, as amended (the "Liquor Tax Protection Act"). Under the Liquor Tax Protection Act, the manufacturers and distributors of alcoholic 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, from June 1, 2017, alcoholic beverages business operators are prohibited from selling alcoholic 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 alcoholic beverages business or the alcoholic 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, which is subject to 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 with indications that the food and beverages are appropriate for specified health uses. 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 labelled 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 labelled 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. From June 1, 2021, 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 alcoholic beverages and soft drinks 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 nine directors, including three 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 Senior Advisor (*torishimariyaku kaicho*), a Chairman 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 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 CEO, Representative Director	March 2017
Ryoichi KITAGAWA	Managing Director, Managing Executive Officer, CFO	March 2021
Taemin PARK	Director and Executive Officer, CAO	March 2019
Keizo TANIMURA	Director and Executive Officer, CHRO	March 2019
Tatsuro KOSAKA	Outside Director	March 2016
Yasushi SHINGAI	Outside Director	March 2018
Christina L. AHMADJIAN	Outside Director	March 2019
Yoshihide OKUDA	Standing Audit and Supervisory Board Member	March 2013
Naoko NISHINAKA	Standing Audit and Supervisory Board Member	March 2020
Katsutoshi SAITO	Outside Audit and Supervisory Board Member	March 2014
Yumiko WASEDA	Outside Audit and Supervisory Board Member	March 2015
Yutaka KAWAKAMI	Outside Audit and Supervisory Board Member	March 2017

Notes:

(1) Messrs. Tatsuro KOSAKA and Yasushi SHINGAI, and Ms. Christina L. AHMADJIAN satisfy the requirements for outside director under the Companies Act.

(2) Messrs. Katsutoshi SAITO and Yutaka KAWAKAMI, and Ms. Yumiko WASEDA satisfy the requirements for outside audit and supervisory board members under the Companies Act.

Executive Officers

Our executive officers are appointed by our board of directors and have the primary executive responsibility within their appointed business areas and a duty under our internal regulations to report to the board of directors. We currently have 24 executive officers. The term of office for executive officers is one year, and they may serve any number of consecutive terms.

The names and titles of our executive officers as of the date of this Offering Circular are as follows:

Name	Title
Yutaka HENMI	Managing Executive Officer
Noboru KAGAMI	Managing Executive Officer
Kazuo MATSUYAMA	Managing Executive Officer
Yukitaka FUKUDA	Executive Officer
Tomomasa KANDA	Executive Officer
Manabu SAMI	Executive Officer
Tatsuhito CHIKU	Executive Officer
Kazuma KOHNO	Executive Officer
Kaoru SAKITA	Executive Officer
Akira TANAKA	Executive Officer
Satoshi AKIBA	Executive Officer
Kazutomo TAMESADA	Executive Officer
Kazuhiko NOMURA	Executive Officer
Shunjiro SAKANO	Executive Officer
Osamu ISHIZAKA	Executive Officer
Wayne ANGUS	Executive Officer
Yoshinori ITO	Executive Officer
Atsushi KAGAYA	Executive Officer
Tatsushi AKITA	Executive Officer
Masatoshi ANPO	Executive Officer
Tomoyuki NEGORO	Executive Officer
Satoshi MORI	Executive Officer
Hikaru SATO	Executive Officer
Yoshio CHIKAYASU	Executive Officer

Subsidiaries and Affiliates

As of December 31, 2020, we had 206 consolidated subsidiaries and 25 equity-method affiliates. The following table sets forth information with respect to our principal subsidiaries and equity-method affiliates as of December 31, 2020.

Name	Location	Main business	Issued capital	Percentage of voting rights directly or indirectly held by us
Consolidated subsidiaries				
Asahi Breweries, Ltd.	Tokyo, Japan	Production and sales	¥20,000 million	100.0%
NADAMAN CO., LTD	Tokyo, Japan	Restaurant operation	¥41 million	100.0%
The Nikka Whisky Distilling Co. Ltd.	Tokyo, Japan	Whisky production	¥100 million	100.0%
Sainte Neige Wine Co., Ltd.	Yamanashi, Japan	Winery operation	¥50 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 SoftDrink Sales Co., Ltd.	Tokyo, Japan	Beverage marketing and sales	¥100 million	100.0%
Asahi Group Foods, Ltd.	Tokyo, Japan	Food marketing and sales	¥5,000 million	100.0%
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	Beer marketing and sales	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 Group Holdings Southeast Asia Pte. Ltd	Singapore	Business management in Southeast Asia	S$934,135 thousand	100.0%
Etika Beverages Sdn. Bhd.	Malaysia	Beverage production and sales	RM 112,005 thousand	100.0%
Etika Dairies Sdn. Bhd.	Malaysia	Dairy product production and sales	RM 89,915 thousand	100.0%
Asahi Loi Hein Company Limited	Myanmar	Beverage production and sales	MMK 44,620 million	51.0%
Asahi International Ltd.	U.K.	Marketing and distribution	€1,560 million	100.0%
Asahi Breweries Europe Ltd	U.K.	Business management in Europe	€8.375 million	100.0%
Plzeňský Prazdroj, a.s.	Czech Republic	*Pilsner Urquell* brewing and sales	CZK2,000 million	100.0%
Asahi Logistics, Ltd.	Tokyo, Japan	Warehouse and logistics	¥80 million	100.0%
Asahi Professional Management Co., Ltd.	Tokyo, Japan	Group administration	¥50 million	100.0%
Equity-method affiliates				
Asahi Beer Communications Co., Ltd.	Tokyo, Japan	Business promotion and training	¥50 million	49.0%
Nihon shoni-iji shuppan-sha	Tokyo, Japan	Publication	¥20 million	49.0%
SHENZHEN TSINGTAO BEER ASAHI CO.,LTD.	China	Beer brewing and sales	RMB 248,522 thousand	29.0%
Asahi Business Solutions Corp.	Tokyo, Japan	Information technology	¥110 million	49.0%

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 per cent 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 per cent 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 per cent 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 per cent 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 per cent.

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 per cent. 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 finalise 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 12, 2021 in respect of the Bonds (the "Subscription Agreement") between us and Nomura International plc, J.P. Morgan Securities plc, Barclays Bank PLC and UBS AG London Branch (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 2024 Bonds	Principal Amount of the 2027 Bonds
Nomura International plc	€266,400,000	€199,800,000
J.P. Morgan Securities plc	266,400,000	199,800,000
Barclays Bank PLC	222,400,000	166,800,000
UBS AG London Branch	44,800,000	33,600,000
Total	€800,000,000	€600,000,000

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 so as to enable an investor to decide to purchase or subscribe for the Bonds.

United Kingdom

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) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; 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 by virtue of the European Union (Withdrawal) Act 2018; or

(iii) not a qualified investor as defined in the UK 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 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 beneficia 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. 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, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37(A) of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 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 or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

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).

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, any Bonds other than (i) 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 (ii) 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 herein. 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 herein 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 27, 2021.

(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 XS2328980979 and the Common Code is 232898097 in respect of the 2024 Bonds and XS2328981431 and 232898143 in respect of the 2027 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 for the listing and quotation of 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, 2020.

(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, 2020 and 2019, including corresponding figures as of and for the year ended December 31, 2018, included in this Offering Circular, have been audited by KPMG AZSA LLC, independent auditors, as stated in their reports appearing herein.

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Index to Financial Statements and Other Financial Information

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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, 2020, 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, 2020, 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.

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 including 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.

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/ Hiroto Yamane
Designated Engagement Partner
Certified Public Accountant

/S/ Kei Sakayori
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
March 25, 2021

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, 2019)	Current year (as of December 31, 2020)
Assets			
Current assets			
Cash and cash equivalents	8	48,489	48,460
Trade and other receivables	9 32	407,621	378,924
Inventories	10	171,717	183,166
Income tax receivables		24,940	24,403
Other financial assets	14	51,277	4,226
Other current assets	15	31,067	32,252
Subtotal		735,113	671,434
Assets held for sale	11	—	17,652
Total current assets		735,113	689,086
Non-current assets			
Property, plant and equipment	12	735,022	810,264
Goodwill and intangible assets	13	1,398,422	2,701,985
Investments accounted for using equity method	38	8,755	5,256
Other financial assets	14	198,657	160,064
Deferred tax assets	29	15,734	27,596
Net defined benefit assets	19	20,655	19,278
Other non-current assets	15	28,424	25,846
Total non-current assets		2,405,674	3,750,292
Total assets		3,140,788	4,439,378

Millions of yen

	Notes	Previous year (as of December 31, 2019)	Current year (as of December 31, 2020)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	423,810	477,098
Bonds and borrowings	17 32 35	408,259	924,760
Income tax payables		39,555	35,683
Provisions	20	14,407	12,019
Other financial liabilities	17	56,265	89,519
Other current liabilities	21	133,375	113,440
Subtotal		1,075,673	1,652,521
Liabilities directly associated with assets held for sale	11	—	134
Total current liabilities		1,075,673	1,652,655
Non-current liabilities			
Bonds and borrowings	17 32 35	534,955	898,867
Net defined benefit liabilities	19	24,778	24,093
Deferred tax liabilities	29	147,969	205,275
Other financial liabilities	17	106,240	134,729
Other non-current liabilities	20 21	2,890	5,941
Total non-current liabilities		816,835	1,268,906
Total liabilities		1,892,509	2,921,562
Equity			
Issued capital	22	182,531	220,044
Share premium	22	119,163	161,783
Retained earnings	22	918,523	967,230
Treasury shares	22	(77,011)	(1,031)
Other components of equity		103,107	168,097
Total equity attributable to owners of parent		1,246,314	1,516,124
Non-controlling interests		1,965	1,691
Total equity		1,248,279	1,517,816
Total liabilities and equity		3,140,788	4,439,378

Consolidated Statement of Profit or Loss

Millions of yen

	Notes	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Revenue	25	2,089,048	2,027,762
Cost of sales		(1,297,302)	(1,283,150)
Gross profit		791,745	744,612
Selling, general and administrative expenses	26	(578,774)	(576,789)
Other operating income	27	6,078	14,870
Other operating expense	27	(17,613)	(47,526)
Operating profit		201,436	135,167
Finance income	28	8,094	7,230
Finance costs	28	(13,012)	(14,982)
Share of profit (loss) of investments accounted for using equity method		872	285
Gain (loss) on sales of investments accounted for using equity method		—	(2,300)
Profit before tax		197,391	125,399
Income tax expense	29	(56,100)	(32,815)
Profit		141,290	92,584
Profit attributable to:			
Owners of parent		142,207	92,826
Non-controlling interests		(916)	(241)
Total		141,290	92,584
Basic earnings per share (Yen)	30	310.44	196.52
Diluted earnings per share (Yen)	30	310.42	196.49

Consolidated Statement of Comprehensive Income

Millions of yen

	Notes	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Profit		141,290	92,584
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	13,785	(22,267)
Remeasurements of defined benefit plans	19 31	2,298	710
Items that might be reclassified to profit or loss			
Cash flow hedges	31 32	33,806	(42,088)
Costs of hedging	31 32	714	351
Translation differences on foreign operations	31	(41,963)	118,458
Share of other comprehensive income of entities accounted for using equity method	31	(211)	13
Total other comprehensive income	31	8,430	55,178
Total comprehensive income		149,721	147,763
Total comprehensive income attributable to:			
Owners of parent		150,815	148,151
Non-controlling interests		(1,094)	(388)

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, 2019		182,531	119,128	821,120	(76,997)	53,015	—	(641)
Cumulative effects of changes in accounting policies				(1,993)				
Restated Balance		182,531	119,128	819,126	(76,997)	53,015	—	(641)
Comprehensive income								
Profit				142,207				
Other comprehensive income						13,785	2,300	33,831
Total comprehensive income		—	—	142,207	—	13,785	2,300	33,831
Transfer to non-financial assets								(392)
Transactions with owners								
Issuance of new shares								
Dividends	23			(48,556)				
Purchase of treasury shares					(31)			
Disposal of treasury shares			0		17			
Changes through sales of consolidated subsidiaries	34							
Share-based payment transaction	24		34					
Transfer from other components of equity to retained earnings				5,746		(3,446)	(2,300)	
Other increase (decrease)								
Total contributions by owners and distribution to owners		—	34	(42,809)	(14)	(3,446)	(2,300)	—
Total transactions with owners		—	34	(42,809)	(14)	(3,446)	(2,300)	—
Balance as of December 31, 2019		182,531	119,163	918,523	(77,011)	63,354	—	32,797

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, 2019		(1,839)	50,103	100,637	1,146,420	3,227	1,149,647
Cumulative effects of changes in accounting policies				—	(1,993)		(1,993)
Restated Balance		(1,839)	50,103	100,637	1,144,426	3,227	1,147,653
Comprehensive income							
Profit				—	142,207	(916)	141,290
Other comprehensive income		714	(42,023)	8,608	8,608	(178)	8,430
Total comprehensive income		714	(42,023)	8,608	150,815	(1,094)	149,721
Transfer to non-financial assets				(392)	(392)		(392)
Transactions with owners							
Issuance of new shares				—	—		—
Dividends	23			—	(48,556)	(167)	(48,723)
Purchase of treasury shares				—	(31)		(31)
Disposal of treasury shares				—	17		17
Changes through sales of consolidated subsidiaries	34			—	—		—
Share-based payment transaction	24			—	34		34
Transfer from other components of equity to retained earnings				(5,746)	—		—
Other increase(decrease)				—	—		—
Total contributions by owners and distribution to owners		—	—	(5,746)	(48,535)	(167)	(48,702)
Total transactions with owners		—	—	(5,746)	(48,535)	(167)	(48,702)
Balance as of December 31, 2019		(1,125)	8,080	103,107	1,246,314	1,965	1,248,279

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, 2020		182,531	119,163	918,523	(77,011)	63,354	—	32,797
Cumulative effects of changes in accounting policies								
Restated Balance		182,531	119,163	918,523	(77,011)	63,354	—	32,797
Comprehensive income								
Profit				92,826				
Other comprehensive income						(22,267)	668	(42,088)
Total comprehensive income		—	—	92,826	—	(22,267)	668	(42,088)
Transfer to non-financial assets								11,816
Transactions with owners								
Issuance of new shares	22	37,513	37,513					
Dividends	23			(46,265)				
Purchase of treasury shares					(309)			
Disposal of treasury shares			5,018		76,289			
Changes through sales of consolidated subsidiaries	34							
Share-based payment transaction	24		88					
Transfer from other components of equity to retained earnings				2,151		(1,482)	(668)	
Other increase (decrease)			(0)	(6)				
Total contributions by owners and distribution to owners		37,513	42,620	(44,120)	75,979	(1,482)	(668)	—
Total transactions with owners		37,513	42,620	(44,120)	75,979	(1,482)	(668)	—
Balance as of December 31, 2020		220,044	161,783	967,230	(1,031)	39,605	—	2,526

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, 2020		(1,125)	8,080	103,107	1,246,314	1,965	1,248,279
Cumulative effects of changes in accounting policies				—	—		—
Restated Balance		(1,125)	8,080	103,107	1,246,314	1,965	1,248,279
Comprehensive income							
Profit				—	92,826	(241)	92,584
Other comprehensive income		351	118,659	55,325	55,325	(146)	55,178
Total comprehensive income		351	118,659	55,325	148,151	(388)	147,763
Transfer to non-financial assets				11,816	11,816		11,816
Transactions with owners							
Issuance of new shares	22			—	75,027		75,027
Dividends	23			—	(46,265)	(23)	(46,289)
Purchase of treasury shares				—	(309)		(309)
Disposal of treasury shares				—	81,307		81,307
Changes through sales of consolidated subsidiaries	34			—	—	(62)	(62)
Share-based payment transaction	24			—	88		88
Transfer from other components of equity to retained earnings				(2,151)	—		—
Other increase(decrease)				—	(6)	200	194
Total contributions by owners and distribution to owners		—	—	(2,151)	109,842	114	109,956
Total transactions with owners		—	—	(2,151)	109,842	114	109,956
Balance as of December 31, 2020		(773)	126,739	168,097	1,516,124	1,691	1,517,816

Consolidated Statement of Cash Flows

Millions of yen

	Notes	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Cash flows from (used in) operating activities			
Profit before tax		197,391	125,399
Depreciation and amortization expenses		113,036	123,277
Impairment losses		57	8,819
Interest and dividend income		(3,103)	(3,536)
Interest expenses		7,390	11,164
Share of loss (profit) of investments accounted for using equity method		(872)	(285)
Loss (gain) on sales of investments accounted for using equity method		—	2,300
Gains on sales of shares of subsidiaries and associates		(298)	—
Loss (gain) on sales and disposals of property, plant and equipment		3,926	(1,839)
Decrease (increase) in trade receivables		22,881	48,666
Decrease (increase) in inventories		(10,722)	3,306
Increase (decrease) in trade payables		2,955	(3,302)
Increase (decrease) in accrued alcohol tax		(9,214)	(16,609)
Increase (decrease) in net defined benefit assets and liabilities		1,338	1,627
Other		(14,572)	37,994
Subtotal		310,192	336,982
Interest and dividends received		3,818	4,182
Interest paid		(6,875)	(10,049)
Income taxes paid		(53,666)	(55,256)
Net cash flows from (used in) operating activities		253,469	275,859

Millions of yen

	Notes	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(74,312)	(80,775)
Proceeds from sales of property, plant and equipment		4,564	12,095
Purchase of intangible assets		(11,009)	(9,968)
Purchase of investment securities		(5,841)	(10,237)
Proceeds from sales of investment securities		8,856	11,869
Proceeds from sales of investment in an entity accounted for using equity method		—	1,552
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	34	(23,942)	(1,165,974)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	34	741	83
Other		(2,721)	(2,017)
Net cash flows from (used in) investing activities		(103,666)	(1,243,372)
Cash flows from (used in) financing activities			
Increase (decrease) in short-term borrowings	35	38,736	489,155
Payments of lease liabilities	35	(22,113)	(21,238)
Proceeds from long-term borrowings	35	1,579	—
Repayments of long-term borrowings	35	(94,569)	(100,076)
Proceeds from issuance of bonds	35	—	607,600
Redemption of bonds	35	(35,000)	(125,000)
Proceeds from issuance of shares	22	—	75,027
Purchase of treasury shares		(31)	(309)
Proceeds from disposal of treasury shares	22	17	81,307
Dividends paid	23	(48,556)	(46,265)
Proceeds from share issuance to non-controlling shareholders		—	201
Other		1,096	(3,642)
Net cash flows from (used in) financing activities		(158,841)	956,759
Effect of exchange rate changes on cash and cash equivalents		209	10,725
Net increase (decrease) in cash and cash equivalents		(8,828)	(29)
Cash and cash equivalents at beginning of period	8	57,317	48,489
Cash and cash equivalents at end of period	8	48,489	48,460

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, 2020 were authorized for issue by Akiyoshi Koji, President and Representative Director, and Atsushi Katsuki, Chief Financial Officer on March 25, 2021.

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

(Leases)

The Group has early adopted "COVID-19-Related Rent Concessions (Amendment to IFRS 16)" issued on May 28, 2020. The amendment introduces an optional practical expedient for lease contracts in which the Group is the lessee – i.e. for lease contracts to which the practical expedient is applied, eligible rent concessions that are direct consequences of the COVID-19 pandemic do not require an assessment of whether there is lease modification. The Group applies this amendment retrospectively. The amendment has no impact on retained earnings at January 1, 2020.

4. 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

5. 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 combined company, and the fair value of equity interest held by the combined company over the net value of identifiable assets and assumed liabilities as of the date of the combination. Negative goodwill is recognized immediately as 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 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 case that 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.

(21) Accounting for Consumption Tax

Consumption taxes that are received from customers and paid to tax authorities are excluded from revenue, cost of sales, and expense on the consolidated statement of profit or loss.

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. 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 12, 13)
- Fair value of financial instruments (Note 32)
- Employee benefits (Note 19)

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 mainly manufactures and sells alcohol beverages, soft drinks and food in the domestic market, and alcohol beverages and soft drinks in overseas markets.

The Group has identified 4 reportable segments, "Alcohol Beverages", "Soft Drinks", "Food" and "Overseas" accordingly.

- Alcohol Beverages — manufacture and sales of beer, low-malt beer (happo-shu), distilled spirit (shochu), whisky and other alcohol products, operation of restaurants, wholesales, and others
- Soft Drinks — manufacture and sales of soft drinks and others
- Food — manufacture and sales of food and pharmaceuticals
- Overseas — manufacture and sales of beer and other alcohol products and soft drinks, and others
- Other — logistics and others

Management evaluates performance of each operating segment based on the results of measure of segment profit or loss.

Previous year (ended December 31, 2019)

Millions of yen

	Alcohol Beverages	Soft Drinks	Food	Overseas	Other ※	Segment Total	Adjustments	Consolidated
Revenue:								
External customers	859,221	368,404	128,046	698,274	35,101	2,089,048	—	2,089,048
Intersegment	27,638	8,463	920	272	62,605	99,900	(99,900)	—
Total revenue	886,860	376,867	128,966	698,546	97,707	2,188,949	(99,900)	2,089,048
Segment profit (loss)	102,957	30,782	13,345	75,923	1,187	224,196	(22,760)	201,436
Segment assets	674,236	313,610	96,111	1,933,234	34,860	3,052,053	88,735	3,140,788
Other items								
Depreciation and amortization expenses	24,352	20,802	3,921	55,255	4,105	108,437	4,598	113,036
Impairment losses	—	37	19	—	—	57	—	57
Share of profit (loss) of investments accounted for using equity method	43	—	(19)	769	—	793	79	872
Investments accounted for using equity method	719	—	389	6,816	—	7,926	829	8,755
Additions to non-current assets other than financial instruments and deferred tax assets	30,705	25,270	5,685	53,999	4,534	120,194	4,188	124,383

※ "Other" consists of business segments not included in the reportable segments, and include the logistics and other.

Adjustments to segment profit or (loss) of ¥(22,760) million include overhead costs of ¥(23,203) million, which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥443 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 ¥88,735 million include corporate assets of ¥112,638 million, which are not allocated to the reportable segments, and elimination of ¥(23,903) 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, 2020)

Millions of yen

	Alcohol Beverages	Soft Drinks	Food	Overseas	Other ※	Segment Total	Adjustments	Consolidated
Revenue:								
External customers	732,435	345,345	122,543	792,865	34,572	2,027,762	—	2,027,762
Intersegment	25,835	8,036	943	90	58,582	93,488	(93,488)	—
Total revenue	758,270	353,381	123,486	792,956	93,155	2,121,250	(93,488)	2,027,762
Segment profit (loss)	65,933	28,901	11,178	52,089	1,093	159,196	(24,028)	135,167
Segment assets	617,703	290,872	100,078	3,277,221	32,239	4,318,115	121,263	4,439,378
Other items								
Depreciation and amortization expenses	23,569	21,024	4,211	65,300	4,767	118,873	4,403	123,277
Impairment losses	8,411	407	—	—	—	8,819	—	8,819
Share of profit (loss) of investments accounted for using equity method	63	—	(200)	461	—	324	(39)	285
Investments accounted for using equity method	769	—	175	3,601	—	4,546	710	5,256
Additions to non-current assets other than financial instruments and deferred tax assets	30,631	19,425	5,088	48,351	5,724	109,222	7,353	116,576

※ “Other” consists of business segments not included in the reportable segments, and include the logistics and other.

Adjustments to segment profit or (loss) of ¥(24,028) million include overhead costs of ¥(24,482) million, which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥453 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 ¥121,263 million include corporate assets of ¥144,667 million, which are not allocated to the reportable segments, and elimination of ¥(23,404) million to offset intersegment receivables and payables. The corporate assets are primarily assets held by the Company, which is a pure holding company.

(Note for changes in reporting segments)

In the current year, some of the companies changed the reporting segment from the Overseas segment to the Soft Drinks segment, and some of the operations included in the Other segment changed the reporting segment to the Food segment.

Accordingly, the amount shown in segment information for the previous year reflected these changes in reporting 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, 2019)	Current year (ended December 31, 2020)
Japan	1,380,376	1,223,159
Overseas	708,671	804,602
Of which, Australia	143,716	305,472
Total	2,089,048	2,027,762

Non-current Assets

Millions of yen

	Previous year (as of December 31, 2019)	Current year (as of December 31, 2020)
Japan	528,409	509,920
Overseas	1,633,461	3,028,175
Of which, Australia	150,985	1,539,574
Of which, Czech Republic and Slovakia	661,668	618,342
Total	2,161,870	3,538,096

(4) Information about Major Customers

Millions of yen

Name of customer	Segment	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
ITOCHU-SHOKUHIN Co., Ltd.	Alcohol Beverages Soft Drinks Food	208,144	202,893

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, 2019)	Current year (as of December 31, 2020)
Cash and cash equivalents	48,489	48,460
Total	48,489	48,460

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, 2019)	Current year (as of December 31, 2020)
Notes and accounts receivable-trade	394,078	360,450
Others	17,130	25,503
Less: Loss allowance	(3,587)	(7,029)
Total	407,621	378,924

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, 2019)	Current year (as of December 31, 2020)
Merchandise and finished goods	79,995	81,135
Semi-finished goods and work in progress	42,922	47,698
Raw materials	39,545	43,531
Supplies	9,254	10,801
Total	171,717	183,166

Whisky and equivalents which are to be sold after 12 months from the year end account for 66.5% (Previous year: 66.4%) of semi-finished goods and work in progress.

The Group recognized ¥1,182,023 million of inventories as an expense in the current year (Previous year: ¥1,195,350 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 ¥449,916 million (Previous year: ¥482,984 million).

11. Disposal Groups Held for Sale

Disposal groups held for sale are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2019)	Current year (as of December 31, 2020)
Inventories	—	386
Goodwill and intangible assets	—	17,265
Total assets	—	17,652
Provisions	—	134
Total liabilities	—	134

The disposal groups held for sale in the current year are composed of assets and liabilities associated with beer and cider brands held by Asahi Holdings (Australia) Pty Ltd belonging to the Overseas segment. The sale is pursuant to the remedy approved by the Australian Competition & Consumer Commission ("ACCC") at the time of the purchase of the Australian businesses of AB InBev completed on June 1, 2020. The Group measures the disposal groups held for sale at fair value less costs to sell. The fair value is based on selling price specified in the contract and categorized into Level 3.The Group satisfied the conditions precedent to execute the transaction, including the approvals from ACCC and the Foreign Investment Review Board ("FIRB"), and completed the sale of these brands on January 5, 2021.

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	Other	Total
Previous year (as of January 1, 2019)	200,792	205,740	121,038	135,395	27,016	0	689,985
Adjustment due to application of IFRS 16	37,339	8,543	(9,602)	—	—	—	36,281
Previous year (as of January 1, 2019)	238,132	214,284	111,436	135,395	27,016	0	726,266
Separate acquisitions	21,005	22,591	23,346	226	33,519	—	100,690
Acquisitions through business combinations	5,934	2,468	693	—	106	—	9,203
Disposals	(3,836)	(2,646)	(2,033)	(2,994)	(200)	—	(11,712)
Exchange differences	(1,700)	(2,754)	(1,458)	(737)	(640)	—	(7,291)
Transfers from construction in progress	7,263	24,172	3,121	—	(34,556)	—	—
Impairment losses(Note)	(37)	—	—	—	—	—	(37)
Depreciation expenses	(25,136)	(34,315)	(22,946)	—	—	(0)	(82,398)
Other	466	1,026	(100)	(226)	(863)	—	301
Previous year (as of December 31, 2019)	242,092	224,826	112,057	131,663	24,381	0	735,022
Separate acquisitions	18,615	17,974	20,206	53	40,511	0	97,361
Acquisitions through business combinations	19,625	27,121	5,354	13,933	4,460	—	70,495

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Disposals	(2,293)	(2,902)	(2,684)	(2,252)	(214)	—	(10,348)
Exchange differences	2,993	3,917	757	1,527	(152)	0	9,044
Transfers from construction in progress	6,293	23,536	4,034	385	(34,250)	—	—
Impairment losses(Note)	(906)	—	(81)	(190)	—	—	(1,179)
Depreciation expenses	(26,325)	(38,480)	(23,216)	—	—	(0)	(88,022)
Other	(2,296)	392	(1,559)	1,618	(265)	(0)	(2,110)
Current year (as of December 31, 2020)	257,798	256,387	114,868	146,739	34,470	0	810,264

(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	Other	Total
Previous year (as of January 1, 2019)	497,798	643,311	258,535	139,504	27,016	1	1,566,167
Previous year (as of December 31, 2019)	561,184	688,414	300,966	134,652	24,381	1	1,709,599
Current year (as of December 31, 2020)	592,708	738,194	267,179	147,848	34,470	1	1,780,403

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, 2019)	297,005	437,570	137,496	4,109	—	0	876,182
Previous year (as of December 31, 2019)	319,091	463,587	188,908	2,988	—	0	974,576
Current year (as of December 31, 2020)	334,910	481,807	152,311	1,109	—	0	970,139

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, 2019)	38,188	9,678	7,927	—	55,793
Current year (as of January 1, 2020)	41,392	11,479	7,352	—	60,224
Current year (as of December 31, 2020)	55,361	12,149	7,698	18	75,228

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, 2019)	705,087	696,273	17,938	9,244	1,428,543
Separate acquisitions	—	—	5,127	5,859	10,987
Acquisitions through business combinations	16,697	8,421	—	4,433	29,552
Disposals	—	—	(219)	(520)	(739)
Exchange differences	(18,855)	(20,856)	(270)	(34)	(40,017)
Transfers from construction in progress	—	—	—	—	—
Impairment losses	—	—	—	(19)	(19)
Amortization expenses	—	(20,944)	(5,390)	(4,303)	(30,637)
Other	—	755	678	(680)	753
Previous year (as of December 31, 2019)	702,930	663,648	17,863	13,979	1,398,422
Separate acquisitions	—	—	6,180	3,895	10,076
Acquisitions through business combinations	933,860	279,057	226	839	1,213,983
Disposals	—	(7)	(503)	(259)	(770)
Exchange differences	92,704	28,910	1,022	338	122,976
Transfers from construction in progress	—	5	508	(514)	—
Impairment losses	(6,400)	(1,230)	(3)	(6)	(7,640)
Amortization expenses	—	(24,981)	(5,775)	(4,498)	(35,255)
Other	847	751	246	(1,654)	192
Current year (as of December 31, 2020)	1,723,943	946,154	19,766	12,120	2,701,985

Cost

Millions of yen

	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2019)	761,611	766,094	89,238	25,693	1,642,638
Previous year (as of December 31, 2019)	759,454	753,173	92,497	30,295	1,635,420
Current year (as of December 31, 2020)	1,786,867	1,063,720	101,636	27,338	2,979,562

Accumulated Amortization and Accumulated Impairment losses

Millions of yen

	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2019)	56,523	69,821	71,299	16,449	214,094
Previous year (as of December 31, 2019)	56,523	89,524	74,633	16,316	236,998
Current year (as of December 31, 2020)	62,924	117,565	81,869	15,218	277,577

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, 2019)	166	—	166
Previous year (as of December 31, 2019)	123	—	123
Current year (as of December 31, 2020)	102	—	102

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 ¥5,571 million as of December 31, 2020 (¥2,060 million as of December 31, 2019). 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 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 year ended December 31, 2017.

The carrying amount of trademarks recognized due to the acquisition of CUB Australia Holding Pty Ltd is ¥296,419 million.

The carrying amount of trademarks recognized due to the acquisition of Plzeňský Prazdroj, a.s. and Plzeňský Prazdroj Slovensko, a.s. are ¥260,552 million (¥267,074 million as of December 31, 2019). The carrying amount of trademarks recognized due to the acquisition of Kompania Piwowarska S.A. is ¥75,718 million (¥80,553 million as of December 31, 2019).

The above mentioned trademarks are amortized using the straight-line method, the remaining amortization periods of the trademarks related to CUB Australia Holding Pty Ltd is principally 39 years and related to Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s. and Kompania Piwowarska S.A. are 36 years.

(2) Impairment

Previous year (ended December 31, 2019)

Omitted due to lack of materiality.

Current year (ended December 31, 2020)

Millions of yen

Segment	Impairment loss amount (Note)	Type of assets
Alcohol Beverages	8,411	Goodwill, Trademarks and others
Soft Drinks	407	Buildings and structures and others
Total	8,819	

The significant impairment loss recognized in the current year is an impairment loss of ¥6,253 million (for goodwill and others) for the principal cash generating unit (cash generating unit group) of the business that operates stores in Alcohol Beverages segment. The carrying amount of the relevant assets has been reduced to the recoverable amount (¥20,338 million) due to a decline in the future cash flows.

The recoverable amount is measured at value in use. The value in use is calculated as discounted future cash flows to reflect past experience and external information. Future cash flows are estimated based on business plans which have been approved by the management and the growth rates. Growth rates have been determined with reference to factors such as inflation rates in the markets to which cash generating unit (cash generating unit group) belongs. Discount rates are determined with reference to the pre-tax weighted average cost of capital of cash generating unit (cash generating unit group). The discount rate used in the calculation of value in use is 8.3%.

(Note) Impairment losses are 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, 2020, significant items among goodwill and intangible assets with indefinite useful lives allocated to each cash generating unit (cash generating unit group) are as below.

Goodwill allocated to the Oceania business in the overseas segment is ¥1,088,459 million as of December 31, 2020 (¥67,726 million as of December 31, 2019).

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 9.3% (11.5% as of December 31, 2019). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash generating unit (cash generating unit group).

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, 2019) and it has been determined with reference to factors such as inflation rates in the markets to which cash generating unit (cash generating unit group) belongs.

The recoverable amount exceeds the carrying amount by ¥185,394 million as of December 31, 2020 (¥81,475 million as of December 31, 2019), however if the discount rate were to increase by 0.9% (4.5% as of December 31, 2019), the carrying amount would exceed the recoverable amount.

CUB Australia Holding Pty Ltd, which was acquired during the current year, is included in this cash generating unit (cash generating unit group).

Goodwill allocated to the Europe (Czech Republic and Slovakia) business in the overseas segment is ¥266,190 million as of December 31, 2020 (¥232,801 million as of December 31, 2019).

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 6.5% (6.5% as of December 31, 2019). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash generating unit (cash generating unit group).

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 2.1% (1.3% as of December 31, 2019) and it has been determined with reference to factors such as inflation rates in the markets to which cash generating unit (cash generating unit group) belongs.

The recoverable amount exceeds the carrying amount by ¥226,773 million as of December 31, 2020 (¥117,815 million as of December 31, 2019), however if the discount rate were to increase by 1.8% (1.2% as of December 31, 2019), the carrying amount would exceed the recoverable amount.

Goodwill allocated to the Europe (International) business in the overseas segment is ¥100,939 million as of December 31, 2020 (¥96,642 million as of December 31, 2019).

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 5.3% (7.8% as of December 31, 2019). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash generating unit (cash generating unit group).

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 1.0% (2.0% as of December 31, 2019) and it has been determined with reference to factors such as inflation rates in the markets to which cash generating unit (cash generating unit group) belongs.

The recoverable amount exceeds the carrying amount by ¥45,377 million as of December 31, 2020 (¥87,223 million as of December 31, 2019), however if the discount rate were to increase by 0.9% (2.6% as of December 31, 2019), the carrying amount would exceed the recoverable amount.

Following the reorganization of the international business in the current year, the Group combined the Central and Eastern Europe and the Western Europe businesses, as well as the export and license businesses excluding certain countries, and reclassified the cash generating unit (cash generating unit group) of the Europe business.

The total carrying amount of insignificant items among goodwill and intangible assets with indefinite useful lives allocated to each cash generating unit (cash generating unit group) is ¥268,355 million as of December 31, 2020 (¥305,761 million as of December 31, 2019) and ¥5,571 million as of December 31, 2020 (¥2,060 million as of December 31, 2019), respectively.

In the current year, the Group reviewed the cash generating units (cash generating unit group) to be disclosed. As a result, the Group has restated the total carrying amount of insignificant items among goodwill allocated to each cash generating unit (cash generating unit group) of the previous year.

(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, 2019) and the current year (ended December 31, 2020) are as follows:

Millions of yen

Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
12,828	13,189

14. Other Financial Assets

Other financial assets are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2019)	Current year (as of December 31, 2020)
Derivative assets	49,021	3,423
Equity instruments	188,249	148,859
Bonds	0	0
Other	12,664	12,006
Total	249,935	164,290
Current assets	51,277	4,226
Non-current assets	198,657	160,064
Total	249,935	164,290

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, 2019)

Millions of yen

Description	Fair value
Ting Hsin (Cayman Islands) Holding Corp.	48,463
OHSHO FOOD SERVICE CORP.	13,328
DAIICHIKOSHO CO., LTD.	10,428
SPC Kappa Co., LTD.	9,465
SKYLARK HOLDINGS CO., LTD.	7,294
IMPERIAL HOTEL, LTD.	6,744
COLOWIDE CO.,LTD.	6,280
The Dai-ichi Life Insurance Company, Limited	5,449
GINSEN CO.,LTD	4,537
Sumitomo Real Estate Sales Co., Ltd.	4,338
Others	71,918
Total	188,249

Current Year (as of December 31, 2020)

Millions of yen

Description	Fair value
Ting Hsin (Cayman Islands) Holding Corp.	33,511
COLOWIDE CO.,LTD.	14,991
OHSHO FOOD SERVICE CORP.	11,890
IMPERIAL HOTEL, LTD.	6,724
DAIICHIKOSHO CO., LTD.	6,488
SKYLARK HOLDINGS CO., LTD.	5,456
The Dai-ichi Life Insurance Company, Limited	4,656
GINSEN CO.,LTD	4,468
Seven & i Holdings Co., Ltd	3,659
Sumitomo Real Estate Sales Co., Ltd.	3,619
Others	53,393
Total	148,859

Millions of yen

	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Dividends received	2,244	2,073

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, 2019)			Current year (ended December 31,2020)		
Fair value	Cumulative gain or loss	Dividends received	Fair value	Cumulative gain or loss	Dividend received
8,835	5,068	32	11,863	858	137

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 ¥(1,482) million in the current year (¥(3,446) million in the previous year ended December 31, 2019).

15. Other Assets

"Other current assets" and "Other non-current assets" are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2019)	Current year (as of December 31, 2020)
Prepaid expenses	23,326	20,884
Other	36,165	37,214
Total	59,491	58,099
Current assets	31,067	32,252
Non-current assets	28,424	25,846
Total	59,491	58,099

16. Trade and Other Payables

Trade and other payables are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2019)	Current year (as of December 31, 2020)
Notes and accounts payable	198,544	235,478
Other payables and accrued expenses	153,437	169,525
Refund Liabilities	71,829	72,094
Total	423,810	477,098

"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, 2019)	Current year (as of December 31, 2020)	Average interest rate (Note) (%)	Maturity date
Derivative liabilities	10,783	4,891	—	—
Short-term borrowings	101,079	496,079	0.37	up to Mar. 30, 2021
Current portion of long-term borrowings	100,263	164,429	0.43	up to Dec. 28, 2021
Current portion of bonds	124,917	88,250	0.32	up to Sep. 19, 2021
Commercial paper	82,000	176,000	(0.00)	up to Mar. 22, 2021
Long-term borrowings	188,862	25,713	0.77	up to Nov. 30, 2024
Bonds	346,093	873,153	0.56	up to Oct. 15, 2080
Other	151,721	219,356	—	—
Total	1,105,721	2,047,876	—	—
Current liabilities	464,525	1,014,279	—	—
Non-current liabilities	641,196	1,033,596	—	—
Total	1,105,721	2,047,876	—	—

(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 ¥487,360 million (¥79,421 million as of December 31, 2019).

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, 2019)	Current year (as of December 31, 2020)	Maturity date (Interest rate)
the Company	the 6th Issue of Unsecured Corporate Bond	July 15, 2014	9,982 (—)	9,991 (9,991)	July 15, 2021 (0.37%)
the Company	the 7th Issue of Unsecured Corporate Bond	May 28, 2015	24,974 (24,974)	—	May 28, 2020 (0.24%)
the Company	the 8th Issue of Unsecured Corporate Bond	May 28, 2015	9,974 (—)	9,982 (—)	May 27, 2022 (0.35%)
the Company	the 9th Issue of Unsecured Corporate Bond	Jun 13, 2017	99,942 (99,942)	—	Jun 12, 2020 (0.08%)
the Company	the 10th Issue of Unsecured Corporate Bond	Jun 13, 2017	129,751 (—)	129,850 (—)	Jun 13, 2022 (0.17%)
the Company	the 11th Issue of Unsecured Corporate Bond	Jun 13, 2017	19,935 (—)	19,949 (—)	Jun 13, 2024 (0.23%)
the Company	the 12th Issue of Unsecured Corporate Bond	Jun 13, 2017	29,882 (—)	29,897 (—)	Jun 11, 2027 (0.33%)
the Company	Euro denominated straight corporate bonds due 2021	Sep 19, 2017	73,364 (—)	78,259 (78,259)	Sep 19, 2021 (0.32%)
the Company	Euro denominated straight corporate bonds due 2025	Sep 19, 2017	73,202 (—)	73,745 (—)	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	—	297,854 (—)	Oct 15, 2080 (0.97%)
the Company	the 13th Issue of Unsecured Corporate Bond	Oct 15, 2020	—	99,705 (—)	Oct 13, 2023 (0.001%)
the Company	the 14th Issue of Unsecured Corporate Bond	Oct 15, 2020	—	9,947 (—)	Oct 15, 2025 (0.12%)
the Company	Euro denominated straight corporate bonds due 2024	Oct 23, 2020	—	101,164 (—)	Oct 23, 2024 (0.155%)
the Company	Euro denominated straight corporate bonds due 2028	Oct 23, 2020	—	101,055 (—)	Oct 23, 2028 (0.541%)
Total	—	—	471,010 (124,917)	961,404 (88,250)	

(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, 2019)	Current year (as of December 31, 2020)
Secured liabilities		
Short-term borrowings	2,291	2,522
Other current liabilities	417	—
Total	2,708	2,522
Assets pledged as collateral		
Buildings and structures	1,413	739
Machinery and vehicles	490	180
Land	125	117
Cash and cash equivalents	448	284
Total	2,478	1,322

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, 2019)

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, 2019)	41,392	11,479	7,352	—	123	60,347
Depreciation expense for right-of-use assets in the current year	9,599	3,930	3,740	—	56	17,326

The increase in right-of-use assets in the current year is ¥22,259 million.

Current year (as of December 31, 2020)

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, 2020)	55,361	12,149	7,698	18	102	75,330
Depreciation expense for right-of-use assets in the current year	11,132	4,049	3,074	—	62	18,318

The increase in right-of-use assets in the current year is ¥19,035 million.

(2)Lease liabilities

Millions of yen

	Previous year (as of December 31, 2019)	Current year (as of December 31, 2020)
Within 1 year	16,904	19,019
Between 1 and 2 years	13,170	16,717
Between 2 and 3 years	8,517	11,980
Between 3 and 4 years	5,873	9,675
Between 4 and 5 years	4,227	7,868
More than 5 years	41,873	37,491
Undiscounted lease liabilities at the end of period	90,565	102,753
Balance of lease liabilities included in the consolidated statement of financial position for the current year (as of December 31, 2020)	70,764	88,156

(3) Amount recognized in profit or loss

Millions of yen

	Previous year (as of December 31, 2019)	Current year (ended December 31, 2020)
Interest expenses on lease liabilities	1,743	2,123
Lease expenses under the exemption for short-term leases	80	498
Lease expenses under the exemption for low-value assets	7,702	6,847
Variable lease payments that are not included in measurement of lease liabilities	2,058	1,397
Income from subleases of right-of-use assets	—	(1,287)
Total	11,584	9,579

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, 2019)	Current year (ended December 31, 2020)
Total cash outflows related to leases	33,698	32,105

(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, 2019)	Current year (ended December 31, 2020)
Finance income on net investment in the lease	52	124
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, 2019)

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	1,437	981	879	778	702	2,813	7,593	1,338	(529)	8,402

Current year (as of December 31, 2020)

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	1,489	980	880	811	716	2,760	7,639	1,719	(577)	8,781

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, 2019)	Current year (ended December 31, 2020)
Balance at beginning of period	122,644	127,098
Current service cost	5,959	6,079
Interest expense	1,014	987
Remeasurements		
Actuarial gains and losses (Note)	2,212	(1,377)
Past service cost	—	32
Benefits paid	(4,825)	(5,170)
Other	92	151
Balance at end of period	127,098	127,800

(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, 2019)	Current Year (ended December 31, 2020)
Balance at beginning of period	116,409	122,974
Interest income	667	526
Remeasurements		
Gains on plan assets	5,548	(417)
Contribution to plan by employer	4,308	3,902
Benefits paid	(3,912)	(4,039)
Other	(46)	39
Balance at end of period	122,974	122,986

(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, 2019)

Millions of yen

	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Cash and cash equivalents	—	2,755	2,755
Equity instruments	35,505	11,452	46,957
Domestic	27,582	6,717	34,299
Overseas	7,922	4,734	12,657
Debt instruments	18,405	9,594	28,000
Domestic	1,230	4,320	5,551
Overseas	17,175	5,274	22,449
Life insurance - General accounts	—	27,123	27,123
Other	7,140	10,996	18,137
Total	61,051	61,923	122,974

Current Year (as of December 31, 2020)

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	—	3,350	3,350
Equity instruments	32,754	12,869	45,624
Domestic	24,044	7,479	31,524
Overseas	8,710	5,389	14,100
Debt instruments	20,269	9,159	29,429
Domestic	987	4,811	5,799
Overseas	19,281	4,348	23,630
Life insurance - General accounts	—	26,886	26,886
Other	5,440	12,254	17,695
Total	58,465	64,520	122,986

(iv) Significant Actuarial Assumptions

Significant actuarial assumptions are analyzed as follows:

	Previous year (as of December 31, 2019)	Current year (as of December 31, 2020)
Discount rate	0.54%	0.55%

A rise by 0.5% in the discount rate will lead to a decrease of defined benefit obligation by ¥7,460 million at the end of the current year (a decrease of ¥7,512million 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 ¥4,444 million for the year from January 1, 2021 to December 31, 2021.

The weighted average duration of the defined benefit obligations is 14.37 years (previous year: 14.71 years).

(3) Other Post-retirement Benefit Plans

Pension cost for the defined contribution plans is ¥2,403 million (previous year: ¥3,392 million).

(4) Employee Benefits Expense

Employee benefits expense recognized in the consolidated statement of profit or loss are ¥217,371 million (previous year: ¥226,366 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, 2019)

Millions of yen

	Environmental measures	Litigation related	Tax related	Other	Total
Balance as of January 1, 2019	1,273	3,254	8,732	4,726	17,985
Increase	—	122	1,091	1,212	2,425
Utilization	—	(838)	(36)	(1,054)	(1,928)
Reversal	(631)	(1,649)	(199)	(517)	(2,996)
Other	(443)	(113)	(129)	(187)	(872)
Balance as of December 31, 2019	199	776	9,459	4,180	14,614

Current year (ended December 31, 2020)

Millions of yen

	Environmental measures	Litigation related	Tax related	Other	Total
Balance as of January 1, 2020	199	776	9,459	4,180	14,614
Increase	—	146	606	1,073	1,825
Utilization	—	(449)	(171)	(93)	(713)
Reversal	(196)	(121)	(2,522)	(798)	(3,637)
Other	(3)	135	95	92	318
Balance as of December 31, 2020	—	486	7,468	4,455	12,409

Environmental Measures

These are mainly provisions to prepare for future payments that may arise in line with compliance with laws and regulations overseas aimed at environmental measures.

The outflow of economic benefits is mainly expected to occur in the following year.

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, 2019)	Current year (as of December 31, 2020)
Accrued alcohol tax	101,665	85,339
Accrued consumption tax	22,443	17,201
Accrued bonus	4,950	4,523
Other	7,206	12,317
Total	136,265	119,382
Other current liabilities	133,375	113,440
Other non-current liabilities	2,890	5,941
Total	136,265	119,382

22. Equity and Other Equity Interest

(1) Issued Capital and Reserves

The number of shares authorized and shares issued are as follows:

	Shares authorized (in thousands of shares)	Shares Issued (in thousands of shares)
Previous year (as of January 1, 2019)	972,305	483,585
Increase (Decrease)	—	—
Previous year (as of December 31, 2019)	972,305	483,585
Increase (Decrease)	—	23,417
Current year (as of December 31, 2020)	972,305	507,003

(Note)
1. The Company issued new shares through public offering with the due date of payment on September 14, 2020. As a consequence, the issued capital has increased by ¥33,435 million and the share premium has increased by ¥33,435 million.
2. The Company issued new shares through third party allotment with the due date of payment on October 13, 2020. As a consequence, the issued capital has increased by ¥4,077 million and the share premium has increased by ¥4,077 million.

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, 2019)	Current year (as of December 31, 2020)
	Number of shares	Number of shares
Held by the Company	25,473	177
Held by subsidiaries and associates	45	119

Treasury shares held by subsidiaries and associates in the current year include 110,442 (35,742 as of December 31, 2019) 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, 2019)

(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 26, 2019	Ordinary shares	24,738	54.00	Dec 31, 2018	Mar 27, 2019
Board of Directors held on August 1, 2019	Ordinary shares	23,822	52.00	Jun 30, 2019	Sep 2, 2019

(i) Total amount ¥24,738 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 26, 2019 include dividends of ¥2 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 ¥23,822 million of dividends by a resolution of Board of Directors held on August 1, 2019 include dividends of ¥2 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, 2020	Ordinary shares	Retained earnings	21,989	48.00	Dec 31, 2019	Mar 26, 2020

Total amount ¥21,989 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 25, 2020 include dividends of ¥1 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, 2020)

(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, 2020	Ordinary shares	21,989	48.00	Dec 31, 2019	Mar 26, 2020
Board of Directors held on August 5, 2020	Ordinary shares	24,279	53.00	Jun 30, 2020	Sep 1, 2020

(i) Total amount ¥21,989 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 25, 2020 include dividends of ¥1 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 ¥24,279 million of dividends by a resolution of Board of Directors held on August 5, 2020 include dividends of ¥1 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, 2021	Ordinary shares	Retained earnings	26,861	53.00	Dec 31, 2020	Mar 26, 2021

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.

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, 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 (hereinafter referred to as the "New 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. 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.

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 ¥65 million (previous year: ¥40 million) as share-based payment expense in selling, general and administrative expenses in the current year, and recognized in capital surplus. The Company recognized ¥16 million (previous year: ¥39 million) as cash-based payment expense in selling, general and administrative expenses in the current year, and ¥62 million (previous year: ¥45 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.

For the New Plan, as of December 31, 2019, approximate number of share points were granted as the trust had not been established. The trust was established in the current year and the number is fixed as follows.

	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Change in number of share points:		
Unexercised balance at beginning of year	38,787 Points	51,893 Points
Increase due to grant of share points	16,054 Points	25,405 Points
Decrease due to exercise of share points	(2,948) Points	—
Decrease due to lapse of share points	—	—
Unexercised balance at end of year	51,893 Points	77,298 Points
Exercisable balance at end of year	51,893 Points	77,298 Points
Weighted average fair value:	¥4,983	¥4,244

25. Revenue

(1) Revenue Analysis and Reconciliation to Segment Revenue

The Group has broken down the reportable segments of “Alcohol Beverages,” “Soft Drinks,” “Food,” and “Overseas,” 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 operation of restaurants and others in the Alcohol Beverages segment.
“Overseas” is broken down into “Europe,” “Oceania,” and “Overseas Other,” according to the location of sales.

Previous Year (ended December 31, 2019) 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
Alcohol Beverages		838,632	22,499	—	25,728	(27,638)	859,221
Soft Drinks		5,363	371,504	—	—	(8,463)	368,404
Food		—	—	117,483	11,483	(920)	128,046
Overseas	Europe	467,361	—	—	—	—	467,361
	Oceania	93,862	84,987	—	—	—	178,849
	Overseas Other	6,194	46,141	—	—	(272)	52,063
		567,418	131,128	—	—	(272)	698,274
Other		—	—	—	97,707	(62,605)	35,101
Consolidated		1,411,413	525,132	117,483	134,919	(99,900)	2,089,048

Current Year (ended December 31, 2020) 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
Alcohol Beverages		721,804	22,305	—	14,160	(25,835)	732,435
Soft Drinks		5,044	348,337	—	—	(8,036)	345,345
Food		—	—	112,339	11,147	(943)	122,543
Overseas	Europe	409,151	—	—	—	—	409,151
	Oceania	247,994	91,108	—	—	—	339,103
	Overseas Other	1,864	42,837	—	—	(90)	44,610
		659,010	133,945	—	—	(90)	792,865
Other		—	—	—	93,155	(58,582)	34,572
Consolidated		1,385,859	504,588	112,339	118,462	(93,488)	2,027,762

(Note for changes in reporting segments)

Some of the companies changed the reporting segments in the current year, and accordingly the amount shown in segment information for the previous year reflected the changes in reporting segments. Please refer to “7. Segment Information” for details.

(Note for change in presentation)

Some of the companies included in Overseas Other are included in Europe from the current year, and accordingly the amount shown for the previous year reflected this change.

(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, 2019)	Current year (ended December 31, 2020)
Promotion expense	120,241	117,273
Advertising	61,099	54,301
Transportation	75,743	81,671
Employee benefits expense	159,582	149,041
Depreciation and amortization expenses	55,487	60,835
Other	106,619	113,665
Total	578,774	576,789

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, 2019)	Current year (ended December 31, 2020)
Gains on sales of property, plant and equipment	3,620	11,849
Gains on sales of shares of subsidiaries and associates	298	—
Other	2,159	3,021
Total	6,078	14,870

(2) Other Operating Expense Millions of yen

	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Losses on disposals of property, plant and equipment	7,546	10,010
Impairment losses	57	8,819
Other(Note)	10,009	28,697
Total	17,613	47,526

(Note) Other in the current year includes expenses related to COVID-19 pandemic, such as expenses associated with disposal of inventory, cancellation of events, disinfection, and other expenses.

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, 2019)	Current year (ended December 31, 2020)
Interest received(Note)	859	1,463
Dividends received		
Financial assets measured at fair value through other comprehensive income	2,244	2,073
Gains on change in fair value of derivatives		
Financial assets measured at fair value through profit or loss	2,621	1,078
Foreign exchange gain	2,369	1,863
Other	—	751
Total	8,094	7,230

(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, 2019)	Current Year (ended December 31, 2020)
Interest paid(Note)	7,390	11,164
Loss on change in fair value of derivatives		
Financial liabilities measured at fair value through profit or loss	5,541	3,818
Other	80	—
Total	13,012	14,982

(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, 2019)

Millions of yen

	Balance as of January 1, 2019	Recognized in profit or loss	Recognized in Other Comprehensive Income	Other (Note 1)	Balance as of December 31, 2019
Deferred tax assets					
Loss allowance for credit losses	1,247	(367)	—	(31)	848
Retirement benefits	8,583	458	(1,037)	(198)	7,805
Property, plant and equipment and intangible assets (Note 2)	42,394	406	—	(96)	42,704
Unused tax losses	1,444	(601)	—	(1)	841
Income tax payable-enterprise tax	1,564	51	—	(89)	1,527
Accrued bonus	1,691	525	—	(11)	2,206
Other	20,834	(286)	(760)	(644)	19,142
Total of Deferred tax assets	77,760	185	(1,798)	(1,072)	75,076
Deferred tax liabilities					
Property, plant and equipment and intangible assets(Note2)	(162,530)	4,083	—	1,384	(157,062)
Equity instruments	(20,080)	—	(1,250)	65	(21,265)
Retained earnings of subsidiaries and associates	(345)	177	—	—	(168)
Other	(15,797)	845	(14,538)	676	(28,814)
Total of Deferred tax liabilities	(198,754)	5,105	(15,789)	2,126	(207,311)
Net amount of Deferred tax assets and Deferred tax liabilities	(120,993)	5,291	(17,588)	1,054	(132,235)

(Note)
1. Amounts in the column 'Other' are primarily deferred tax assets and deferred tax liabilities recognized through exchange rate fluctuations.
2. The effect on the financial statements of the adoption of IFRS 16 is reflected in the beginning balance.

Current Year (ended December 31, 2020)

Millions of yen

	Balance as of January 1, 2020	Recognized in profit or loss	Recognized in Other Comprehensive Income	Other (Note)	Balance as of December 31, 2020
Deferred tax assets					
Loss allowance for credit losses	848	(149)	—	549	1,249
Retirement benefits	7,805	696	(279)	1,071	9,294
Property, plant and equipment and intangible assets	42,704	1,294	—	474	44,472
Unused tax losses	841	2,509	—	141	3,491
Income tax payable-enterprise tax	1,527	(340)	—	8	1,195
Accrued bonus	2,206	(345)	—	(28)	1,832
Other	19,142	1,819	2,333	1,177	24,473
Total of Deferred tax assets	75,076	5,484	2,053	3,395	86,009
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(157,062)	8,521	—	(89,138)	(237,679)
Equity instruments	(21,265)	—	11,979	(1,025)	(10,312)
Retained earnings of subsidiaries and associates	(168)	77	—	—	(91)
Other	(28,814)	(519)	13,021	707	(15,605)
Total of Deferred tax liabilities	(207,311)	8,079	25,000	(89,457)	(263,688)
Net amount of Deferred tax assets and Deferred tax liabilities	(132,235)	13,563	27,054	(86,061)	(177,679)

(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’.

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, 2019)	Current year (as of December 31, 2020)
Deductible temporary differences	224,368	122,892
Unused tax losses		
Expires within 1 year	909	195
Expires between 1 and 5 years	7,171	1,031
Expires after 5 years	10,076	9,333
Total	18,157	10,560
Unused tax credits		
Expires within 1 year	—	—
Expires between 1 and 5 years	940	—
Expires after 5 years	43	—
Total	984	—

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 ¥393,161 million (¥376,646 million in the previous year ended December 31, 2019).

The group filed for approval of consolidated tax return filing system in Japan during the current year and starts to apply it in the following year. Consequently, effective in the current year, the Group has adopted accounting treatment based on the premise of the consolidated tax return filing system.

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 ¥34,094 million and the amounts of unused tax losses derived from inhabitant tax and enterprise tax are ¥9,784 million and ¥13,776 million, respectively.

Unused tax losses derived from inhabitant tax and enterprise tax expire in 10 years from their origination.

(2) Tax Expense

Tax expense is analyzed as follows: Millions of yen

	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Current tax expense		
Current year	61,391	46,378
Total of current tax expense	61,391	46,378
Deferred tax expense		
Recognition and reversal of temporary differences	(6,718)	(11,409)
Revision of recoverability of deferred tax assets	999	(1,506)
Change in tax rate	427	(648)
Total deferred tax expense	(5,291)	(13,563)
Total	56,100	32,815

Differences between the effective statutory tax rate and the average effective tax rate are analyzed as follows:

	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Effective statutory tax rate	30.6%	30.6%
Tax rate effect of foreign subsidiaries	(4.3)%	(5.9)%
Tax effect of non-taxable or non-deductible items for tax purposes	1.6%	3.1%
Tax effect from revision of recoverability of deferred tax assets	0.5%	(1.2)%
Profit (loss) of entities accounted for using equity method	(0.1)%	0.5%
Tax effect from change in tax rate	0.2%	(0.5)%
Retained earnings of subsidiaries and associates	(0.1)%	(0.1)%
Other	0.0%	(0.3)%
Average effective tax rate	28.4%	26.2%

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.

30. Earnings per Share

(1) Basic and Diluted Earnings per Share

	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Basic earnings per share (Yen)	310.44	196.52
Diluted earnings per share (Yen)	310.42	196.49

(2) Basis of Calculation for Basic and Diluted Earnings per Share

	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Profit attributable to owners of parent (Millions of yen)	142,207	92,826
Weighted average number of ordinary shares outstanding (Shares)	458,078,035	472,359,740
Effect of dilution (Shares):		
Trust for share issuance to executives	35,742	56,231
Adjusted weighted average number of ordinary shares outstanding (Shares)	458,113,777	472,415,971
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, 2019)			Current year (ended December 31, 2020)		
	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	15,063	(1,277)	13,785	(34,246)	11,979	(22,267)
Changes	15,063	(1,277)	13,785	(34,246)	11,979	(22,267)
Remeasurements of defined benefit plans						
Increase and decrease	3,336	(1,037)	2,298	989	(279)	710
Changes	3,336	(1,037)	2,298	989	(279)	710
Items that might be reclassified to profit or loss						
Cash flow hedges						
Increase and decrease	48,537	(14,858)	33,679	(60,787)	18,735	(42,052)
Reclassification to profit or loss	148	(22)	126	(51)	15	(35)
Changes	48,686	(14,880)	33,806	(60,839)	18,751	(42,088)
Costs of hedging						
Increase and decrease	1,066	(326)	740	544	(166)	377
Reclassification to profit or loss	(37)	11	(25)	(37)	11	(25)
Changes	1,029	(315)	714	506	(155)	351
Translation differences on foreign operations						
Increase and decrease	(41,591)	(409)	(42,001)	116,567	1,817	118,384
Reclassification to profit or loss	37	—	37	74	—	74
Changes	(41,554)	(409)	(41,963)	116,641	1,817	118,458
Share of other comprehensive income of entities accounted for using equity method						
Increase and decrease	(211)	—	(211)	13	—	13
Reclassification to profit or loss	—	—	—	—	—	—
Changes	(211)	—	(211)	13	—	13
Total other comprehensive income	26,351	(17,920)	8,430	23,065	32,113	55,178

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, 2019)	Current year (as of December 31, 2020)
Interest-bearing debts	1,050,167	1,947,871
Less: Cash and cash equivalents	(48,489)	(48,460)
Net liabilities	1,001,678	1,899,410
Equity attributable to owners of parent	1,246,314	1,516,124
The capital and liabilities ratio	80.4%	125.3%

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, 2019)			
	US dollar	Euro	Czech koruna	Australian dollar
Net exposure	4,821	1,554	(1)	(281)

Millions of yen

	Current year (as of December 31, 2020)			
	US dollar	Euro	Czech koruna	Australian dollar
Net exposure	4,188	1,261	6	612

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, 2019)	
	US dollar	Czech koruna
Net exposure	1,178	2,336

Millions of yen

	Current year (as of December 31, 2020)	
	US dollar	Czech koruna
Net exposure	(30)	(1,389)

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, 2019)	Current year (ended December 31, 2020)
US dollar	(33)	(29)
Euro	(10)	(8)
Czech koruna	0	(0)
Australian dollar	1	(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, 2019)	Current year (ended December 31, 2020)
US dollar	(9)	0
Czech koruna	(18)	11

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 ¥4,123 million (previous year: ¥5,177 million) as a result of changes in fair value.

Furthermore, the Group is exposed to price risk of raw materials 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 raw materials prices. 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, 2019)	Current year (ended December 31, 2020)
Net profit	793	3,616

(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, 2019)	16,544	507	413,032
Previous year (as of December 31, 2019)	16,506	624	394,078
Current year (as of December 31, 2020)	25,091	412	360,450

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, 2019)	117	378	2,307
Increase	17	96	1,739
Utilization	—	(13)	(480)
Reversal	(35)	(70)	(832)
Other	(0)	(4)	366
Previous year (as of December 31, 2019)	99	386	3,101
Increase	6	14	2,280
Utilization	—	(0)	(854)
Reversal	(2)	(51)	(1,157)
Other	47	22	3,136
Current Year (as of December 31, 2020)	150	372	6,506

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, 2019)	8,408	2,051
Previous year (as of December 31, 2019)	9,201	1,951
Current year (as of December 31, 2020)	10,015	2,089

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, 2019)	0	905
Increase	11	244
Utilization	—	(25)
Reversal	(11)	(20)
Other	—	(108)
Previous year (as of December 31, 2019)	0	995
Increase	42	337
Utilization	—	(0)
Reversal	(0)	(134)
Other	1	(367)
Current year (as of December 31, 2020)	44	830

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, 2019)	Current year (as of December 31, 2020)
Guarantees	1,787	962

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 ¥2,390 million at the end of the current year (¥2,775 million in the previous year ended December 31, 2019).

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, 2019)

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	423,810	423,810	423,810	—	—	—	—	—
Bonds and borrowings	943,215	952,733	413,814	245,739	153,025	8,085	27,859	104,208
Derivative liabilities	10,783	10,783	1,613	348	4,716	38	—	4,067

Current Year (as of December 31, 2020)

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	477,098	477,098	477,098	—	—	—	—	—
Bonds and borrowings	1,823,627	1,850,885	924,471	158,487	109,931	133,107	90,395	434,492
Derivative liabilities	4,891	4,891	4,123	419	139	2	206	—

(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, 2019)		Current year (as of December 31, 2020)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans receivable	1,504	1,434	1,649	1,572
Long-term borrowings	289,126	288,961	190,143	190,069
Bonds	471,010	475,567	961,404	973,579

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:

Previous Year (as of December 31, 2019) Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	47,259	902	48,162
Derivatives not designated as hedging instruments	—	858	—	858
Equity instruments	103,549	67	84,631	188,249
Others	0	995	—	995
Total assets	103,550	49,181	85,533	238,266
Liabilities				
Derivatives designated as hedging instruments	—	10,734	—	10,734
Derivatives not designated as hedging instruments	—	49	—	49
Contingent consideration	—	—	730	730
Total liabilities	—	10,783	730	11,514

There were no material transfers between Levels 1 and 2 during the year.

Current Year (as of December 31, 2020) Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	2,142	1,193	3,335
Derivatives not designated as hedging instruments	—	87	—	87
Equity instruments	82,464	56	66,338	148,859
Others	—	1,075	—	1,075
Total assets	82,464	3,363	67,531	153,359
Liabilities				
Derivatives designated as hedging instruments	—	3,957	—	3,957
Derivatives not designated as hedging instruments	—	934	—	934
Contingent consideration	—	—	25,930	25,930
Total liabilities	—	4,891	25,930	30,822

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 0.7 times to 1.1 times (from 0.8 times to 1.1 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, 2019) 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 at beginning of period	71,979	—	—
Gains (losses) recognized in profit or loss	—	—	46
Gains (losses) recognized in other comprehensive income	13,470	—	—
Purchases	5,001	902	—
Sales	(5,783)	—	—
Settlements	—	—	—
Transfers into/out of Level 3	(37)	—	—
Other	—	—	684
Balance at end of period	84,631	902	730
Of gains (losses) recognized in profit or loss : Gains (losses) for assets and liabilities held at end of period	—	—	46

Current Year (ended December 31, 2020) 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 at beginning of period	84,631	902	730
Gains (losses) recognized in profit or loss	—	—	(730)
Gains (losses) recognized in other comprehensive income	(15,023)	290	—
Purchases	9,287	—	—
Sales	(10,601)	—	—
Settlements	—	—	—
Transfers into/out of Level 3	—	—	—
Other	(1,955)	—	25,930
Balance at end of period	66,338	1,193	25,930
Of gains (losses) recognized in profit or loss : Gains (losses) for assets and liabilities held at end of period	—	—	(730)

(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, 2019)

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	1,182,831	47,013	1,064
	Currency swap	167,194	94	8,990
	Commodity swap	30,086	1,054	680
	Interest rate swap	—	—	—
	Forward contract	—	—	—
Total		1,380,112	48,162	10,734
Hedges of net investments in foreign operations	Euro denominated borrowings	36,762 (Euro 300 million)	—	36,762
	Euro denominated bonds	—	—	—

The average rates applied to the foreign exchange contracts are ¥73.02 per Australian dollar, ¥106.50 per US dollar, ¥126.08 per euro, 0.23 euro per Polish zloty and 0.81 US dollar per Australian dollar. The average rates applied to the currency swap is ¥130.50 per euro.

Current Year (as of December 31, 2020)

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	92,207	1,268	832
	Currency swap	162,289	189	2,210
	Commodity swap	31,745	1,877	914
	Interest rate swap	—	—	—
	Forward contract	—	—	—
Total		286,243	3,335	3,957
Hedges of net investments in foreign operations	Euro denominated borrowings	38,085 (Euro 300 million)	—	38,085
	Euro denominated bonds	203,120 (Euro 1,600 million)	—	203,120

The average rates applied to the foreign exchange contracts are ¥106.56 per US dollar, ¥124.50 per euro, 0.22 euro per Polish zloty and 0.73 US dollar per Australian dollar. The average rates applied to the currency swap is ¥130.50 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, 5 years and 4 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, 2019)		Current year (as of December 31, 2020)	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange contract	0	29	—	2
Currency swap	849	20	46	792
Commodity swap	8	0	41	139
Total	858	49	87	934

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, 2019)	Current year (as of December 31, 2020)
Reserve of cash flow hedges		
Foreign exchange contract	31,609	380
Currency swap	1,622	2,343
Commodity swap	(434)	(197)
Interest rate swap	—	—
Forward contracts	—	—
Total	32,797	2,526
Reserve of costs of hedging		
Currency swap (period-related)	(1,125)	(773)
Hedges of net investments in foreign operations		
Euro denominated borrowings	1,939	1,021
Euro denominated Bonds	—	(4,107)

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, 2019) 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	47,695	148	Finance costs
Price risk	842	—	
Interest rate risk	—	—	
Total	48,537	148	
Costs of hedging			
Foreign exchange risk (period-related)	1,066	(37)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	1,338	—	

(Note) The amounts are gross values before tax.

Current Year (ended December 31, 2020) 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	(61,085)	(51)	Finance costs
Price risk	297	—	
Interest rate risk	—	—	
Total	(60,787)	(51)	
Costs of hedging			
Foreign exchange risk (period-related)	544	(37)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	(6,843)	—	

(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 ¥11,809 million (previous year: ¥402 million) of foreign exchange risks and ¥7 million (previous year: ¥(10) 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, 2019)

	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	35,054	(31,262)	3,792
<Financial liabilities> Bonds and borrowings	31,262	(31,262)	—

Current Year (ended December 31, 2020)

	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	108,541	(103,168)	5,373
<Financial liabilities> Bonds and borrowings	103,168	(103,168)	—

33. Significant Non-cash Transactions

Previous Year (ended December 31, 2019)

There are no significant non-cash transactions.

Current Year (ended December 31, 2020)

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, 2019)

The Group acquired shares in Asahi UK Holdings 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	6,591
Non-current assets	22,111
Goodwill	16,697
Current liabilities	(16,878)
Non-current liabilities	(3,356)
Acquisition cost of shares, etc.	25,165
Cash and cash equivalents of acquired companies	(539)
Contingent consideration	(684)
Net cash used for acquisition of acquired companies	23,942

Current year (ended December 31, 2020)

The Group acquired shares in CUB Australia Holding Pty Ltd (Company name changed from ABI Australia Holding Pty Ltd on August 7, 2020) and 54 other companies, and Advend Systems Pte 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	55,219
Non-current assets	349,157
Goodwill	933,860
Current liabilities	(46,665)
Non-current liabilities	(116,552)
Acquisition cost of shares, etc.	1,175,019
Cash and cash equivalents of acquired companies	(9,044)
Net cash used for acquisition of acquired companies	1,165,974

(Note) The amounts of goodwill and the assets acquired and liabilities assumed at the date of the business combination are provisional as of the end of this fiscal year because the review to verify the identifiable assets and liabilities at the acquisition date is still in progress and the allocation of consideration is yet to be completed.

(2) Earnings and Expenses on Sales of Subsidiaries

Previous Year (ended December 31, 2019)

Omitted due to lack of materiality.

Current Year (ended December 31, 2020)

Omitted due to lack of materiality.

35. Changes in Liabilities Arising from Financing Activities

Previous Year (ended December 31, 2019)

Millions of yen

Item	Balance as of January 1, 2019	Change owing to financing cash flow	Non-cash changes						Balance as of December 31, 2019
			Acquisition	Long- and short-term transfer	Change in scope of consolidation	Exchange differences	Changes in fair value	Other	
Short-term borrowings (Note)	132,806	38,736	—	—	11,448	87	—	—	183,079
Lease obligations	68,239	(22,113)	23,447	—	498	509	—	183	70,764
Current portion of long-term borrowings	94,848	(93,587)	—	99,009	—	(7)	—	—	100,263
Long-term borrowings	288,837	596	—	(99,009)	—	(1,561)	—	—	188,862
Current portion of bonds	34,965	(35,000)	—	124,838	—	—	—	112	124,917
Bonds	475,931	—	—	(124,838)	—	(5,352)	—	352	346,093
Derivative liabilities (assets) held to hedge liabilities arising from financing activities	3,408	—	—	—	—	—	5,278	—	8,687
Total	1,099,034	(111,367)	23,447	—	11,947	(6,324)	5,278	648	1,022,667

(Note) Short-term borrowings include commercial papers.

Current year (ended December 31, 2020)

Millions of yen

Item	Balance as of January 1, 2020	Change owing to financing cash flow	Non-cash changes						Balance as of December 31, 2020
			Acquisition	Long- and short-term transfer	Change in scope of consolidation	Exchange differences	Changes in fair value	Other	
Short-term borrowings (Note)	183,079	489,155	—	—	(283)	128	—	—	672,079
Lease obligations	70,764	(21,238)	21,527	—	13,903	3,369	—	(170)	88,156
Current portion of long-term borrowings	100,263	(99,100)	—	162,245	—	1,020	—	—	164,429
Long-term borrowings	188,862	(976)	—	(162,245)	—	72	—	—	25,713
Current portion of bonds	124,917	(125,000)	—	88,220	—	—	—	112	88,250
Bonds	346,093	604,025	—	(88,220)	—	10,812	—	444	873,153
Derivative liabilities (assets) held to hedge liabilities arising from financing activities	8,687	—	—	—	—	—	(6,550)	—	2,136
Total	1,022,667	846,866	21,527	—	13,619	15,404	(6,550)	386	1,913,920

(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, 2019)	Current year (ended December 31, 2020)
Short-term employee benefits expense	665	629
Share-based Payments	80	82
Total	745	711

37. Business combination

(1) Business combination

Previous year (ended December 31, 2019)

(i) Outline of the transaction

a. Name and business of the acquiree

Company name	Business
Asahi UK Holdings Ltd (Note)	Manufacture and sales of beer
Cornish Orchards Ltd	Manufacture and sales of cider
The Dark Star Brewing Company Limited	Manufacture and sales of beer
Nectar Imports Limited	Wholesales

(Note) The company name changed from The Fuller's Beer Company Limited as of April 29, 2019.

b. Reasons for the business combination

Asahi has re-established the new group philosophy "Asahi Group Philosophy" (hereinafter referred to as the "AGP"), introduced in January 2019. The AGP articulates our mission of "Deliver on our great taste promise and bring more fun to life" and our vision of "Be a value creator globally and locally, growing with high-value-added brands". Under the AGP, we aim to expand our global platform for further growth as a global player by developing high-value-added brands domestically and internationally as well as creating integration synergies in regions where Asahi has entered into.

As part of the strategy, Asahi has recently built strong business foundations in Western, and Central and Eastern Europe by acquiring the alcoholic beverage business which owns global premium brands such as "Peroni" and "Pilsner Urquell".

The Target Business includes "London Pride", a prestigious premium ale brand with strong brand recognitions mainly in London, "Frontier", a growing brand in the premium lager market, and "Cornish Orchards", a growing brand in the premium cider market.

Through the acquisition of these businesses and brands, we aim to establish a unique position as a global player that will grow based on renowned premium brands, in addition to "Asahi Super Dry", "Peroni", and "Pilsner Urquell".

c. Acquisition date

April 27, 2019

d. Legal form of the business combination

The Group purchased shares with cash consideration.

e. Proportion of voting rights acquired

Company name	Proportion of voting rights
Asahi UK Holdings Ltd	100.00%
Cornish Orchards Ltd	100.00%
The Dark Star Brewing Company Limited	100.00%
Nectar Imports Limited	100.00%

(ii) Effect on the Group

Revenue and operating profit generated by Asahi UK Holdings Ltd and the other 3 entities since the acquisition date amounted to ¥14,648 million and ¥(465) million, respectively.

Assuming the business combination was conducted at the beginning of the period, revenue and operating profit for the period would be ¥2,097,495 million and ¥201,577 million, respectively. This pro forma note is unaudited by the independent auditor.

(iii) Consideration transferred and its details

The consideration transferred was ¥21,721 million, all of which was paid in cash.

(iv) Acquisition-related costs

Acquisition-related costs amounted to ¥788 million were included in "Selling, general and administrative expenses"

(v) Acquired receivables

The gross contractual amount of trade and other receivables acquired was ¥4,206 million in aggregate, and was ¥4,076 million at fair value on the acquisition date.

(vi) Acquisition-date fair value of assets and liabilities and goodwill

	Millions of yen
Cash and cash equivalents	483
Trade and other receivables	4,076
Other	1,777
Total current assets	6,337
Total non-current assets	21,355
Total assets	27,692
Total current liabilities	(16,717)
Total non-current liabilities	(3,148)
Total liabilities	(19,865)
Consideration transferred	(21,721)
Goodwill	13,893

Goodwill is primarily composed of synergies with the Group's businesses and excess profitability that are expected to occur from the acquisition.

Current year (ended December 31, 2020)

(i) Outline of the transaction

a. Name and business of the acquiree

Company name	Business
CUB Australia Holding Pty Ltd (Note)	Holding company

(Note) Company name changed from ABI Australia Holding Pty Ltd on August 7, 2020.
54 other companies: Manufacturing, sales and distribution of beer and cider, etc.

b. Reasons for the business combination

The group philosophy "Asahi Group Philosophy" (hereinafter referred to as the "AGP") articulates

Asahi's vision of "Be a value creator globally and locally, growing with high-value-added brands."

Asahi also aims to drive sustainable group growth centered on promoting premiumization and expanding cross-selling initiatives in Overseas Business under Asahi's Medium-Term Management Policy renewed based on the AGP.

As part of the strategy, Asahi aims to establish a firm global management platform centered on three regions of operation: Japan, Europe, and Australia by acquiring CUB business and other related assets.

The CUB business has remarkable capabilities for marketing and product development as well as the top brands in the Australian beer market such as "Carlton" and "Great Northern." In addition, the CUB business has realized stable profitability with its firm brand portfolio and efficiency improving method.

In Australia, where economic growth has continued, Asahi has enhanced business acquisitions since 2009 and promoted sales not only in Soft Drinks Business, but also in Alcohol Beverages Business with Asahi's global premium brands such as "Asahi Super Dry," "Peroni" and "Pilsner Urquell." Going forward, combining Asahi's existing business in Australia, which is of comparable size to CUB, with the CUB business, Asahi will make use of economies of scale in areas such as procurement as well as its expansive distribution network. In addition, Asahi will work to secure outstanding human resources by promoting talent management both globally and locally.

c. Acquisition date

June 1, 2020

d. Legal form of the business combination

The Group purchased shares with cash consideration.

e. Proportion of voting rights acquired

Company name	Proportion of voting rights
CUB Australia Holding Pty Ltd	100.00%

(ii) Effect on the Group

Revenue and operating profit arising from CUB Australia Holding Pty Ltd and other 54 companies after the acquisition date was ¥165,326 million and ¥31,909 million, respectively.

Assuming the business combination was conducted at the beginning of the period, revenue and operating profit for the period would be ¥2,122,893 million and ¥152,286 million, respectively. This pro forma note is unaudited by the independent auditor.

(iii) Consideration transferred and its details

The consideration transferred was ¥1,168,241 million, all of which was paid in cash.

(iv) Acquisition-related costs

Acquisition-related costs amounted to ¥5,880 million are included in "Selling, general and administrative expenses".

(v) Acquired receivables

The gross contractual amount of trade and other receivables acquired was ¥17,673 million in aggregate, and was ¥17,492 million at fair value on the acquisition date.

(vi) Acquisition-date fair value of assets and liabilities and goodwill

	Millions of yen
Cash and cash equivalents	8,641
Trade and other receivables	17,492
Other	28,269
Total current assets	54,404
Total non-current assets	343,195
Total assets	397,599
Total current liabilities	(45,971)
Total non-current liabilities	(116,528)
Total liabilities	(162,500)
Consideration transferred	(1,168,241)
Goodwill	933,142

The amounts of goodwill and the assets acquired and liabilities assumed at the date of the business combination are provisional as of the end of this fiscal year because the review to verify the identifiable assets and liabilities at the acquisition date is still in progress and the allocation of consideration is yet to be completed.
Goodwill is primarily composed of synergies with the Group's businesses and excess profitability that are expected to occur from the acquisition.

38. Interest in Other Entities

(1) Interest in Subsidiaries

Subsidiaries included in the consolidated financial statements are as follows:

Previous Year (ended December 31, 2019)

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)
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanashi	100.00 (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
China Foods Investment Corp.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Holdings (Australia) Pty Ltd	Victoria, Australia	100.00

Name	Location	Proportion of ownership interest (%)
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 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)
Asahi UK Ltd	London United Kingdom	100.00 (100.00)
Asahi Breweries Europe Ltd	Woking, United Kingdom	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 117 Subsidiaries	—	—

(Notes) 1. Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.

2. The company name of Independent Liquor (NZ) Limited was changed to Asahi Beverages (NZ) Limited in 2019.

Current Year (ended December 31, 2020)

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)
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanashi	100.00 (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 International Ltd	Woking, United Kingdom	100.00

Name	Location	Proportion of ownership interest (%)
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)
Asahi UK Ltd	London United Kingdom	100.00 (100.00)
Asahi Breweries Europe Ltd	Woking, United Kingdom	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 175 Subsidiaries	—	—

(Notes) 1. Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.
2. The company name of Asahi Europe Ltd was changed to Asahi International Ltd in 2020.
3. An absorption-type merger was conducted with Asahi Soft Drinks Co., Ltd., a wholly owned subsidiary of the Company, as the surviving company, and China Foods Investment Corp. as the absorbed company.

(2) Interests in Associates

(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, 2019)	Current year (as of December 31, 2020)
The carrying amount of interests	8,366	5,081

Millions of yen

	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Profit	892	485
Other comprehensive income	(203)	27
Total comprehensive income	689	513

(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, 2019)	Current year (as of December 31, 2020)
The carrying amount of interests	389	175

Millions of yen

	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Profit	(19)	(200)
Other comprehensive income	(8)	(14)
Total comprehensive income	(27)	(214)

39. Commitments

There are no significant commitments regarding acquisition of assets.

40. Contingencies

There are no significant contingencies.

41. Subsequent Events

1. Partial sale of Australian beer and cider brands

With regard to the partial sale of beer and cider brands (the "Sale") to Heineken N.V. ("Heineken"), Asahi Holdings (Australia) Pty Ltd – the subsidiary controlling Oceania business operations under the Group's corporate umbrella – obtained the approval from the Australian Competition & Consumer Commission ("ACCC") on November 17, 2020 and from the Foreign Investment Review Board ("FIRB") on December 21, 2020.

The brands subject to the divestment were the following brands purchased from Anheuser-Busch InBev ("AB InBev") on June 1, 2020.

1) Beer brands: "Stella Artois" and "Beck's" (both licensed from AB InBev)
2) Cider brands: "Strongbow," "Little Green" and "Bonamy's"

The Sale is in relation to "Announcement regarding completion of acquisition of the Australian business of Anheuser-Busch InBev and shelf registration of newly issued stock" that was disclosed on June 1, 2020 pursuant to the remedy approved by ACCC at the time of the purchase of the Australian businesses of AB InBev completed on June 1, 2020.

The Group satisfied the conditions precedent to execute the transaction, including the approvals from ACCC and FIRB, and completed the sale of these brands to Heineken on January 5, 2021.

As of the end of this fiscal year, these brands have been recorded using their fair value less costs of disposal as ¥17,652 million in "Assets held for sale" and ¥134 million in "Liabilities directly associated with assets held for sale."

The effect of the Sale on the consolidated financial results for the fiscal year ending December 31, 2021 is immaterial.

2. Issuance of straight bonds

The Company has issued straight bonds with the following terms and conditions.

(1) Name of bonds	Asahi Group Holdings, Ltd. 15th Issuance of unsecured straight bonds (with specific inter-bond pari passu clause)
(2) Total amount of issue	JPY 50 billion
(3) Coupon rate	0.001% per annum
(4) Closing date	March15, 2021
(5) Issue price	100% of the principal amount
(6) Maturity date and Redemption	The Bonds will be redeemed in full on March 15, 2024. The Bonds may also be repurchased and redeemed at any time commencing from the first day following the closing date.
(7) Collateral	No collateral is pledged and no assets are specifically reserved to secure the Bonds.
(8) Use of proceeds	All proceeds will be used to repay a portion of the bridge loan (¥1,185,000 million) that the Company borrowed in connection with acquisition of CUB business

(1) Name of bonds	Asahi Group Holdings, Ltd. 16th Issuance of unsecured straight bonds (with specific inter-bond pari passu clause)
(2) Total amount of issue	JPY 50 billion
(3) Coupon rate	0.080% per annum
(4) Closing date	March15, 2021
(5) Issue price	100% of the principal amount
(6) Maturity date and Redemption	The Bonds will be redeemed in full on March 15, 2026. The Bonds may also be repurchased and redeemed at any time commencing from the first day following the closing date.
(7) Collateral	No collateral is pledged and no assets are specifically reserved to secure the Bonds.
(8) Use of proceeds	All proceeds will be used to repay a portion of the bridge loan (¥1,185,000 million) that the Company borrowed in connection with acquisition of CUB business

Independent Auditor's Report

To the Board of Directors of
Asahi Group Holdings, Ltd.:

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Asahi Group Holdings, Ltd. and its consolidated subsidiaries as at December 31, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

/S/ KPMG AZSA LLC

March 25, 2020
Tokyo, Japan

Consolidated Statement of Financial Position

Millions of yen

	Notes	Previous year (as of December 31, 2018)	Current year (as of December 31, 2019)
Assets			
Current assets			
Cash and cash equivalents	8	57,317	48,489
Trade and other receivables	9 32	427,279	407,621
Inventories	10	160,319	171,717
Income tax receivables		37,308	24,940
Other financial assets	14	7,025	51,277
Other current assets	15	25,324	31,067
Total current assets		714,576	735,113
Non-current assets			
Property, plant and equipment	12	689,985	735,022
Goodwill and intangible assets	13	1,428,543	1,398,422
Investments accounted for using equity method	38	8,668	8,755
Other financial assets	14	184,533	198,657
Deferred tax assets	29	16,300	15,734
Net defined benefit assets	19	19,282	20,655
Other non-current assets	15	17,424	28,424
Total non-current assets		2,364,738	2,405,674
Total assets		3,079,315	3,140,788

Millions of yen

	Notes	Previous year (as of December 31, 2018)	Current year (as of December 31, 2019)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	416,842	423,810
Bonds and borrowings	17 32 35	262,620	408,259
Income tax payables		39,624	39,555
Provisions	20	17,655	14,407
Other financial liabilities	17	62,027	56,265
Other current liabilities	21	140,821	133,375
Total current liabilities		939,591	1,075,673
Non-current liabilities			
Bonds and borrowings	17 32 35	764,768	534,955
Net defined benefit liabilities	19	25,517	24,778
Deferred tax liabilities	29	137,277	147,969
Other financial liabilities	17	59,776	106,240
Other non-current liabilities	20 21	2,736	2,890
Total non-current liabilities		990,076	816,835
Total liabilities		1,929,668	1,892,509
Equity			
Issued capital	22	182,531	182,531
Share premium	22	119,128	119,163
Retained earnings	22	821,120	918,523
Treasury shares	22	(76,997)	(77,011)
Other components of equity		100,637	103,107
Total equity attributable to owners of parent		1,146,420	1,246,314
Non-controlling interests		3,227	1,965
Total equity		1,149,647	1,248,279
Total liabilities and equity		3,079,315	3,140,788

Consolidated Statement of Profit or Loss

Millions of yen

	Notes	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Revenue	25	2,120,291	2,089,048
Cost of sales		(1,303,246)	(1,297,302)
Gross profit		817,044	791,745
Selling, general and administrative expenses	26	(595,661)	(578,774)
Other operating income	27	4,369	6,078
Other operating expense	27	(13,980)	(17,613)
Operating profit		211,772	201,436
Finance income	28	8,282	8,094
Finance costs	28	(12,731)	(13,012)
Share of profit (loss) of investments accounted for using equity method		887	872
Gain (loss) on sales of investments accounted for using equity method		(901)	—
Profit before tax		207,308	197,391
Income tax expense	29	(56,370)	(56,100)
Profit		150,938	141,290
Profit attributable to:			
Owners of parent		151,077	142,207
Non-controlling interests		(139)	(916)
Total		150,938	141,290
Basic earnings per share (Yen)	30	329.80	310.44
Diluted earnings per share (Yen)	30	329.79	310.42

Consolidated Statement of Comprehensive Income

Millions of yen

	Notes	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Profit		150,938	141,290
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	(15,865)	13,785
Remeasurements of defined benefit plans	19 31	(4,401)	2,298
Items that might be reclassified to profit or loss			
Cash flow hedges	31 32	(211)	33,806
Costs of hedging	31 32	(659)	714
Translation differences on foreign operations	31	(89,386)	(41,963)
Share of other comprehensive income of entities accounted for using equity method	31	2,383	(211)
Total other comprehensive income	31	(108,142)	8,430
Total comprehensive income		42,795	149,721
Total comprehensive income attributable to:			
Owners of parent		42,327	150,815
Non-controlling interests		467	(1,094)

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, 2018		182,531	119,051	713,146	(76,747)	71,386	—	(624)
Cumulative effects of changes in accounting policies								
Restated Balance		182,531	119,051	713,146	(76,747)	71,386	—	(624)
Comprehensive income								
Profit				151,077				
Other comprehensive income						(15,865)	(4,380)	(377)
Total comprehensive income		—	—	151,077	—	(15,865)	(4,380)	(377)
Transfer to non-financial assets								360
Transactions with owners								
Dividends	23			(41,229)				
Purchase of treasury shares					(250)			
Disposal of treasury shares			0		0			
Changes through sales of consolidated subsidiaries	34							
Change in scope of consolidation								
Share-based payment transaction	24		76					
Transfer from other components of equity to retained earnings				(1,875)		(2,505)	4,380	
Other increase (decrease)								
Total contributions by owners and distribution to owners		—	76	(43,104)	(250)	(2,505)	4,380	—
Total transactions with owners		—	76	(43,104)	(250)	(2,505)	4,380	—
Balance as of December 31, 2018		182,531	119,128	821,120	(76,997)	53,015	—	(641)

Millions of yen

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Other components of equity			Other components of equity related to disposal groups held for sale	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, 2018		(1,179)	141,010	210,592	(3,440)	1,145,135	7,612	1,152,748
Cumulative effects of changes in accounting policies				—		—		—
Restated Balance		(1,179)	141,010	210,592	(3,440)	1,145,135	7,612	1,152,748
Comprehensive income								
Profit				—		151,077	(139)	150,938
Other comprehensive income		(659)	(90,906)	(112,190)	3,440	(108,750)	607	(108,142)
Total comprehensive income		(659)	(90,906)	(112,190)	3,440	42,327	467	42,795
Transfer to non-financial assets				360		360		360
Transactions with owners								
Dividends	23			—		(41,229)	(463)	(41,692)
Purchase of treasury shares				—		(250)		(250)
Disposal of treasury shares				—		0		0
Changes through sales of consolidated subsidiaries	34			—		—	(1,711)	(1,711)
Change in scope of consolidation				—		—	(2,703)	(2,703)
Share-based payment transaction	24			—		76		76
Transfer from other components of equity to retained earnings				1,875		—		—
Other increase(decrease)				—		—	25	25
Total contributions by owners and distribution to owners		—	—	1,875	—	(41,403)	(4,853)	(46,256)
Total transactions with owners		—	—	1,875	—	(41,403)	(4,853)	(46,256)
Balance as of December 31, 2018		(1,839)	50,103	100,637	—	1,146,420	3,227	1,149,647

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, 2019		182,531	119,128	821,120	(76,997)	53,015	—	(641)
Cumulative effects of changes in accounting policies				(1,993)				
Restated Balance		182,531	119,128	819,126	(76,997)	53,015	—	(641)
Comprehensive income								
Profit				142,207				
Other comprehensive income						13,785	2,300	33,831
Total comprehensive income		—	—	142,207	—	13,785	2,300	33,831
Transfer to non-financial assets								(392)
Transactions with owners								
Dividends	23			(48,556)				
Purchase of treasury shares					(31)			
Disposal of treasury shares			0		17			
Changes through sales of consolidated subsidiaries	34							
Change in scope of consolidation								
Share-based payment transaction	24		34					
Transfer from other components of equity to retained earnings				5,746		(3,446)	(2,300)	
Other increase (decrease)								
Total contributions by owners and distribution to owners		—	34	(42,809)	(14)	(3,446)	(2,300)	—
Total transactions with owners		—	34	(42,809)	(14)	(3,446)	(2,300)	—
Balance as of December 31, 2019		182,531	119,163	918,523	(77,011)	63,354	—	32,797

Millions of yen

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Other components of equity			Other components of equity related to disposal groups held for sale	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, 2019		(1,839)	50,103	100,637	—	1,146,420	3,227	1,149,647
Cumulative effects of changes in accounting policies				—		(1,993)		(1,993)
Restated Balance		(1,839)	50,103	100,637	—	1,144,426	3,227	1,147,653
Comprehensive income								
Profit				—		142,207	(916)	141,290
Other comprehensive income		714	(42,023)	8,608		8,608	(178)	8,430
Total comprehensive income		714	(42,023)	8,608	—	150,815	(1,094)	149,721
Transfer to non-financial assets				(392)		(392)		(392)
Transactions with owners								
Dividends	23			—		(48,556)	(167)	(48,723)
Purchase of treasury shares				—		(31)		(31)
Disposal of treasury shares				—		17		17
Changes through sales of consolidated subsidiaries	34			—		—		—
Change in scope of consolidation				—		—		—
Share-based payment transaction	24			—		34		34
Transfer from other components of equity to retained earnings				(5,746)		—		—
Other increase(decrease)				—		—		—
Total contributions by owners and distribution to owners		—	—	(5,746)	—	(48,535)	(167)	(48,702)
Total transactions with owners		—	—	(5,746)	—	(48,535)	(167)	(48,702)
Balance as of December 31, 2019		(1,125)	8,080	103,107	—	1,246,314	1,965	1,248,279

Consolidated Statement of Cash Flows

Millions of yen

	Notes	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Cash flows from (used in) operating activities			
Profit before tax		207,308	197,391
Depreciation and amortization expenses		109,206	113,036
Impairment losses		294	57
Interest and dividend income		(3,115)	(3,103)
Interest expenses		6,753	7,390
Share of loss (profit) of investments accounted for using equity method		(887)	(872)
Loss (gain) on sales of investments accounted for using equity method		901	—
Gains on sales of shares of subsidiaries and associates		—	(298)
Loss (gain) on sales and disposals of property, plant and equipment		4,148	3,926
Decrease (increase) in trade receivables		(2,759)	22,881
Decrease (increase) in inventories		(8,966)	(10,722)
Increase (decrease) in trade payables		(3,397)	2,955
Increase (decrease) in accrued alcohol tax		(3,799)	(9,214)
Increase (decrease) in net defined benefit assets and liabilities		655	1,338
Other		52,319	(14,572)
Subtotal		358,664	310,192
Interest and dividends received		3,662	3,818
Interest paid		(6,831)	(6,875)
Income taxes paid		(103,053)	(53,666)
Net cash flows from (used in) operating activities		252,441	253,469

Millions of yen

	Notes	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(78,891)	(74,312)
Proceeds from sales of property, plant and equipment		2,027	4,564
Purchase of intangible assets		(8,997)	(11,009)
Purchase of investment securities		(986)	(5,841)
Proceeds from sales of investment securities		10,591	8,856
Proceeds from sales of investment in an entity accounted for using equity method		101,646	—
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	34	—	(23,942)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	34	989	741
Other		(3,874)	(2,721)
Net cash flows from (used in) investing activities		22,505	(103,666)
Cash flows from (used in) financing activities			
Increase (decrease) in short-term borrowings	35	(105,281)	38,736
Payments of finance lease liabilities (previous year: finance lease obligations)	35	(9,087)	(22,113)
Proceeds from long-term borrowings	35	2,566	1,579
Repayments of long-term borrowings	35	(96,821)	(94,569)
Redemption of bonds	35	(20,000)	(35,000)
Purchase of treasury shares		(250)	(31)
Dividends paid	23	(41,229)	(48,556)
Proceeds from share issuance to non-controlling shareholders		48	—
Other		(508)	1,113
Net cash flows from (used in) financing activities		(270,564)	(158,841)
Effect of exchange rate changes on cash and cash equivalents		(4,416)	209
Net increase (decrease) in cash and cash equivalents		(33)	(8,828)
Cash and cash equivalents at beginning of period	8	58,054	57,317
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation		(703)	—
Cash and cash equivalents at end of period	8	57,317	48,489

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, 2019 were authorized for issue by Akiyoshi Koji, President and Representative Director, and Atsushi Katsuki, Chief Financial Officer on March 25, 2020.

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

(Leases)

The Group has adopted IFRS 16 "Leases" (hereinafter referred to as the "Standard") effective from this fiscal year.

1) Leases as Lessee

Under the Standard, in principle, a single accounting model is used to treat lessee's leases on balance, and the lessee recognizes a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make a lease payment. In its consolidated statement of financial position, the Group presents right-of-use assets in "Property, plant and equipment" and lease liabilities in "Other financial liabilities."

In its comparative figures, as a lessee the Group classifies leases for which substantially all of the risks and rewards of ownership are transferred as finance leases, and records the assets and liabilities related to the lease transaction. In this fiscal year, the Group does not restate comparative figures but recognizes the cumulative impact of the application of the Standard as an adjustment to the beginning balance of retained earnings on January 1, 2019.

In addition, the Group applied a practical expedient to grandfather the definition of a lease on transition. This means that the Standard was applied to all contracts entered into before January 1, 2019, and identified as leases in accordance with IAS 17 "Leases" and IFRIC Interpretation 4 "Determining whether an Arrangement Contains a Lease." Moreover, the group applies the recognition exemption on short-term leases and leases and leases for which the underlying asset is of low value.

For leases previously classified as operating leases under IAS 17, lease liabilities at the time of transition were measured at the present value of the remaining lease payments on the transition 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. Right-of-use assets were measured at either:

- Their carrying amounts as if the Standard has been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or
- An amount equal to the lease liability, adjusted by any prepaid or accrued lease payments.

Furthermore, when applying the Standard to leases previously classified as operating leases under IAS 17, the Group used the following practical expedients.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the provision for onerous contracts under IAS 37 immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months.
- Excluded initial direct costs from the measurement of right-of-use assets at the date of initial application.
- Used hindsight when determining the lease terms if the contract contains options to extend or terminate the lease.

2) Leases as Lessor

Regarding the leases in which the Group is the lessor, except for subleases, the Group is not required to make any adjustment on transition to the Standard. The Group accounted for its leases in accordance with the Standard since the date of initial application.

Under the Standard, the Group is required to assess the classification of subleases by reference to the right-of-use asset, not the underlying asset. At the date of initial application, the Group reassessed the classification of sublease contracts previously classified as operating leases under IAS 17, and concluded that they were finance leases under the Standard. 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."

3) Impact on consolidated financial statements

Due to the application of the Standard, total assets increased ¥49,424 million and total liabilities increased ¥51,811 million as of the end of this fiscal year. The impact on profit and cash flows in this fiscal year is immaterial.

4. 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, 2021	The annual period ending December 31, 2021	Formulate consistent accounting model for insurance contracts

5. 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 decides 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 combined company, and the fair value of equity interest held by the combined company over the net value of identifiable assets and assumed liabilities as of the date of the combination. Negative goodwill is recognized immediately as 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. Other intangible assets, for which a certain 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

The Group has adopted IFRS 16 "Leases" (hereinafter referred to as the "Standard") effective from this fiscal year.

(i) Leases as Lessee

Under the Standard, in principle, a single accounting model is used to treat lessee's leases on balance, and the lessee recognizes a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make a lease payment. The Group recognizes the right-of-use asset and the lease liability at the commencement date of the lease. The 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 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.

<The policy under IAS 17>

In its comparative figures, the Group as a lessee classifies leases for which substantially all of the risks and rewards of ownership are transferred as finance leases, and records the assets and liabilities related to the lease transaction. In cases of finance leases, leased properties are recognized as assets at the commencement of the lease term at fair value of the leased property or, if lower, the present value of the minimum lease payments.

Each lease payment is allocated between liabilities and finance costs. The interest element, which is a finance cost, is expensed in profit or loss over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability in each fiscal year. Property, plant and equipment and intangible assets acquired through finance lease are depreciated or amortized using the straight-line method over the useful life of the asset or, if shorter, the lease term.

Leases other than finance leases are classified as operating leases. Lease payments in operating leases, less incentives received from the lessor, are recognized in profit or loss on a straight-line basis over the lease term.

(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 the right-of-use asset 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."

In its comparative figures, the accounting policy applied by the Group as lessor to leases is the same as the Standard. However, when the Group is an intermediate lessor, the sublease is classified by reference to the underlying asset.

(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 unit). 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 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 risk 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 acquisition cost of the asset. 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 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 and trust companies.

In case that 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, deferred tax liability is not recognized for a temporary difference arising from the initial recognition of goodwill. Similarly, 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.

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.

Deferred tax asset and liability is recognized for temporary differences arising from investments in subsidiaries and associates although 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.

(21) Accounting for consumption tax

Consumption taxes that are received from customers and paid to tax authorities are excluded from revenue, cost of sales, and expense on the consolidated statement of profit or loss.

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)
- Fair value of financial instruments (Note 32)
- Employee benefits (Note 19)

7. Segment Information

(1) General Information

The Group determines operating segments based on the report that is reviewed by the 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 mainly manufactures and sells alcohol beverages, soft drinks and food in the domestic market, and alcohol beverages and soft drinks in overseas markets.

The Group has identified 4 reportable segments, "Alcohol Beverages", "Soft Drinks", "Food" and "Overseas" accordingly.

- Alcohol Beverages — manufacture and sales of beer, low-malt beer (happo-shu), distilled spirit (shochu), whisky and other alcohol products, operation of restaurants, wholesales, and others
- Soft Drinks — manufacture and sales of soft drinks and others
- Food — manufacture and sales of food and pharmaceuticals
- Overseas — manufacture and sales of beer and other alcohol products and soft drinks, and others
- Other — logistics and others

The management evaluates performance of each operating segment based on the results of measure of segment profit or loss.

Previous year (ended December 31, 2018)

Millions of yen

	Alcohol Beverages	Soft Drinks	Food	Overseas	Other ※	Segment Total	Adjustments	Consolidated
Revenue:								
External customers	884,804	362,382	114,652	710,227	48,223	2,120,291	—	2,120,291
Intersegment	28,583	8,393	1,321	176	61,243	99,718	(99,718)	—
Total revenue	913,387	370,776	115,973	710,403	109,467	2,220,009	(99,718)	2,120,291
Segment profit (loss)	106,154	34,707	11,762	77,365	2,315	232,305	(20,532)	211,772
Segment assets	710,535	292,642	91,270	1,917,908	25,930	3,038,287	41,028	3,079,315
Other items								
Depreciation and amortization expenses	25,807	20,716	3,512	54,778	624	105,439	3,766	109,206
Impairment losses	22	—	272	—	—	294	—	294
Share of profit (loss) of investments accounted for using equity method	38	—	0	772	—	812	74	887
Investments accounted for using equity method	692	—	417	6,758	—	7,868	799	8,668
Additions to non-current assets other than financial instruments and deferred tax assets	32,079	19,201	3,727	41,903	657	97,570	2,757	100,327

※ “Other” consists of business segments not included in the reportable segments, and include the logistics and other.

Adjustments to the segment profit or (loss) of ¥(20,532) million include overhead costs of ¥(20,668) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥135 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 the segment assets of ¥41,028 million include the corporate assets of ¥71,185 million, which are not allocated to the reportable segments, and elimination of ¥(30,157) 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, 2019)

Millions of yen

	Alcohol Beverages	Soft Drinks	Food	Overseas	Other ※	Segment Total	Adjustments	Consolidated
Revenue:								
External customers	859,221	367,315	116,562	699,363	46,585	2,089,048	—	2,089,048
Intersegment	27,638	8,925	1,082	233	62,605	100,485	(100,485)	—
Total revenue	886,860	376,240	117,645	699,596	109,191	2,189,533	(100,485)	2,089,048
Segment profit (loss)	102,957	30,576	12,622	76,118	1,910	224,186	(22,750)	201,436
Segment assets	674,236	313,169	96,077	1,933,709	34,860	3,052,053	88,735	3,140,788
Other items								
Depreciation and amortization expenses	24,352	20,799	3,921	55,258	4,105	108,437	4,598	113,036
Impairment losses	—	37	19	—	—	57	—	57
Share of profit (loss) of investments accounted for using equity method	43	—	(19)	769	—	793	79	872
Investments accounted for using equity method	719	—	389	6,816	—	7,926	829	8,755
Additions to non-current assets other than financial instruments and deferred tax assets	30,705	25,267	5,685	54,002	4,534	120,194	4,188	124,383

※ “Other” consists of business segments not included in the reportable segments, and include the logistics and other.

Adjustments to the segment profit or (loss) of ¥(22,750) million include overhead costs of ¥(23,203) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥453 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 the segment assets of ¥88,735 million include the corporate assets of ¥112,638 million, which are not allocated to the reportable segments, and elimination of ¥(23,903) million to offset intersegment receivables and payables. The corporate assets are primarily assets held by the Company, which is a pure holding company.

(Note for changes in reporting segments)

In the current year, some of the companies changed the reporting segment from the Overseas segment to the Soft Drinks segment, and the export operations included in the Alcohol Beverages segment changed the reporting segment to the Overseas segment.

Accordingly, the amount shown in segment information for the previous year reflected these changes in reporting 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, 2018)	Current year (ended December 31, 2019)
Japan	1,401,104	1,380,376
Overseas	719,187	708,671
Total	2,120,291	2,089,048

Non-current Assets

Millions of yen

	Previous year (as of December 31, 2018)	Current year (as of December 31, 2019)
Japan	519,902	528,409
Overseas	1,616,051	1,633,461
Among above, Czech Republic and Slovakia	680,555	661,668
Total	2,135,953	2,161,870

(4) Information about Major Customers

Millions of yen

Name of customer	Segment	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Kokubu Holdings, Ltd.	Alcohol Beverages Soft Drinks Food	176,945	158,294
ITOCHU-SHOKUHIN Co., Ltd.	Alcohol Beverages Soft Drinks Food	213,425	208,144

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, 2018)	Current year (as of December 31, 2019)
Cash and cash equivalents	57,317	48,489
Total	57,317	48,489

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, 2018)	Current year (as of December 31, 2019)
Notes and accounts receivable-trade	413,032	394,078
Others	17,051	17,130
Less: Loss allowance	(2,803)	(3,587)
Total	427,279	407,621

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, 2018)	Current year (as of December 31, 2019)
Merchandise and finished goods	74,979	79,995
Semi-finished goods and work in progress	39,530	42,922
Raw materials	36,990	39,545
Supplies	8,819	9,254
Total	160,319	171,717

Whisky and equivalents which are to be sold after 12 months from the year end account for 66.4% (Previous year: 68.7%) of semi-finished goods and work in progress.

The Group recognized ¥1,195,350million of inventories as an expense in the current year (Previous year: ¥1,200,857 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 ¥482,984 million (Previous year: ¥486,749 million).

11. Disposal Groups Held for Sale

Previous Year (ended December 31, 2018)

There are no disposal groups held for sale.

Current year (ended December 31, 2019)

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	Other	Total
Previous year (as of January 1, 2018)	207,404	222,762	124,402	137,864	25,479	0	717,914
Separate acquisitions	5,887	17,943	23,332	62	33,049	—	80,273
Acquisitions through business combinations	—	—	—	—	—	—	—
Disposals	(1,435)	(1,696)	(2,339)	(550)	(84)	—	(6,107)
Decrease resulting from exclusion from consolidation	(1,390)	(3,013)	(224)	—	(21)	—	(4,649)
Exchange differences	(5,498)	(9,327)	(4,431)	(2,728)	(3,244)	—	(25,229)
Transfers from construction in progress	11,270	12,705	3,999	—	(27,976)	—	—
Impairment losses(Note)	(229)	(63)	(1)	—	—	—	(294)
Depreciation expenses	(15,566)	(30,312)	(27,861)	—	—	0	(73,739)
Other	350	(3,256)	4,163	748	(186)	(1)	1,817
Previous year (as of December 31, 2018)	200,792	205,740	121,038	135,395	27,016	0	689,985
Adjustment due to application of IFRS 16	37,339	8,543	(9,602)	—	—	—	36,281
Current year (as of January 1, 2019)	238,132	214,284	111,436	135,395	27,016	0	726,266
Separate acquisitions	21,005	22,591	23,346	226	33,519	—	100,690
Acquisitions through business combinations	5,934	2,468	693	—	106	—	9,203
Disposals	(3,836)	(2,646)	(2,033)	(2,994)	(200)	—	(11,712)
Decrease resulting from exclusion from consolidation	—	—	—	—	—	—	—
Exchange differences	(1,700)	(2,754)	(1,458)	(737)	(640)	—	(7,291)
Transfers from construction in progress	7,263	24,172	3,121	—	(34,556)	—	—
Impairment losses(Note)	(37)	—	—	—	—	—	(37)
Depreciation expenses	(25,136)	(34,315)	(22,946)	—	—	(0)	(82,398)
Other	466	1,026	(100)	(226)	(863)	—	301
Current year (as of December 31, 2019)	242,092	224,826	112,057	131,663	24,381	0	735,022

(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	Other	Total
Previous year (as of January 1, 2018)	498,511	664,359	249,201	142,239	25,479	1	1,579,792
Previous year (as of December 31, 2018)	497,798	643,311	258,535	139,504	27,016	1	1,566,167
Current year (as of December 31, 2019)	561,184	688,414	300,966	134,652	24,381	1	1,709,599

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, 2018)	291,106	441,596	124,798	4,375	—	0	861,878
Previous year (as of December 31, 2018)	297,005	437,570	137,496	4,109	—	0	876,182
Current year (as of December 31, 2019)	319,091	463,587	188,908	2,988	—	0	974,576

The carrying amount of property, plant and equipment includes the carrying amount of right-of-use assets (previous year: leased assets in finance leases) as follows:

Millions of yen

Leased assets in finance leases	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Previous year (as of January 1, 2018)	572	1,343	20,495	22,411
Previous year (as of December 31, 2018)	848	1,134	17,529	19,511

Right-of-use assets	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Current year (as of January 1, 2019)	38,188	9,678	7,927	55,793
Current year (as of December 31, 2019)	41,392	11,479	7,352	60,224

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, 2018)	737,947	767,184	23,850	9,696	1,538,679
Separate acquisitions	—	—	5,616	4,644	10,260
Acquisitions through business combinations	—	—	—	—	—
Disposals	—	(0)	(150)	(910)	(1,061)
Decrease resulting from exclusion of consolidation	—	—	—	(7)	(7)
Exchange differences	(32,859)	(48,775)	(2,296)	8	(83,923)
Impairment losses	—	—	—	—	—
Amortization expenses	—	(22,018)	(9,342)	(4,106)	(35,466)
Other	—	(117)	262	(81)	63
Previous year (as of December 31, 2018)	705,087	696,273	17,938	9,244	1,428,543
Separate acquisitions	—	—	5,127	5,859	10,987
Acquisitions through business combinations	16,697	8,421	—	4,433	29,552
Disposals	—	—	(219)	(520)	(739)
Decrease resulting from exclusion of consolidation	—	—	—	—	—
Exchange differences	(18,855)	(20,856)	(270)	(34)	(40,017)
Impairment losses	—	—	—	(19)	(19)
Amortization expenses	—	(20,944)	(5,390)	(4,303)	(30,637)
Other	—	755	678	(680)	753
Current year (as of December 31, 2019)	702,930	663,648	17,863	13,979	1,398,422

Cost

Millions of yen

	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2018)	794,471	821,417	75,625	33,245	1,724,760
Previous year (as of December 31, 2018)	761,611	766,094	89,238	25,693	1,642,638
Current year (as of December 31, 2019)	759,454	753,173	92,497	30,295	1,635,420

Accumulated Amortization and Accumulated Impairment losses

Millions of yen

	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2018)	56,523	54,233	51,774	23,548	186,081
Previous year (as of December 31, 2018)	56,523	69,821	71,299	16,449	214,094
Current year (as of December 31, 2019)	56,523	89,524	74,633	16,316	236,998

The carrying amount of intangible assets includes the carrying amount of right-of-use assets (previous year: leased assets in finance leases) as follows:

Millions of yen

	Software	Other	Total
Previous year (as of January 1, 2018)	170	0	170
Previous year (as of December 31, 2018)	166	—	166
Current year (as of December 31, 2019)	123	—	123

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 ¥2,060 million as of December 31, 2019 (¥2,099 million as of December 31, 2018). They primarily consist of trademarks and land leasehold right. They 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 Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s. and Kompania Piwowarska S.A. in the year ended December 31, 2017 and from the acquisition of Birra Peroni S.r.l. in the year ended December 31, 2016. The carrying amount of trademarks recognized due to the acquisition of Plzeňský Prazdroj, a.s. and Plzeňský Prazdroj Slovensko, a.s. are ¥267,074 million (¥280,407 million as of December 31, 2018). The carrying amount of trademarks recognized due to the acquisition of Kompania Piwowarska S.A. is ¥80,553 million (¥84,833 million as of December 31, 2018).

The carrying amount of trademarks recognized due to the acquisition of Birra Peroni S.r.l. in the year ended December 31, 2016 is ¥60,807 million (¥64,734 million as of December 31, 2018).

The above mentioned trademarks are amortized using the straight-line method, the remaining amortization periods of the trademarks related to Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s., Kompania Piwowarska S.A. and Birra Peroni S.r.l are 37 years.

(2) Impairment

Previous year (ended December 31, 2018)

Omitted due to lack of materiality.

Current year (ended December 31, 2019)

Omitted due to lack of materiality.

Impairment test for goodwill and intangible assets with indefinite useful lives

As of December 31, 2019, significant items among goodwill and intangible assets with indefinite useful lives allocated to each cash-generating unit are as below.

Goodwill allocated to the Central and Eastern Europe (Czech Republic and Slovakia) business in the overseas segment is ¥232,801 million as of December 31, 2019 (¥238,032 million as of December 31, 2018).

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 6.5% (7.2% as of December 31, 2018). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit.

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 1.3% (2.0% as of December 31, 2018) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating unit belongs.

The recoverable amount exceeds the carrying amount by ¥117,815 million as of December 31, 2019 (¥96,214 million as of December 31, 2018), however if the discount rate were to increase by 1.2% (0.9% as of December 31, 2018), the carrying amount would exceed the recoverable amount.

Goodwill allocated to the Central and Eastern Europe (Poland) business in the overseas segment is ¥80,827 million as of December 31, 2019 (¥82,895 million as of December 31, 2018).

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 7.6% (8.7% as of December 31, 2018). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit.

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% (2.1% as of December 31, 2018) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating unit belongs.

The recoverable amount exceeds the carrying amount by ¥283,926 million as of December 31, 2019 (¥175,980 million as of December 31, 2018), however if the discount rate were to increase by 9.6% (6.6% as of December 31, 2018), the carrying amount would exceed the recoverable amount.

Goodwill allocated to the Central and Eastern Europe (International) business in the overseas segment is ¥61,384 million as of December 2019 (¥63,618 million as of December 31, 2018).

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 6.7% (7.5% as of December 31, 2018). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit.

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, 2018) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating units belong.

The recoverable amount exceeds the carrying amount by ¥8,095 million as of December 31, 2019 (¥60,633 million as of December 31, 2018), however if the discount rate were to increase by 0.3% (3.1% as of December 31, 2018), 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 is ¥327,918 million as of December 31, 2019 (¥320,543 million as of December 31, 2018) and ¥2,060 million as of December 31, 2019 (¥2,099 million as of December 31, 2018), respectively.

With the review commenced for the cash-generating units, which disclosed as holding significant item among goodwill, the amount for total carrying amount of insignificant items among goodwill and intangible assets with indefinite useful lives allocated to each cash-generating unit is changed for the previous year.

(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, 2018) and the current year (ended December 31, 2019) are as follows:

Millions of yen

Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
12,365	12,828

14. Other Financial Assets

Other financial assets are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2018)	Current year (as of December 31, 2019)
Derivative assets	1,844	49,021
Equity instruments	174,940	188,249
Bonds	0	0
Other	14,773	12,664
Total	191,558	249,935
Current assets	7,025	51,277
Non-current assets	184,533	198,657
Total	191,558	249,935

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, 2018)

Millions of yen

Description	Fair value
Ting Hsin (Cayman Islands) Holding Corp.	34,450
OHSHO FOOD SERVICE CORP.	14,889
SPC Kappa Co., LTD.	9,636
DAIICHIKOSHO CO., LTD.	9,464
COLOWIDE CO.,LTD.	7,927
IMPERIAL HOTEL, LTD.	6,376
ORION BREWERIES, LTD.	6,313
SKYLARK HOLDINGS CO., LTD.	5,927
The Dai-ichi Life Insurance Company, Limited	5,154
Seven & i Holdings Co., Ltd	4,783
Others	70,017
Total	174,940

Current Year (as of December 31, 2019)

Millions of yen

Description	Fair value
Ting Hsin (Cayman Islands) Holding Corp.	48,463
OHSHO FOOD SERVICE CORP.	13,328
DAIICHIKOSHO CO., LTD.	10,428
SPC Kappa Co., LTD.	9,465
SKYLARK HOLDINGS CO., LTD.	7,294
IMPERIAL HOTEL, LTD.	6,744
COLOWIDE CO.,LTD.	6,280
The Dai-ichi Life Insurance Company, Limited	5,449
GINSEN CO.,LTD	4,537
Sumitomo Real Estate Sales Co., Ltd.	4,338
Others	71,918
Total	188,249

Millions of yen

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Dividends received	2,194	2,244

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, 2018)			Current year (ended December 31,2019)		
Fair value	Cumulative gain or loss	Dividends received	Fair value	Cumulative gain or loss	Dividend received
10,695	3,743	95	8,835	5,068	32

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 ¥(3,446) million in the current year (¥(2,505) million in the previous year ended December 31, 2018).

15. Other Assets

“Other current assets” and “Other non-current assets” are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2018)	Current year (as of December 31, 2019)
Prepaid expenses	19,760	23,326
Other	22,989	36,165
Total	42,749	59,491
Current assets	25,324	31,067
Non-current assets	17,424	28,424
Total	42,749	59,491

16. Trade and Other Payables

Trade and other payables are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2018)	Current year (as of December 31, 2019)
Notes and accounts payable	193,531	198,544
Other payables and accrued expenses	154,285	153,437
Refund Liabilities	69,025	71,829
Total	416,842	423,810

“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, 2018)	Current year (as of December 31, 2019)	Average interest rate (Note) (%)	Maturity date
Derivative liabilities	10,604	10,783	—	—
Short-term borrowings	72,806	101,079	0.57	up to Nov. 21, 2020
Current portion of long-term borrowings	94,848	100,263	0.31	up to Dec. 28, 2020
Current portion of bonds	34,965	124,917	0.11	up to Jun. 12, 2020
Commercial paper	60,000	82,000	(0.00)	up to Jan. 31, 2020
Long-term borrowings	288,837	188,862	0.43	up to Nov. 30, 2024
Bonds	475,931	346,093	0.44	up to Jun. 11, 2027
Other	111,201	151,721	—	—
Total	1,149,192	1,105,721	—	—
Current liabilities	324,647	464,525	—	—
Non-current liabilities	824,544	641,196	—	—
Total	1,149,192	1,105,721	—	—

(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 ¥79,421 million (¥59,244 million as of December 31, 2018).

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, 2018)	Current year (as of December 31, 2019)	Maturity date (Interest rate)
the Company	the 4th Issue of Unsecured Corporate Bond	July 13, 2012	9,991 (9,991)	—	July 12, 2019 (0.55%)
the Company	the 5th Issue of Unsecured Corporate Bond	July 15, 2014	24,974 (24,974)	—	July 12, 2019 (0.23%)
the Company	the 6th Issue of Unsecured Corporate Bond	July 15, 2014	9,973 (—)	9,982 (—)	July 15, 2021 (0.37%)
the Company	the 7th Issue of Unsecured Corporate Bond	May 28, 2015	24,949 (—)	24,974 (24,974)	May 28, 2020 (0.24%)
the Company	the 8th Issue of Unsecured Corporate Bond	May 28, 2015	9,965 (—)	9,974 (—)	May 27, 2022 (0.35%)
the Company	the 9th Issue of Unsecured Corporate Bond	Jun 13, 2017	99,827 (—)	99,942 (99,942)	Jun 12, 2020 (0.08%)
the Company	the 10th Issue of Unsecured Corporate Bond	Jun 13, 2017	129,653 (—)	129,751 (—)	Jun 13, 2022 (0.17%)
the Company	the 11th Issue of Unsecured Corporate Bond	Jun 13, 2017	19,921 (—)	19,935 (—)	Jun 13, 2024 (0.23%)
the Company	the 12th Issue of Unsecured Corporate Bond	Jun 13, 2017	29,866 (—)	29,882 (—)	Jun 11, 2027 (0.33%)
the Company	Euro denominated straight corporate bonds due 2021	Sep 19, 2017	75,949 (—)	73,364 (—)	Sep 19, 2021 (0.32%)
the Company	Euro denominated straight corporate bonds due 2025	Sep 19, 2017	75,824 (—)	73,202 (—)	Sep 19, 2025 (1.15%)
Total	—	—	510,896 (34,965)	471,010 (124,917)	

(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, 2018)	Current year (as of December 31, 2019)
Secured liabilities		
Short-term borrowings	1,880	2,291
Current portion of long-term borrowings	596	—
Long-term borrowings	348	—
Other current liabilities	432	417
Total	3,257	2,708
Assets pledged as collateral		
Buildings and structures	1,456	1,413
Machinery and vehicles	682	490
Land	122	125
Cash and cash equivalents	345	448
Total	2,606	2,478

18. Leases

Previous year (as of December 31, 2018)

The Group leases machinery, vehicles and other assets as a lessee. Some lease contracts contain renewable options. There are no material clauses including purchase option, sub-lease contracts, variable lease payments, escalation and any other restrictions associated with these lease contracts.

(1) Finance Leases

Finance lease obligations are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2018)
Within 1 year	
Minimum lease payments payable	7,507
Future finance charge	(336)
Minimum lease payments payable, at present value	7,171
Between 1 and 5 years	
Minimum lease payments payable	12,809
Future finance charge	(530)
Minimum lease payments payable, at present value	12,278
More than 5 years	
Minimum lease payments payable	220
Future finance charge	(10)
Minimum lease payments payable, at present value	210
Total	
Minimum lease payments payable	20,538
Future finance charge	(877)
Minimum lease payments payable, at present value	19,660

(2) Operating Leases

Minimum lease payments under non-cancellable operating leases are as follows:

Millions of yen

	Previous year (as of December 31, 2018)
Within 1 year	6,842
Between 1 and 5 years	15,946
More than 5 years	14,130
Total	36,919

Operating lease expenses recognized during the previous year is ¥30,919 million.

Current year(as of December 31, 2019)

(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:

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Software	Total
Carrying amount for the current year (as of December 31, 2019)	41,392	11,479	7,352	123	60,347
Depreciation expense for right-of-use assets in the current year	9,599	3,930	3,740	56	17,326

The increase in right-of-use assets in the current year is ¥22,259 million.

(2) Lease liabilities

Millions of yen

	Current year (as of December 31, 2019)
Within 1 year	16,904
Between 1 and 2 years	13,170
Between 2 and 3 years	8,517
Between 3 and 4 years	5,873
Between 4 and 5 years	4,227
More than 5 years	41,873
Undiscounted lease liabilities at the end of period	90,565
Balance of lease liabilities included in the consolidated statement of financial position for the current year (as of December 31, 2019)	70,764

(3) Amount recognized in profit or loss

Millions of yen

	Current year (ended December 31, 2019)
Interest expenses on lease liabilities	1,743
Lease expenses under the exemption for short-term leases	80
Lease expenses under the exemption for low-value assets	7,702
Variable lease payments that are not included in measurement of lease liabilities	2,058
Income from subleases of right-of-use assets	—
Total	11,584

Gains or losses arising from sale and leaseback transactions are not material.

(4) Amount recognized in the statement of cash flows

Millions of yen

	Current year (ended December 31, 2019)
Total cash outflows related to leases	33,698

(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

	Current year (ended December 31, 2019)
Finance income on net investment in the lease	52
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:

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	1,437	981	879	778	702	2,813	7,593	1,338	(529)	8,402

(8) Impact on financial statements

In measuring lease liabilities, the Group discounted lease payments using the incremental borrowing rate as of January 1, 2019. The weighted average of the applied rate is 2.5%.

	Millions of yen
Commitments on operating leases as of December 31, 2018	36,919
Amount discounted using the incremental borrowing rate as of January 1, 2019	35,370
Finance lease obligations recognized as of December 31, 2018	19,660
Recognition exemption (short-term leases and leases for which the underlying asset is of low value)	(9,899)
Extension options that are reasonably certain to be exercised	23,108
Lease liabilities recognized on January 1, 2019	68,239

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. Some of the consolidated subsidiaries have changed part of their defined benefit plans to defined contribution plans in the current year.

(2) Defined Benefit Plans

(i) Reconciliation

Present value of defined benefit obligation is analyzed as follows:

Millions of yen

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Balance at beginning of period	165,650	122,644
Current service cost	5,866	5,959
Interest expense	997	1,014
Remeasurements		
Actuarial gains and losses (Note)	(461)	2,212
Past service cost	9	—
Benefits paid	(4,596)	(4,825)
Decrease on changes of pension plans	(44,545)	—
Other	(277)	92
Balance at end of period	122,644	127,098

(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, 2018)	Current Year (ended December 31, 2019)
Balance at beginning of period	174,845	116,409
Interest income	710	667
Remeasurements		
Gains on plan assets	(6,830)	5,548
Contribution to plan by employer	4,253	4,308
Benefits paid	(3,716)	(3,912)
Decrease on changes of pension plans	(52,662)	—
Other	(191)	(46)
Balance at end of period	116,409	122,974

(ii) Asset ceiling

Asset ceiling is analyzed as follows:

Millions of yen

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Balance at beginning of period	8,628	—
Decrease on changes of pension plans	(8,628)	—
Balance at end of period	—	—

(iii) Details of Plan Assets

Plan assets held by the Group are analyzed into categories as follows:

Previous Year (as of December 31, 2018)

Millions of yen

	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Cash and cash equivalents	—	1,000	1,000
Equity instruments	33,273	9,432	42,706
Domestic	27,177	5,538	32,716
Overseas	6,095	3,893	9,989
Debt instruments	16,647	14,513	31,160
Domestic	754	4,493	5,248
Overseas	15,892	10,019	25,912
Life insurance - General accounts	—	28,610	28,610
Other	6,875	6,056	12,932
Total	56,796	59,613	116,409

Current Year (as of December 31, 2019)

Millions of yen

	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Cash and cash equivalents	—	2,755	2,755
Equity instruments	35,505	11,452	46,957
Domestic	27,582	6,717	34,299
Overseas	7,922	4,734	12,657
Debt instruments	18,405	9,594	28,000
Domestic	1,230	4,320	5,551
Overseas	17,175	5,274	22,449
Life insurance - General accounts	—	27,123	27,123
Other	7,140	10,996	18,137
Total	61,051	61,923	122,974

(iv) Significant Actuarial Assumptions

Significant actuarial assumptions are analyzed as follows:

	Previous year (as of December 31, 2018)	Current year (as of December 31, 2019)
Discount rate	0.61%	0.54%

A rise by 0.5% in the discount rate will lead to a decrease of defined benefit obligation by ¥7,512 million at the end of the current year (a decrease of ¥7,159 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 ¥10,231 million for the year from January 1, 2020 to December 31, 2020.

The weighted average duration of the defined benefit obligations is 14.71 years (previous year: 14.90 years).

(3) Other Post-retirement Benefit Plans

Pension cost for the defined contribution plans is ¥3,392 million (previous year: ¥3,523 million).

(4) Employee Benefits Expense

Employee benefits expense recognized in the consolidated statement of profit or loss are ¥226,366 million (previous year: ¥225,648 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, 2018)

Millions of yen

	Environmental measures	Litigation related	Tax related	Other	Total
Balance as of January 1, 2018	1,629	3,518	5,097	6,940	17,184
Increase	1,393	98	3,497	17	5,005
Utilization	—	(96)	(10)	(914)	(1,020)
Reversal	(1,948)	(186)	(88)	(991)	(3,213)
Other	199	(80)	236	(326)	29
Balance as of December 31, 2018	1,273	3,254	8,732	4,726	17,985

Current year (ended December 31, 2019)

Millions of yen

	Environmental measures	Litigation related	Tax related	Other	Total
Balance as of January 1, 2019	1,273	3,254	8,732	4,726	17,985
Increase	—	122	1,091	1,212	2,425
Utilization	—	(838)	(36)	(1,054)	(1,928)
Reversal	(631)	(1,649)	(199)	(517)	(2,996)
Other	(443)	(113)	(129)	(187)	(872)
Balance as of December 31, 2019	199	776	9,459	4,180	14,614

Environmental Measures

These are mainly provisions to prepare for future payments that may arise in line with compliance with laws and regulations overseas aimed at environmental measures.

The outflow of economic benefits is mainly expected to occur in the following year.

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, 2018)	Current year (as of December 31, 2019)
Accrued alcohol tax	111,198	101,665
Accrued consumption tax	19,003	22,443
Accrued bonus	4,799	4,950
Other	8,555	7,206
Total	143,557	136,265
Other current liabilities	140,821	133,375
Other non-current liabilities	2,736	2,890
Total	143,557	136,265

22. Equity and Other Equity Interest

(1) Issued Capital and Reserves

The number of shares authorized and shares issued are as follows:

	Shares authorized (in thousands of shares)	Shares Issued (in thousands of shares)
Previous year (as of January 1, 2018)	972,305	483,585
Increase (Decrease)	—	—
Previous year (as of December 31, 2018)	972,305	483,585
Increase (Decrease)	—	—
Current year (as of December 31, 2019)	972,305	483,585

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, 2018)	Current year (as of December 31, 2019)
	Number of shares	Number of shares
Held by the Company	25,467	25,473
Held by subsidiaries and associates	48	45

Treasury shares held by subsidiaries and associates in the current year include 35,742 (38,700 as of December 31, 2018) common shares of the Company held by Japan Trustee Services Bank, Ltd. as the trust assets of a performance-linked stock compensation plan.

23. Dividends

Previous Year (ended December 31, 2018)

(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 27, 2018	Ordinary shares	20,615	45.00	Dec 31, 2017	Mar 28, 2018
Board of Directors held on August 2, 2018	Ordinary shares	20,615	45.00	Jun 30, 2018	Sep 3, 2018

Total amount ¥20,615 million of dividends by a resolution of Board of Directors held on August 2, 2018 include dividends of ¥1 million for shares of the Company held by Japan Trustee Services Bank, 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, 2019	Ordinary shares	Retained earnings	24,738	54.00	Dec 31, 2018	Mar 27, 2019

Total amount ¥24,738 million of dividends by a resolution of Annual General Meeting of Shareholders held on Mar 26, 2019 include dividends of ¥2 million for shares of the Company held by Japan Trustee Services Bank, Ltd. as the trust assets of a stock compensation plan.

Current Year (ended December 31, 2019)

(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 26, 2019	Ordinary shares	24,738	54.00	Dec 31, 2018	Mar 27, 2019
Board of Directors held on August 1, 2019	Ordinary shares	23,822	52.00	Jun 30, 2019	Sep 2, 2019

(i)Total amount ¥24,738 million of dividends by a resolution of Annual General Meeting of Shareholders held on Mar 26, 2019 include dividends of ¥2 million for shares of the Company held by Japan Trustee Services Bank, Ltd. as the trust assets of a stock compensation plan.

(ii)Total amount ¥23,822 million of dividends by a resolution of Board of Directors held on August 1, 2019 include dividends of ¥2 million for shares of the Company held by Japan Trustee Services Bank, 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, 2020	Ordinary shares	Retained earnings	21,989	48.00	Dec 31, 2019	Mar 26, 2020

Total amount ¥21,989 million of dividends by a resolution of Annual General Meeting of Shareholders held on Mar 25, 2020 include dividends of ¥1 million for shares of the Company held by Japan Trustee Services Bank, 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.

The Company additionally contributes cash up to ¥300 million to the trust, which was already established on December 28, 2016, during three fiscal years from the fiscal year ended on the last day of December 2019 to the fiscal year ending on the last day of December 2021. 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 (hereinafter referred to as the “New 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. 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.

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 ¥40 million (previous year: ¥49 million) as share-based payment expense in selling, general and administrative expenses in the current year, and recognized in capital surplus. The Company recognized ¥39 million (previous year: ¥12 million) as cash-based payment expense in selling, general and administrative expenses in the current year, and ¥45 million (previous year: ¥34 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.

For the New Plan, as of December 31, 2019, approximate number of share points were granted as the trust had not been established.

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Change in number of share points:		
Unexercised balance at beginning of year	26,322 Points	38,787 Points
Increase due to grant of share points	12,465 Points	16,054 Points
Decrease due to exercise of share points	—	(2,948)
Decrease due to lapse of share points	—	—
Unexercised balance at end of year	38,787 Points	51,893Points
Exercisable balance at end of year	38,787 Points	51,893Points
Weighted average fair value:	¥4,269	¥4,983

25. Revenue

(1) Revenue Analysis and Relation to Segment Revenue

The Group has broken down the reportable segments of “Alcohol Beverages,” “Soft Drinks,” “Food,” and “Overseas,” 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 operation of restaurants and others in the Alcohol Beverages segment.

"Overseas" is broken down into "Europe," "Oceania," and "Overseas Other," according to the location of sales.

Previous Year (ended December 31, 2018) 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
Alcohol Beverages		864,755	22,331	—	26,300	(28,583)	884,804
Soft Drinks		4,832	365,943	—	—	(8,393)	362,382
Food		—	—	115,973	—	(1,321)	114,652
Overseas	Europe	463,058	—	—	—	—	463,058
	Oceania	84,393	90,325	—	—	—	174,719
	Overseas Other	23,042	49,582	—	—	(176)	72,449
		570,495	139,908	—	—	(176)	710,227
Other		—	—	—	109,467	(61,243)	48,223
Consolidated		1,440,084	528,183	115,973	135,768	(99,718)	2,120,291

Current Year (ended December 31, 2019) 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
Alcohol Beverages		838,632	22,499	—	25,728	(27,638)	859,221
Soft Drinks		5,363	370,877	—	—	(8,925)	367,315
Food		—	—	117,645	—	(1,082)	116,562
Overseas	Europe	458,829	—	—	—	—	458,829
	Oceania	93,862	84,987	—	—	—	178,849
	Overseas Other	14,727	47,191	—	—	(233)	61,685
		567,418	132,178	—	—	(233)	699,363
Other		—	—	—	109,191	(62,605)	46,585
Consolidated		1,411,413	525,554	117,645	134,919	(100,485)	2,089,048

(Note for changes in reporting segments)

Some of the companies changed the reporting segments in the current year, and accordingly the amount shown in segment information for the previous year reflected the changes in reporting segments. Please refer to "7. Segment Information" for details.

(Note for change in presentation)

Some of the companies included in Overseas Other are included in Europe from the current year, and accordingly the amount shown for the previous year reflected this change.

(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 on 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, 2018)	Current year (ended December 31, 2019)
Promotion expense	125,713	120,241
Advertising	63,559	61,099
Transportation	74,900	75,743
Employee benefits expense	159,014	159,582
Depreciation and amortization expenses	55,897	55,487
Other	116,575	106,619
Total	595,661	578,774

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, 2018)	Current year (ended December 31, 2019)
Gains on sales of property, plant and equipment	1,440	3,620
Gains on sales of shares of subsidiaries and associates	—	298
Gains on remeasurement of shares of subsidiaries and associates	1,443	—
Other	1,485	2,159
Total	4,369	6,078

(2) Other Operating Expense Millions of yen

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Losses on disposals of property, plant and equipment	5,589	7,546
Impairment losses	294	57
Other	8,096	10,009
Total	13,980	17,613

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, 2018)	Current year (ended December 31, 2019)
Interest received(Note)	920	859
Dividends received		
Financial assets measured at fair value through other comprehensive income	2,194	2,244
Gains on change in fair value of derivatives		
Financial assets measured at fair value through profit or loss	575	2,621
Foreign exchange gain	4,557	2,369
Other	34	—
Total	8,282	8,094

(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, 2018)	Current Year (ended December 31, 2019)
Interest paid(Note)	6,753	7,390
Loss on change in fair value of derivatives		
Financial liabilities measured at fair value through profit or loss	5,978	5,541
Other	—	80
Total	12,731	13,012

(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 followings:

Previous Year (ended December 31, 2018)

Millions of yen

	Balance as of January 1, 2018	Recognized in profit or loss	Recognized in Other Comprehensive Income	Other (Note)	Balance as of December 31, 2018
Deferred tax assets					
Loss allowance for credit losses	1,336	(54)	—	(33)	1,247
Retirement benefits	5,919	616	1,966	82	8,583
Property, plant and equipment and intangible assets	45,977	(3,331)	—	(253)	42,392
Unused tax losses	954	539	—	(49)	1,444
Income tax payable-enterprise tax	1,765	(254)	—	54	1,564
Accrued bonus	1,637	94	—	(39)	1,691
Other	32,696	(11,365)	13	(510)	20,834
Total of Deferred tax assets	90,287	(13,757)	1,979	(751)	77,759
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(184,693)	10,284	—	11,896	(162,512)
Equity instruments	(26,115)	—	6,035	—	(20,080)
Retained earnings of subsidiaries and associates	(8,653)	9,323	(1,015)	—	(345)
Other	(16,217)	510	(648)	557	(15,797)
Total of Deferred tax liabilities	(235,679)	20,119	4,370	12,453	(198,736)
Net amount of Deferred tax assets and Deferred tax liabilities	(145,391)	6,362	6,350	11,702	(120,976)

(Note) Amounts in the column 'Other' are primarily deferred tax assets and deferred tax liabilities recognized through exchange rate fluctuations.

Current Year (ended December 31, 2019)

Millions of yen

	Balance as of January 1, 2019	Recognized in profit or loss	Recognized in Other Comprehensive Income	Other (Note1)	Balance as of December 31, 2019
Deferred tax assets					
Loss allowance for credit losses	1,247	(367)	—	(31)	848
Retirement benefits	8,583	458	(1,037)	(198)	7,805
Property, plant and equipment and intangible assets(Note2)	42,394	406	—	(96)	42,704
Unused tax losses	1,444	(601)	—	(1)	841
Income tax payable-enterprise tax	1,564	51	—	(89)	1,527
Accrued bonus	1,691	525	—	(11)	2,206
Other	20,834	(286)	(760)	(644)	19,142
Total of Deferred tax assets	77,760	185	(1,798)	(1,072)	75,076
Deferred tax liabilities					
Property, plant and equipment and intangible assets(Note2)	(162,530)	4,083	—	1,384	(157,062)
Equity instruments	(20,080)	—	(1,250)	65	(21,265)
Retained earnings of subsidiaries and associates	(345)	177	—	—	(168)
Other	(15,797)	845	(14,538)	676	(28,814)
Total of Deferred tax liabilities	(198,754)	5,105	(15,789)	2,126	(207,311)
Net amount of Deferred tax assets and Deferred tax liabilities	(120,993)	5,291	(17,588)	1,054	(132,235)

(Note)
1. Amounts in the column ‘Other’ are primarily deferred tax assets and deferred tax liabilities recognized through exchange rate fluctuations.
2. The effect on the financial statements of the adoption of IFRS 16 is reflected in the beginning balance.

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, 2018)	Current year (as of December 31, 2019)
Deductible temporary differences	263,112	224,368
Unused tax losses		
Expires within 1 year	4,554	909
Expires between 1 and 5 years	3,121	7,171
Expires after 5 years	9,264	10,076
Total	16,940	18,157
Unused tax credits		
Expires within 1 year	—	—
Expires between 1 and 5 years	—	940
Expires after 5 years	—	43
Total	—	984

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 ¥376,646 million (¥437,167 million in the previous year ended December 31, 2018).

(2) Tax Expense

Tax expense is analyzed as follows:

Millions of yen

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Current tax expense		
Current year	62,732	61,391
Total of current tax expense	62,732	61,391
Deferred tax expense		
Recognition and reversal of temporary differences	(4,176)	(6,718)
Revision of recoverability of deferred tax assets	(14)	999
Change in tax rate	(2,170)	427
Total deferred tax expense	(6,362)	(5,291)
Total	56,370	56,100

Differences between the effective statutory tax rate and the average effective tax rate are analyzed as follows:

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Effective statutory tax rate	30.9%	30.6%
Tax rate effect of foreign subsidiaries	(3.7)%	(4.3)%
Tax effect of non-taxable or non-deductible items for tax purposes	0.8%	1.6%
Profit (loss) of entities accounted for using equity method	(0.1)%	(0.1)%
Gain (loss) on sales of investments accounted for using equity method	4.6%	—
Tax effect from change in tax rate	(1.0)%	0.2%
Retained earnings of subsidiaries and associates	(4.9)%	(0.1)%
Other	0.8%	0.5%
Average effective tax rate	27.2%	28.4%

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 30.9% for the previous year and 30.6% for the current year, respectively. Foreign subsidiaries are subject to income taxes in the tax jurisdiction that it is located.

30. Earnings per Share

(1) Basic and Diluted Earnings per Share

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Basic earnings per share (Yen)	329.80	310.44
Diluted earnings per share (Yen)	329.79	310.42

(2) Basis of Calculation for Basic and Diluted Earnings per Share

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Profit attributable to owners of parent (Millions of yen)	151,077	142,207
Weighted average number of ordinary shares outstanding (Shares)	458,088,184	458,078,035
Effect of dilution (Shares):		
Trust for share issuance to executives	21,057	35,742
Adjusted weighted average number of ordinary shares outstanding (Shares)	458,109,241	458,113,777
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, 2018)			Current year (ended December 31, 2019)		
	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	(21,995)	6,130	(15,865)	15,063	(1,277)	13,785
Changes	(21,995)	6,130	(15,865)	15,063	(1,277)	13,785
Remeasurements of defined benefit plans						
Increase and decrease	(6,368)	1,966	(4,401)	3,336	(1,037)	2,298
Changes	(6,368)	1,966	(4,401)	3,336	(1,037)	2,298
Items that might be reclassified to profit or loss						
Cash flow hedges						
Increase and decrease	43	(215)	(172)	48,537	(14,858)	33,679
Reclassification to profit or loss	(56)	16	(39)	148	(22)	126
Changes	(12)	(199)	(211)	48,686	(14,880)	33,806
Costs of hedging						
Increase and decrease	(913)	279	(633)	1,066	(326)	740
Reclassification to profit or loss	(37)	11	(25)	(37)	11	(25)
Changes	(951)	291	(659)	1,029	(315)	714
Translation differences on foreign operations						
Increase and decrease	(89,406)	(729)	(90,136)	(41,591)	(409)	(42,001)
Reclassification to profit or loss	749	—	749	37	—	37
Changes	(88,657)	(729)	(89,386)	(41,554)	(409)	(41,963)
Share of other comprehensive income of entities accounted for using equity method						
Increase and decrease	(100)	—	(100)	(211)	—	(211)
Reclassification to profit or loss	3,503	(1,019)	2,484	—	—	—
Changes	3,402	(1,019)	2,383	(211)	—	(211)
Total other comprehensive income	(114,582)	6,439	(108,142)	26,351	(17,920)	8,430

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, 2018)	Current year (as of December 31, 2019)
Interest-bearing debts	1,084,185	1,050,167
Less: Cash and cash equivalents	(57,317)	(48,489)
Net liabilities	1,026,867	1,001,678
Equity attributable to owners of parent	1,146,420	1,246,314
The capital and liabilities ratio	89.6%	80.4%

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, the Company trades with financial institutions only 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 Directors 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 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 is hedged by derivative transactions, etc.

Functional currency: Japanese yen

Millions of yen

	Previous year (as of December 31, 2018)			
	US dollar	Euro	Czech koruna	Australian dollar
Net exposure	1,441	665	(2)	5,978

Millions of yen

	Current year (as of December 31, 2019)			
	US dollar	Euro	Czech koruna	Australian dollar
Net exposure	4,821	1,554	(1)	(281)

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, 2018)	
	US dollar	Czech koruna
Net exposure	(630)	1,784

Millions of yen

	Current year (as of December 31, 2019)	
	US dollar	Czech koruna
Net exposure	1,178	2,336

Sensitivity Analysis

Assuming that the Japanese yen appreciates by 1% against the US dollar, Euro, Czech koruna and Australian dollar, it will affect profit before tax 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, 2018)	Current year (ended December 31, 2019)
US dollar	(14)	(48)
Euro	(6)	(15)
Czech koruna	0	0
Australian dollar	(59)	2

Assuming that the Euro appreciates by 1% against the US dollar and Czech koruna, it will affect profit before tax 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, 2018)	Current year (ended December 31, 2019)
US dollar	6	(11)
Czech koruna	(17)	(23)

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 ¥5,177 million (previous year: ¥5,144 million) as a result of changes in fair value.

Furthermore, the Group is exposed to price risk of raw materials 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 raw materials prices. 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 profit before tax 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, 2018)	Current year (ended December 31, 2019)
Profit before tax	931	1,115

(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, the Group trades with financial institutions only 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:
The table below includes the carrying amount included in "Assets held for sale."

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, 2018)	14,523	838	425,086
Previous year (as of December 31, 2018)	16,544	507	413,032
Current year (as of December 31, 2019)	16,506	624	394,078

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, 2018)	77	144	2,862
Increase	264	22	1,131
Utilization	(46)	(105)	(324)
Reversal	(243)	(43)	(1,488)
Other	64	359	125
Previous year (as of December 31, 2018)	117	378	2,307
Increase	17	96	1,739
Utilization	—	(13)	(480)
Reversal	(35)	(70)	(832)
Other	(0)	(4)	366
Current Year (as of December 31, 2019)	99	386	3,101

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, 2018)	9,239	1,866
Previous year (as of December 31, 2018)	8,408	2,051
Current year (as of December 31, 2019)	9,201	1,951

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, 2018)	162	702
Increase	91	95
Utilization	—	(1)
Reversal	(90)	(176)
Other	(162)	286
Previous year (as of December 31, 2018)	0	905
Increase	11	244
Utilization	—	(25)
Reversal	(11)	(20)
Other	—	(108)
Current year (as of December 31, 2019)	0	995

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, 2018)	Current year (as of December 31, 2019)
Guarantees	892	1,787

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 ¥2,775 million at the end of the current year (¥3,021 million in the previous year ended December 31, 2018).

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, 2018)

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	416,842	416,842	416,842	—	—	—	—	—
Bonds and borrowings	1,027,388	1,038,737	265,274	226,951	252,489	154,461	5,893	133,669
Derivative liabilities	10,604	10,604	3,367	289	2,561	85	—	4,300

Current Year (as of December 31, 2019)

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	423,810	423,810	423,810	—	—	—	—	—
Bonds and borrowings	943,215	952,733	413,814	245,739	153,025	8,085	27,859	104,208
Derivative liabilities	10,783	10,783	1,613	348	4,716	38	—	4,067

(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, 2018)		Current year (as of December 31, 2019)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans receivable	1,404	1,338	1,504	1,434
Long-term borrowings	383,686	383,786	289,126	288,961
Bonds	510,896	510,512	471,010	475,567

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.

The carrying amount of the lease liability in the previous year was ¥19,660 million and the fair value was ¥19,756 million.

The fair value of lease obligations is calculated by discounting the total amount of principal and interest by the interest rate expected if a similar new lease transaction were to be conducted.

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:

Previous Year (as of December 31, 2018) Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	1,374	—	1,374
Derivatives not designated as hedging instruments	—	469	—	469
Equity instruments	102,888	72	71,979	174,940
Others	1	743	—	744
Total assets	102,889	2,660	71,979	177,529
Liabilities				
Derivatives designated as hedging instruments	—	8,633	—	8,633
Derivatives not designated as hedging instruments	—	1,970	—	1,970
Total liabilities	—	10,604	—	10,604

There were no material transfers between Levels 1 and 2 during the year.

Current Year (as of December 31, 2019) Millions of yen

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	47,259	902	48,162
Derivatives not designated as hedging instruments	—	858	—	858
Equity instruments	103,549	67	84,631	188,249
Others	0	995	—	995
Total assets	103,550	49,181	85,533	238,266
Liabilities				
Derivatives designated as hedging instruments	—	10,734	—	10,734
Derivatives not designated as hedging instruments	—	49	—	49
Contingent consideration	—	—	730	730
Total liabilities	—	10,783	730	11,514

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 0.8 times to 1.1 times (from 0.7 times to 1.6 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, 2018) 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 at beginning of period	85,001	—	—
Gains (losses) recognized in profit or loss	—	—	—
Gains (losses) recognized in other comprehensive income	(12,737)	—	—
Purchases	305	—	—
Sales	(541)	—	—
Settlements	—	—	—
Transfers into/out of Level 3	2	—	—
Other	(51)	—	—
Balance at end of period	71,979	—	—
Of gains (losses) recognized in profit or loss : Gains (losses) for assets and liabilities held at end of period	—	—	—

Current Year (ended December 31, 2019) 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 at beginning of period	71,979	—	—
Gains (losses) recognized in profit or loss	—	—	46
Gains (losses) recognized in other comprehensive income	13,470	—	—
Purchases	5,001	902	—
Sales	(5,783)	—	—
Settlements	—	—	—
Transfers into/out of Level 3	(37)	—	—
Other	—	—	684
Balance at end of period	84,631	902	730
Of gains (losses) recognized in profit or loss : Gains (losses) for assets and liabilities held at end of period	—	—	46

(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, 2018)

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	67,739	1,272	510
	Currency swap	160,195	59	6,710
	Commodity swap	22,801	42	1,413
	Interest rate swap	—	—	—
	Forward contract	—	—	—
Total		250,736	1,374	8,633
Hedges of net investments in foreign operations	Euro denominated borrowings	38,100 (Euro 300 million)	—	38,100

The average rates applied to the foreign exchange contracts are ¥107.18 per US dollar, ¥128.88 per Euro and Euro 0.23 per Polish Zloty and 0.82 US dollar per Australian dollar. The average rates applied to the currency swap is ¥130.50 per Euro.

Current Year (as of December 31, 2019)

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	1,182,831	47,013	1,064
	Currency swap	167,194	94	8,990
	Commodity swap	25,089	151	680
	Interest rate swap	—	—	—
	Forward contract	—	—	—
Total		1,375,115	47,259	10,734
Hedges of net investments in foreign operations	Euro denominated borrowings	36,762 (Euro 300 million)	—	36,762

The average rates applied to the foreign exchange contracts are ¥73.02 per Australian dollar, ¥106.50 per US dollar, ¥126.08 per Euro, Euro 0.23 per Polish Zloty and 0.81 US dollar per Australian dollar. The average rates applied to the currency swap is ¥130.50 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, 6 years and 4 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, 2018)		Current year (as of December 31, 2019)	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange contract	0	10	0	29
Currency swap	465	1,952	849	20
Commodity swap	4	7	8	0
Total	469	1,970	858	49

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, 2018)	Current year (as of December 31, 2019)
Reserve of cash flow hedges		
Foreign exchange contract	305	31,609
Currency swap	145	1,622
Commodity swap	(1,092)	(434)
Interest rate swap	—	—
Forward contracts	—	—
Total	(641)	32,797
Reserve of costs of hedging		
Currency swap (period-related)	(1,839)	(1,125)
Hedges of net investments in foreign operations		
Euro denominated borrowings	1,011	1,939

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, 2018) 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	1,080	(56)	Finance costs
Price risk	(1,036)	—	
Interest rate risk	—	—	
Total	43	(56)	
Costs of hedging			
Foreign exchange risk (period-related)	(913)	(37)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	2,382	—	

(Note) The amounts are gross values before tax.

Current Year (ended December 31, 2019) 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	47,695	148	Finance costs
Price risk	842	—	
Interest rate risk	—	—	
Total	48,537	148	
Costs of hedging			
Foreign exchange risk (period-related)	1,066	(37)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	1,338	—	

(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 ¥402 million (previous year: ¥(441) million) of foreign exchange risks and ¥ (10) million (previous year: ¥80 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 in the current year. 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:

	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	35,054	(31,262)	3,792
<Financial liabilities> Bonds and borrowings	31,262	(31,262)	—

33. Significant Non-cash Transactions

Previous Year (ended December 31, 2018)

There are no significant non-cash transactions.

Current Year (ended December 31, 2019)

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, 2018)

There are no significant transactions.

Current year (ended December 31, 2019)

The Group acquired shares in Asahi UK Holdings 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:

Current assets	6,591	millions of yen
Non-current assets	22,111	”
Goodwill	16,697	”
Current liabilities	(16,878)	”
Non-current liabilities	(3,356)	”
Acquisition cost of shares, etc.	25,165	millions of yen
Cash and cash equivalents of acquired companies	(539)	”
Contingent consideration	(684)	”
Net cash used for acquisition of acquired companies	23,942	millions of yen

(Note) Goodwill, acquired assets and liabilities assumed in the business combination were provisional because the review to verify the identifiable assets and liabilities at the date of business combination was still in progress and the allocation of consideration was yet to be completed. These amounts have been completed in this fourth quarter consolidated accounting period and revisions have been made.

(2) Earnings and Expenses on Sales of Subsidiaries

Previous Year (ended December 31, 2018)

The Group sold shares in PT Asahi Indofood Beverage Makmur and 2 other companies. Main assets and liabilities associate with the loss of control of a subsidiaries, as well as the relationship between the considerations received and earnings and expenses on sales are analyzed as follows:

Current assets	6,129	millions of yen
Non-current assets	13,615	”
Current liabilities	(8,823)	”
Non-current liabilities	(8,114)	”
Non-controlling interests	(1,711)	”
Gains (Losses) on sales of shares of subsidiaries and associates	62	”
Income from sale of shares, etc.	1,157	millions of yen
Cash and cash equivalents of assets of the subsidiary when control was lost	(168)	”
Net cash used for earnings and (expenses) on sales of shares of subsidiaries and associates	989	millions of yen

Current Year (ended December 31, 2019)

Omitted due to lack of materiality.

35. Changes in Liabilities Arising from Financing Activities

Previous Year (ended December 31, 2018)

Millions of yen

Item	Balance as of January 1, 2018	Change owing to financing cash flow	Non-cash changes						Balance as of December 31, 2018
			Acquisition	Long- and short-term transfer	Change in scope of consolidation	Exchange differences	Changes in fair value	Other	
Short-term borrowings (Note)	241,208	(105,281)	—	—	(345)	(2,775)	—	—	132,806
Lease obligations	22,990	(9,087)	5,884	—	—	(126)	—	—	19,660
Current portion of long-term borrowings	98,530	(96,821)	—	93,218	—	(77)	—	—	94,848
Long-term borrowings	382,242	2,566	—	(93,218)	—	(2,753)	—	—	288,837
Current portion of bonds	19,984	(20,000)	—	34,949	—	—	—	31	34,965
Bonds	519,961	—	—	(34,949)	—	(9,528)	—	447	475,931
Derivative liabilities (assets) held to hedge liabilities arising from financing activities	(3,278)	—	—	—	—	—	6,686	—	3,408
Total	1,281,637	(228,623)	5,884	—	(345)	(15,261)	6,686	479	1,050,458

(Note) Short-term borrowings include commercial papers.

Current year (ended December 31, 2019)

Millions of yen

Item	Balance as of January 1, 2019	Change owing to financing cash flow	Non-cash changes						Balance as of December 31, 2019
			Acquisition	Long- and short-term transfer	Change in scope of consolidation	Exchange differences	Changes in fair value	Other	
Short-term borrowings (Note 1)	132,806	38,736	—	—	11,448	87	—	—	183,079
Lease liabilities (Note 2)	68,239	(22,113)	23,447	—	498	509	—	183	70,764
Current portion of long-term borrowings	94,848	(93,587)	—	99,009	—	(7)	—	—	100,263
Long-term borrowings	288,837	596	—	(99,009)	—	(1,561)	—	—	188,862
Current portion of bonds	34,965	(35,000)	—	124,838	—	—	—	112	124,917
Bonds	475,931	—	—	(124,838)	—	(5,352)	—	352	346,093
Derivative liabilities (assets) held to hedge liabilities arising from financing activities	3,408	—	—	—	—	—	5,278	—	8,687
Total	1,099,034	(111,367)	23,447	—	11,947	(6,324)	5,278	648	1,022,667

(Note) 1. Short-term borrowings include commercial papers.

2. With the application of IFRS 16, “Lease obligations” in the previous year, was changed to “Lease liabilities” from the current year. In addition, as described in “18. Leases,” the impact of the application of the Standard was adjusted to the balance as of January 1, 2019.

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, 2018)	Current year (ended December 31, 2019)
Short-term employee benefits expense	722	665
Share-based Payments	62	80
Total	784	745

37. Business combination

(1) Business combination

Current year (ended December 31, 2019)

(i) Outline of the transaction

a. Name and business of the acquiree

Company name	Business
Asahi UK Holdings Ltd (Note)	Manufacture and sales of beer
Cornish Orchards Ltd	Manufacture and sales of cider
The Dark Star Brewing Company Limited	Manufacture and sales of beer
Nectar Imports Limited	Wholesales

(Note) The company name of The Fuller's Beer Company Limited was changed as of April 29, 2019.

b. Purpose of the transaction

Asahi has re-established the new group philosophy "Asahi Group Philosophy" (hereinafter referred to as the "AGP"), introduced in January 2019. The AGP articulates our mission of "Deliver on our great taste promise and bring more fun to life" and our vision of "Be a value creator globally and locally, growing with high-value-added brands". Under the AGP, we aim to expand our global platform for further growth as a global player by developing high-value-added brands domestically and internationally as well as creating integration synergies in regions where Asahi has entered into.

As part of the strategy, Asahi has recently built strong business foundations in Western, and Central and Eastern Europe by acquiring the alcoholic beverage business which owns global premium brands such as "Peroni" and "Pilsner Urquell".

The Target Business includes "London Pride", a prestigious premium ale brand with strong brand recognitions mainly in London, "Frontier", a growing brand in the premium lager market, and "Cornish Orchards", a growing brand in the premium cider market.

Through the acquisition of these businesses and brands, we aim to establish a unique position as a global player that will grow based on renowned premium brands, in addition to "Super Dry", "Peroni", and "Pilsner Urquell".

c. Acquisition date of the business combination

April 27, 2019

d. Legal form of the business combination

The Group purchased shares with cash consideration.

e. Proportion of voting rights acquired

Company name	Proportion of voting rights
Asahi UK Holdings Ltd	100.00%
Cornish Orchards Ltd	100.00%
The Dark Star Brewing Company Limited	100.00%
Nectar Imports Limited	100.00%

(ii) Effect on the Group

Revenue and profit generated by Asahi UK Holdings Ltd and the other 3 entities since the acquisition date amounted to ¥14,648 million and ¥(465) million, respectively.

Assuming the business combination was conducted at the beginning of the period, revenue and operating profit for the period would be ¥2,097,495 million and ¥201,577 million, respectively. This pro forma note is unaudited by the independent auditor.

(iii) Consideration transferred and its details

The consideration transferred was ¥21,721 million, all of which was paid in cash.

(iv) Acquisition-related costs

Acquisition-related costs amounted to ¥788 million were included in “Selling, general and administrative expenses”

(v) Acquired receivables

The gross contractual amount of trade and other receivables acquired was ¥4,206 million in aggregate, and was ¥4,076 million at fair value on the acquisition date.

(vi) Acquisition-date fair value of assets and liabilities and goodwill

Cash and cash equivalents	483	millions of yen
Trade and other receivables	4,076	”
Other	1,777	”
Total current assets	6,337	”
Total non-current assets	21,355	”
Total assets	27,692	millions of yen
Total current liabilities	(16,717)	”
Total non-current liabilities	(3,148)	”
Total liabilities	(19,865)	millions of yen
Consideration transferred	(21,721)	”
Goodwill	13,893	”

In the fourth quarter of this consolidated accounting period, the amounts for Goodwill as of acquisition date decreased for ¥13,527 million. This is primarily due to the increase of intangible assets for ¥12,487 million.

Goodwill is primarily composed of synergies with the Group’s businesses and excess profitability that are expected to occur from the acquisition.

38. Interest in Other Entities

(1) Interest in Subsidiaries

Subsidiaries included in the consolidated financial statements are as follows:

Previous Year (ended December 31, 2018)

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)
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanashi	100.00 (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
Beijing Beer Asahi Co., Ltd.	Beijing, China	90.00
China Foods Investment Corp.	Sumida-ku, Tokyo	100.00 (100.00)
AI Beverage. Holding Co., Ltd.	Sumida-ku, Tokyo	100.00
Asahi Holdings(Australia) Pty Ltd	Victoria, Australia	100.00
Asahi Beverages Pty Ltd	Victoria, Australia	100.00 (100.00)
Independent Liquor (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 Ltd	Woking, United Kingdom	100.00

Name	Location	Proportion of ownership interest (%)
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)
Asahi UK Ltd	London United Kingdom	100.00 (100.00)
Asahi Breweries Europe Ltd	Woking, United Kingdom	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 109 Subsidiaries	—	—

(Notes) 1. Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.

2. As total shares held for Tsingtao Brewery Co., Ltd., which was the associate of the Group that held voting rights of Yantai Beer Tsingtao Asahi Co., Ltd., was sold, Yantai Beer Tsingtao Asahi Co., Ltd became an equity-accounted investee from a consolidated subsidiary because voting rights including voting rights held by associates of the Group became less than the majority, and the Group lost the control of Yantai Beer Tsingtao Asahi Co., Ltd. The revaluation gain due to this change in the scope of consolidation is described in "27.Other Operating Income and Expense".

3. The company name of Pivovary Topvar a.s. was changed to Plzeňský Prazdroj Slovensko, a.s in 2018.

Current Year (ended December 31, 2019)

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)
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanashi	100.00 (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
Beijing Beer Asahi Co., Ltd.	Beijing, China	90.00
China Foods Investment Corp.	Sumida-ku, Tokyo	100.00
Asahi Holdings(Australia) Pty Ltd	Victoria, Australia	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 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)

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)
Asahi Breweries Europe Ltd	Woking, United Kingdom	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 116 Subsidiaries	—	—

(Notes) 1. Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.

2. The company name of Independent Liquor (NZ) Limited was changed to Asahi Beverages (NZ) Limited in 2019.

(2) Interests in Associates

(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, 2018)	Current year (as of December 31, 2019)
The carrying amount of interests	8,250	8,366

Millions of yen

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Profit	887	892
Other comprehensive income	(307)	(203)
Total comprehensive income	580	689

(Note) In the previous year, as total shares held for Tsingtao Brewery Co., Ltd., which was the associate of the Group that held voting rights of Yantai Beer Tsingtao Asahi Co., Ltd., was sold, Yantai Beer Tsingtao Asahi Co., Ltd became an equity-accounted investee from a consolidated subsidiary because voting rights including voting rights held by associates of the Group became less than the majority, and the Group lost the control of Yantai Beer Tsingtao Asahi Co., Ltd.

(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, 2018)	Current year (as of December 31, 2019)
The carrying amount of interests	417	389

Millions of yen

	Previous year (ended December 31, 2018)	Current year (ended December 31, 2019)
Profit	0	(19)
Other comprehensive income	0	(8)
Total comprehensive income	0	(27)

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.

42. Additional Information

The Company has entered into an agreement with Anheuser-Busch InBev (hereinafter referred to as the "AB InBev") to acquire 100% of the shares of AB InBev's Australian business (hereinafter referred to as the "CUB") on July 19, 2019 (hereinafter referred to as the "Proposed Transaction"). For the following reasons, the closing of the "Proposed Transaction", which was scheduled during the first quarter of 2020, is expected to be executed during the second quarter of 2020.

(The reason for the change in the timing of completion)

The Proposed Transaction is subject to the approval from the Australian Competition and Consumer Commission and Foreign Investment Review Board (collectively, the "Australian Authorities"), which is one of the preceding conditions that Asahi as the purchaser of the CUB is required to fulfill prior to the acquisition.

Given the Australian Authorities are still reviewing the Proposed Transaction at the moment, there is likely to be a delay to the originally proposed completion timing.

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Asahi Group Holdings, Ltd. and Subsidiaries

Unaudited Pro Forma Consolidated Statement of Profit or Loss for the Twelve-month Period Ended December 31, 2019

For the twelve-month period ended December 31, 2019

	Adjustments	Historical Consolidated Financial Information: Asahi Group Holdings, Ltd.	Historical Consolidated Financial Information: ABI Australia Holding Pty Ltd	ABI Australia Holding Pty Ltd Reclassifications	ABI Australia Holding Pty Ltd Asahi Pro Forma Adjustments	ABI Australia Holding Pty Ltd Pro Forma Basis	ABI Australia Holding Pty Ltd Pro Forma Basis	Asahi Group Holdings, Ltd. Asahi Pro Forma Adjustments	Pro Forma Basis
		(millions of yen)	(millions of AUD)	(millions of AUD)	(millions of AUD)	(millions of AUD)	(millions of yen)	(millions of yen)	(millions of yen)
Revenue	(iii)	2,089,048	2,259	1,233	(13)	3,480	263,682	—	2,352,730
Cost of sales		(1,297,302)	(809)	(1,233)	—	(2,042)	(154,759)	—	(1,452,061)
Gross profit		791,745	1,450	—	(13)	1,437	108,923	—	900,668
Selling, general and administrative expenses [1]	(i)(iii)(iv)	(578,774)	(488)	—	(137)	(625)	(47,366)	—	(626,140)
Other operating income (expense)—net	(ii)	(11,535)	149	—	(201)	(51)	(3,880)	—	(15,415)
Operating profit		201,436	1,111	—	(350)	761	57,677	—	259,113
Finance income (costs)—net	(v)	(4,918)	(475)	—	470	(5)	(415)	(4,674)	(10,007)
Share of profit (loss) of investments accounted for using equity method		872	—	—	—	—	—	—	872
Profit before tax		197,391	636	—	119	756	57,262	(4,674)	249,979
Income tax expenses		(56,100)	(200)	—	(36)	(236)	(17,868)	1,431	(72,537)
Profit		141,290	436	—	84	520	39,394	(3,243)	177,441
Profit attributable to:									
Owners of parent		142,207	436	—	84	520	39,394	(3,243)	178,358
Non-controlling interests		(916)	—	—	—	—	—		(916)
Total		141,290	436	—	84	520	39,394	(3,243)	177,441

Note:
(1) Includes marketing expenses and fixed expenses disclosed in ABI Australia Holding Pty Ltd's financial report for the year ended December 31, 2019.

Asahi Group Holdings, Ltd. and Subsidiaries

Unaudited Pro Forma Consolidated Statement of Profit or Loss for the Twelve-month Period Ended December 31, 2020

		For the twelve-month period ended December 31. 2020							
		Historical Consolidated Financial Information							
		Asahi Group Holdings, Ltd.	ABI Australia Holding Pty Ltd	ABI Australia Holding Pty Ltd Reclassifications	ABI Australia Holding Pty Ltd Asahi Pro Forma Adjustments	ABI Australia Holding Pty Ltd Pro Forma Basis	ABI Australia Holding Pty Ltd Pro Forma Basis	Asahi Group Holdings, Ltd. Asahi Pro Forma Adjustments	Pro Forma Basis
	Adjustments	(millions of yen)	(millions of AUD)	(millions of AUD)	(millions of AUD)	(millions of AUD)	(millions of yen)	(millions of yen)	(millions of yen)
Revenue		2,027,762	803	488	—	1,291	95,132	—	2,122,894
Cost of sales		(1,283,150)	(261)	(488)	—	(749)	(55,171)	—	(1,338,321)
Gross profit		744,612	542	—	—	542	39,960	—	784,572
Selling, general and administrative expenses	(i)	(576,789)	(268)	—	(43)	(311)	(22,895)	—	(599,684)
Other operating income (expense)—net		(32,656)	1	—	—	1	54	—	(32,602)
Operating profit		135,167	275	—	(43)	232	17,119	—	152,286
Finance income (costs)—net	(v)	(7,752)	(157)	—	155	(2)	(142)	(1,948)	(9,841)
Share of profit (loss) of investments accounted for using equity method [(1)]		(2,015)	—	—	—	—	—	—	(2,015)
Profit before tax		125,399	118	—	112	230	16,978	(1,948)	140,429
Income tax expenses		(32,815)	(19)	—	(34)	(53)	(3,877)	596	(36,096)
Profit		92,584	99	—	79	178	13,101	(1,351)	104,333
Profit attributable to:									
Owners of parent		92,826	99	—	79	178	13,101	(1,351)	104,575
Non-controlling interests		(241)	—	—	—	—	—		(241)
Total		92,584	99	—	79	178	13,101	(1,351)	104,333

Notes:

(1) Includes gain (loss) on sales of investments accounted for using equity method.

(2) ABI Australia Holding Pty Ltd's results of operations have been consolidated in Asahi Group Holdings, Ltd.'s result of operations from June 1, 2020. Accordingly, the ABI Australia Holding Pty Ltd results of operations listed separately above are limited to the five-month period ended May 31, 2020.

Asahi Group Holdings, Ltd. and Subsidiaries
Notes to the Unaudited Pro Forma Consolidated Statements of Profit or Loss

1. Background and Basis of Presentation

Background

On June 1, 2020, our wholly owned subsidiary, Asahi Holdings (Australia) Pty Ltd, or AHA, completed the acquisition of 100% of the shares of common stock of ABI Australia Holding Pty Ltd (n/k/a CUB Australia Holding Pty Ltd.), or ABIH, a wholly owned subsidiary of Anheuser-Busch InBev SA/NV, or AB InBev. ABIH owns CUB Pty Ltd (doing business as Carlton & United Breweries, or CUB), an Australian brewing company that manufactures and sells popular brands of beer and cider in Australia.

Prior to our completion of the acquisition, from August 23, 2019, the Australian Competition and Consumer Commission, or the ACCC, had commenced a public review of our proposed acquisition of CUB in order to assess whether, if completed as proposed, it would have the effect, or be likely to have the effect, of substantially lessening competition in any market in Australia. The ACCC concluded that in the absence of an undertaking from us and AB InBev, the acquisition would (i) lead to a significant consolidation in the market for the supply of cider products in Australia, and (ii) remove us and AB InBev as vigorous and effective competitors in the concentrated market for the supply of beer products in Australia.

In order to address the ACCC's competition concerns, on March 31, 2020, we gave the ACCC an undertaking in accordance with which we agreed to divest the beer brands *Stella Artois* and *Beck's* and the cider brands *Strongbow*, *Little Green* and *Bonamy's*, or the Divestiture Businesses. We obtained, through AHA, approvals from the ACCC on November 17, 2020 and from the Foreign Investment Review Board on December 21, 2020, respectively, in relation to the proposed sale of the Divesture Businesses to Heineken N.V. All conditions precedent for the contemplated divestments have been satisfied and we closed the deal with Heineken N.V. on January 5, 2021. For the year ended December 31, 2019, aggregate revenue attributable to the Divestiture Businesses was less than 1% of pro forma revenue.

Basis of Presentation

The unaudited pro forma condensed consolidated statement of profit or loss gives pro forma effect to events that are directly attributable to the acquisition of CUB, are factually supportable, and are expected to have a continuing impact on the combined results of Asahi and ABIH.

The unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2019 included herein reflects our acquisition of ABIH as if it had been completed on January 1, 2019 and is based on (i) our audited consolidated financial statements for the year ended December 31, 2019, which were prepared in accordance with IFRS, and (ii) the audited consolidated financial statements of ABIH for the year ended December 31, 2019, which were prepared in accordance with AAS. The unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2020 reflects our acquisition of ABIH as if it had been completed on January 1, 2019 and is based on (i) our audited consolidated financial statements for the year ended December 31, 2020, which were prepared in accordance with IFRS and (ii) the accounting records of ABIH for the five-month period ended May 31, 2020 (the financial information of ABIH has been included in our consolidated financial statements from June 1, 2020).

The unaudited pro forma condensed consolidated statements of profit or loss for the twelve-month periods ended December 31, 2019 and December 31, 2020 do not include any adjustments to reflect the divestitures pursuant to our undertaking to the ACCC, described in Note 1 "Background and Basis of Presentation—Background" above. In addition, the accounting records of ABIH for the five-month period ended May 31, 2020 used in the preparation of the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2020 were prepared to reflect the fact that we acquired 55 entities that formed a part, but not all, of ABIH and its consolidated subsidiaries at the time of signing of the sale and purchase agreement between us and AB InBev on July 19, 2019. On the other hand, the audited consolidated financial statements of ABIH for the year ended December 31, 2019 used in the preparation of the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2019 cover all of ABIH and its consolidated subsidiaries. As a result, the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2019 includes an adjustment in order to eliminate the contribution of the excluded entities as described in Note 3(iii) "Pro Forma Adjustments—Out of perimeter entities" below.

In addition, the unaudited pro forma condensed consolidated statements of profit or loss do not reflect any cost savings, operating synergies, or revenue enhancements that the combined company may achieve as a result of the acquisition of ABIH; the costs to integrate the operations of ABIH or the costs necessary to achieve these cost savings, operating synergies, and revenue enhancements.

Our management believes that, based upon available information, its assumptions provide a reasonable basis for presenting the significant effects of the acquisition. The unaudited pro forma condensed consolidated statements of profit or loss have not been presented in accordance with Regulation S-X published by the U.S. Securities and Exchange Commission and have not been subject to performed procedures specified by review standards by our independent auditors. Future results may vary significantly from the results reflected in the unaudited pro forma condensed consolidated statement of profit or loss due to a variety of factors.

2. Reclassifications

The following reclassifications were made to the audited consolidated financial statements of ABIH for the year ended December 31, 2019 and the accounting records of ABIH for the five-month period ended May 31, 2020, as applicable, in order to conform to the accounting policies of Asahi in the presentation of the pro forma consolidated statement of profit or loss:

(a) Excise duty collected on sales is reclassified from net to gross presentation in line with AHA accounting policy.

(b) Container deposit scheme amounts collected on sales is reclassified from net to gross presentation in line with AHA accounting policy.

3. Pro Forma Adjustments

The following pro forma adjustments were applied to the historical consolidated financial information described in Note 1 in the preparation of this unaudited pro forma consolidated statement of profit or loss in order to reflect the impact of the acquisition as if it had been completed on January 1, 2019:

(i) Amortization of trademarks

Asahi has not yet completed the purchase price allocation of consideration for CUB. However, in its audited consolidated balance sheet as of December 31, 2020, Asahi recognized additional goodwill of ¥1,019 billion and ¥296 billion in trademarks based on a provisional purchase price allocation in connection with the acquisition of CUB. Asahi plans to complete such allocation by May 31, 2021.

A pro forma adjustment is recorded in both twelve-month periods ended December 31, 2019 and December 31, 2020 to recognize additional amortization of trademarks based on such a provisional purchase price allocation assuming that the acquisition had occurred on January 1, 2019.

(ii) Net gain on sale of investment in associate

Adjustment is reflected in the twelve-month period ended December 31, 2019 to remove the one-off net gain of A$200 million on the sale of investment in associates that was unrelated to the continuing operations of the ABIH entities acquired by AHA. No gain/loss on sale of investment in associates was recorded in the twelve-month period ended December 31, 2020.

(iii) Out of perimeter entities

Adjustment is reflected in the twelve-month period ended December 31, 2019 to remove the contribution of entities not acquired by AHA. No adjustment is reflected for the twelve-month period ended December 31, 2020 as from January 1, 2020, ABIH's accounting systems were configured to track results for only the entities acquired and exclude non-acquired entities.

(iv) Transactions with AB InBev

Adjustment is reflected in the twelve-month period ended December 31, 2019 to remove AB InBev intercompany charges. No adjustment is reflected for the twelve-month period ended December 31, 2020 as intercompany charges were excluded from the underlying financial information for the period from January 1, 2020 to May 31, 2020.

(v) Finance Cost

Pro forma adjustments are recorded to eliminate the interest expenses incurred under borrowings and bonds that were held by CUB during the twelve-month periods ended December 31, 2019 and December 31, 2020 that were repaid in connection with the acquisition.

In addition, adjustments are recorded in both twelve-month periods ended December 31, 2019 and December 31, 2020 for the incremental interest expenses related to the financing of the acquisition as finance costs. Finance costs are based on the assumption that short-term debt financing of ¥1,185,000 million incurred in connection with the funding of the acquisition (a bridge loan) was fully repaid by the following financings:

(i) the proceeds from the equity offering that we completed in October 2020 of ¥156 billion after deducting underwriting discounts and offering expenses paid by us,

(ii) the net proceeds of the following debt securities (the "debt securities"):

- €1,600 million aggregate principal amount of euro-denominated bonds issued in October 2020,
- ¥300 billion in aggregate principal amount of yen-denominated subordinated bonds issued in October 2020,
- ¥100 billion in aggregate principal amount of yen-denominated senior bonds issued in October 2020 and,
- ¥100 billion in aggregate principal amount of yen-denominated senior bonds issued in March 2021, and

(iii) the amount borrowed under short term and long term borrowings (the "short term and long-term borrowings") after deducting related expenses.

The amount of finance costs includes interest amounts paid under the debt securities and the short term and long-term borrowings.

For the purposes of the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2019 included herein, translation of the euro amount of the euro-denominated bonds issued in October 2020 into yen has been made at the rate of €1.00=¥122.03, the average exchange rate over the year ended December 31, 2019.

For the purposes of the unaudited pro forma condensed consolidated statement of profit or loss for the twelve-month period ended December 31, 2020 included herein, the translation of the euro amount of the euro-denominated bonds issued in October 2020 into yen has been made at the rate of €1.00=¥121.88, the average exchange rate over the year ended December 31, 2020.

4. Translation of ABIH Historical Consolidated Financial Information in Australian Dollar into Japanese Yen

The translation of Australian dollar amounts into Japanese yen has been made at the rate of A$1.00 to ¥75.78, the average exchange rate over the year ended December 31, 2019, and A$1.00 to ¥73.69, the average exchange rate over the year ended December 31, 2020.

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