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Offering Circular

Asahi Group Holdings, Ltd.

(incorporated with limited liability under the laws of Japan)

€600,000,000 0.321 per cent Bonds due 2021

Offer price: 100.00 Per cent

€600,000,000 1.151 per cent Bonds due 2025

Offer price: 100.00 Per cent

The €600,000,000 0.321 per cent Bonds due 2021 (the "2021 Bonds") and the €600,000,000 1.151 per cent Bonds due 2025 (the "2025 Bonds and together with the 2021 Bonds, the "Bonds" and each, a "Series") will be issued by Asahi Group Holdings, Ltd. (the "Company"). Interest on the Bonds of each Series will be payable annually in arrear on 19 September in each year commencing on 19 September 2018.

The 2021 Bonds will mature on 19 September 2021 and the 2025 Bonds will mature on 19 September 2025. 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 the option of the Company 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 direct, unconditional, unsubordinated and unsecured obligations of the Company. 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 19 September 2017 for the accounts of their respective accountholders.

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

It is expected that the Bonds will be assigned a security rating of Baa2 by Moody's Investors Service, Inc. ("Moody's"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies.

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

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

Joint Bookrunners and Joint Lead Managers

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

Passive Bookrunners

Daiwa Capital Markets Europe **Mizuho Securities** **SMBC Nikko**

The date of this Offering Circular is 11 September 2017

The Company, having made all reasonable enquiries, confirms 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 Company's opinions and intentions expressed in this Offering Circular 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. The Company accepts responsibility accordingly.

The 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 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 the Company in connection with the Bonds.

No person is authorised 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 authorised by or on behalf of the Company or the Managers or their respective subsidiaries and affiliates.

To the fullest extent permitted by law, the 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 Manager or their respective subsidiaries and affiliates or on their behalf, in connection with the Company or the issue and offering of the Bonds. Each of the 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 the Company or the 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 the Company and the 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 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").

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 organised 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 Managers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than, or to others for re-offering or resale, directly or indirectly 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 the Company as described in Article 6, Paragraph (4) of the Special Taxation Measures Act (a "specially-related person of the Company"), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (28) 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 THE COMPANY, (II) A JAPANESE FINANCIAL INSTITUTION, DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) 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 the Company, (ii) a designated Japanese financial institution described in Article 6, Paragraph (9) 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 which has received such payments through a Japanese payment handling agent as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act.

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 the Company (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.

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 the affairs of the Company since the date hereof, (ii) that there has been no adverse change in the financial position of the Company 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 this Offering Circular, unless otherwise specified or the context requires, references to the "Group" are to the Company, its consolidated subsidiaries and its subsidiaries and affiliates accounted for by equity method taken as a whole.

Unless otherwise stated or the context requires, the description of the Company's business and financial information relating to the Company contained herein are given on a consolidated basis.

Unless otherwise specified or the context requires, references to "U.S.$" and "U.S. dollars" are to United States dollars, references to "€" or "euro" 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 and references to "yen" and "¥" are to Japanese yen.

The Company's fiscal year end is 31 December. The Company has voluntarily adopted International Financial Reporting Standards ("IFRS") as at 1 January 2016 and the consolidated financial statements as at and for the year ended 31 December 2016 (including corresponding figures as at and for the year ended 31 December 2015) are the first consolidated financial statements prepared in accordance with IFRS. Consolidated financial statements prepared prior thereto were prepared in accordance with generally accepted accounting principles in Japan ("Japanese GAAP"). Potential investors should consult their own professional advisers for an understanding of the difference between Japanese GAAP and IFRS, or generally accepted accounting principles in any other jurisdiction, and an understanding of how those differences might affect the financial information contained herein. See also Note 41 "Disclosure regarding the Transition to IFRS" of the consolidated financial statements for the year ended 31 December 2016 on page F-53 for further details on the effect of the transition to IFRS on the Group's financial position, financial performance and cash flows as well as a reconciliation from Japanese GAAP to IFRS.

In accordance with applicable Japanese legal requirements, for each fiscal year, the Company prepares consolidated and non-consolidated financial statements and, for each quarterly period, quarterly condensed consolidated financial statements. The following financial statements are contained in this Offering Circular:

(i) the audited consolidated financial statements as at and for the year ended 31 December 2016 prepared in accordance with IFRS, comprising the consolidated statements of financial position as at 31 December 2015 and 2016 and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the years ended 31 December 2015 and 2016 and the notes thereto; and

(ii) the unaudited quarterly condensed consolidated financial statements as at 30 June 2017 and for the three and six months ended 30 June 2016 and 2017 prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"), comprising the condensed consolidated statement of financial position as at 30 June 2017, and the related condensed consolidated statements of profit or loss and comprehensive income for each of the six and three months ended 30 June 2016 and 2017 and the condensed consolidated statements of changes in equity and cash flows for the six months ended 30 June 2016 and 2017, and the notes thereto.

In this Offering Circular, unless otherwise specified or the context requires, where information, including information extracted from the audited consolidated and non-consolidated financial statements or the unaudited quarterly condensed consolidated financial statements, is presented in the case of billions of yen, amounts of less than one billion, in the case of millions of yen, amounts of less than one million and, in the case of percentages, fractions of less than 1 per cent, one-tenth of 1 per cent or one-hundredth of 1 per cent have been truncated. In some cases, figures presented in tables in this Offering Circular may not total due to rounding or truncating.

In connection with the issue of the Bonds, J.P. Morgan Securities plc (the "Stabilisation Manager") (or any person acting on behalf of the Stabilisation 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 Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation 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 stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

Forward-looking Statements

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "anticipate", "believe", "estimate", "expect", "intend", "may", "might", "plan", "project", "will", or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company's expectations include those risks identified in "Investment Considerations" and the factors discussed in "Recent Business" and "Business" as well as other matters not yet known to the Company or not currently considered material by the Company. The Company does not undertake to review or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

TABLE OF CONTENTS

The Offerings

Issuer	Asahi Group Holdings, Ltd.
Securities Offered	€600,000,000 0.321 per cent Bonds due 2021. €600,000,000 1.151 per cent Bonds due 2025.
Offer Price	2021 Bonds: 100.00 per cent. 2025 Bonds: 100.00 per cent.
Closing Date	On or about 19 September 2017.
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 Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of €100,000 with a minimum of 2 lots to be traded in a single transaction for so long as such Series is listed on the SGX-ST and the rules of the SGX-ST so require.
Use of Proceeds	The net proceeds of the issue of the Bonds are estimated to be approximately €1,195 million and will be applied primarily towards repaying short-term bank loans incurred in connection with the acquisition of the Central and Eastern Europe Beer Business (as defined below).
Fiscal Agent and Paying Agent	Sumitomo Mitsui Finance Dublin Limited.
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch.

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 direct, unconditional, unsubordinated and unsecured obligations of the Company.
Interest Payment Dates	Interest on the Bonds is payable annually in arrear on 19 September in each year commencing 19 September 2018.
Interest Rate	2021 Bonds: 0.321 per cent per annum. 2025 Bonds: 1.151 per cent per annum.
Maturity Date	2021 Bonds: 19 September 2021. 2025 Bonds: 19 September 2025.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 3 of the relevant Series.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 19 September 2021, in the case of the 2021 Bonds and 19 September 2025, in the case of the 2025 Bonds.
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, 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 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 11 September 2017 and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it. 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 the option of the Company 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)	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 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")	2021 Bonds: XS1577953760. 2025 Bonds: XS1577951715.
Common Code	2021 Bonds: 157795376. 2025 Bonds: 157795171.
Ratings	The Bonds are expected to be rated Baa2 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.

Investment Considerations

Prior to making an investment decision, prospective investors should carefully consider, along with other matters set out in this Offering Circular, the following factors. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

Considerations Relating to the Group and its Business

General macroeconomic and other considerations

Unfavourable economic, market and demographic trends in Japan could negatively impact the Group's results of operations.

Approximately 56 per cent of the Group's consolidated revenue is currently generated from the sales of alcoholic beverages, mostly in the Japanese market. Further, the Group's other products, including soft drinks and food products, are currently predominantly manufactured and sold in Japan.

Any future economic difficulties in Japan, or unfavourable economic conditions, such as a recession or economic slowdown in Japan could negatively affect the affordability of, and consumer demand for, the Group's products. Under challenging economic conditions, consumers may seek to reduce discretionary spending by forgoing purchases of the Group's products or by shifting away from the Group's products to lower-priced products from other companies or to lower-priced products of the Group. Weak consumer demand for the Group's products in Japan could reduce the Group's profitability and negatively affect the Group's financial performance. Consumption of alcoholic beverages and soft drinks, which constitute a significant majority of the Group's products, increases or decreases in accordance with changes in disposable income. Any decrease in disposable income resulting from an increase in inflation, income taxes, the cost of living, unemployment levels, political or economic instability or other factors would likely adversely affect demand for alcoholic beverages, soft drinks and food products. Accordingly, the Group's business operations and profitability are materially affected by Japanese economic conditions and market trends, particularly the level of domestic consumer spending and the proportion of such spending on consumption of alcoholic beverages, soft drinks and food products.

In addition, Japan is experiencing a long-term demographic shift towards an aging and shrinking population, which will likely have a negative impact on demand for consumer products in Japan (and consumption of beer-type beverages in Japan has continued to shrink from its 1994 peak partly as a result). Should such demographic trends result in reduced demand for the Group's products, this could reduce profitability and negatively affect the Group's financial performance.

Increases in the prices of or difficulties in procurement of raw materials could negatively impact production and the Group's results of operations.

The Group procures raw materials and ingredients such as malt, hops, sugar, dairy products, water and coffee beans for its principal beverage products generally from trading companies and third-party suppliers. The prices and supply of such raw materials, as well as other materials required for the Group's products, including aluminium cans, glass bottles, cardboard carton boxes and kegs used for packaging beer and plastic bottles and cartons used for packaging soft drinks, are subject to fluctuation depending on factors such as weather conditions, natural disasters, consecutive bad years for crop harvesting, geopolitical instabilities in the countries and areas from which the Group obtains such materials, fuel prices, transportation costs and the balance of supply and demand worldwide. The Group generally procures its raw materials and ingredients from several different suppliers in overseas countries, through various routes including through Japanese trading companies and other distributors, and is not reliant on a single source. While the Group takes certain measures in an attempt to mitigate the effects of volatility in raw material prices (including securing an adequate buffer inventory and diversifying supply sources), there have recently been significant volatility in certain raw materials and supply prices (including coffee and sugar). In addition, where the cost of raw materials increase, it may also not be possible, depending on prevailing market conditions, to pass on higher production costs caused by increasing raw materials and supply costs on to sales prices. There can be no assurance that the Group will be able to continue to secure sufficient quantities of raw materials and ingredients at commercially reasonable prices, and if as a result the Group is required to reduce production volume, increase product prices or absorb such increase in raw material costs into the Group's production costs, the Group's business, results of operations and financial condition may be materially adversely affected.

The Group faces risks associated with its overseas operations.

With the acquisition of the European Beer Business (as defined below and see "Business—Acquisition of the European Beer Business") and other businesses, the Group has significantly expanded its operations in

Europe, as well as in Asia and Oceania. As a result, the Group is subject to a number of risks including the following, which may have a negative impact on the Group's results of operations and financial condition:

- downward price pressures as a result of intense competition;
- unexpected economic slowdown or downturn in the relevant industries in foreign markets;
- fluctuations in foreign exchange markets;
- unexpected changes in or imposition of new legislative or regulatory requirements including taxation, foreign investment and repatriation of funds;
- trade restrictions or changes in tariffs;
- political instability;
- changes in the political and/or economic relationship between Japan and the countries and regions in which the Group operates or between such overseas countries and regions;
- social, political or economic turmoil due to epidemic, adverse weather conditions, natural disasters, terrorism, war or other factors;
- general strikes or other disruptions in working conditions;
- difficulties associated with managing local personnel and operations, including supervision, monitoring and management control, due to, among other factors, cultural differences;
- relatively higher risk of infringement of intellectual property rights, in particular trademarks, in some countries; and
- higher levels of risk with respect to regulatory compliance, including in relation to anti-corruption and anti-bribery laws and regulations.

Any or all of these risks, individually or in the aggregate, may adversely affect the Group's business, results of operations and financial condition. See "—European Beer Business acquisition considerations".

Natural disasters, uncontrollable events and accidents may disrupt the Group's business and adversely affect the Group's results of operations and financial condition.

Japan and other parts of the world in which the Group operates, including Europe, Asia and Oceania, have historically experienced earthquakes and other natural disasters, including typhoons, floods and tidal waves. In addition, other events outside the control of the Group or its suppliers (such as deliberate acts of sabotage) or accidents (whether due to human or equipment error) could damage or otherwise adversely affect any of the Group's operations, the manufacturing or other facilities of its suppliers or its own. Such events may lead to losses and expenses to repair or replace the Group's facilities, losses due to the disruption of the production process and distribution systems, delay in delivery of products to its customers, losses in inventory, losses of sales opportunities and/or losses arising from decrease in consumer spending in the affected areas. The Group seeks to mitigate some of the above risks by diversifying the location of manufacturing facilities and distribution networks. The Group also has insurance to cover certain potential losses at its facilities, including earthquake insurance to a limited extent, but such insurance policies may not be adequate to cover all possible losses and expenses. Any of these factors may disrupt the Group's business and materially adversely affect the Group's results of operations and financial condition.

The Group's supply chain may be subject to disruptions or other difficulties.

The Group acquires and processes raw materials and manufactures and markets its products globally, and the Group considers managing its costs and increases its efficiency through improved supply chain management to be an important factor in ensuring cost competitiveness. The Group's supply chain may be disrupted, and it may be unable to achieve its expected cost reductions or efficiency gains, for many reasons, including those which are outside of the Group's control, such as climate change, adverse weather, natural disasters, fires, crop failures, disease, strikes, manufacturing problems, transportation interruptions, government regulation or sanctions, labour safety issues, labour shortages, political instability and terrorism. If the Group is unable to take sufficient steps to prevent or respond to such disruptions efficiently, its business could be adversely affected, and it may also be required to undertake significant expenditures to remedy any such disruptions, either of which could materially and adversely affect the Group's overall business, results of operations and financial condition.

Fluctuations in foreign exchange rates and interest rates could affect the Group's results of operations.

The Group purchases certain raw materials in currencies other than yen, principally the euro and the U.S. dollar, and may use derivative financial instruments to reduce its net exposure to related foreign exchange rate fluctuations. However, such hedging instruments do not protect the Group against all fluctuations and therefore its results of operations and financial condition could be adversely affected.

In addition, in preparing the Group's consolidated financial statements, it translates revenue, 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 (following the acquisition of the European Beer Business), may have a significant effect on the Group's results of operations and financial condition.

Industry and other considerations affecting the Group

Seasonality and weather conditions could adversely affect the Group's results of operations.

The volume of sales of alcoholic beverages and soft drinks are closely connected to weather conditions. Generally, the Group experiences higher revenue in the summer season and in the holiday seasons. Further, sales of beer-type products and soft drinks are generally higher in hot summers (resulting in increased demand for cold drinks) and lower during unseasonably cold weather. Although seasonal fluctuations in the Group's sales have been relatively moderate in recent years, unfavourable weather conditions, especially during holiday seasons, may nevertheless have a negative impact on customer demand and in turn have an adverse effect on the Group's overall business, results of operations and financial condition.

The Group may not respond effectively to changes in consumer preferences.

The Group's success depends on its ability to satisfy and respond to consumer tastes and preferences for its existing and newly-developed products. Consumer preferences may be affected by various factors including changes in demographic and social trends, health perception, changes in leisure activity patterns and economic and employment conditions. In addition, the popularity of alcoholic and other beverages will be decided by many factors including taste, quality, price or the images they portray. Consumer preferences can also change in unpredictable ways, and consumers may shift their preference to products of competitors or may generally reduce their demand for products in a particular product category. In particular, there has been a significant shift in domestic consumer demand towards beverages and food products with specific health uses and function claims as consumer health consciousness and concerns for food safety and reliability continue to accelerate. It is difficult to assess the profitability or lifespan of a particular product and there can be no assurance that the Group will be able to continually develop and launch successful new products or variants of existing products, or that the Group's competitors will not succeed in launching products that prove to be more popular than the Group's products whether by virtue of the products themselves or of the way in which they have been marketed. If the Group fails to respond to such changes in consumer preferences in a timely manner, the Group may lose its competitive position in the market and the Group's business, results of operations and financial condition may be materially adversely affected.

A high proportion of the Group's consolidated revenue is generated by specific products and the Group's business relies on its brand image.

The Group's success depends on its ability to maintain and enhance the image and reputation of the Group's existing products, especially in relation to its flagship beer, "Asahi Super Dry", and to develop a favourable image and reputation for the Group's new products. A high proportion of the Group's consolidated revenue is derived from the sales of beer, particularly its "Asahi Super Dry" brand. In order to mitigate its reliance on beer products, the Group has strived to diversify brands and product lines in its Alcohol Beverages business segment (through initiatives centred on new-genre beverages, non-alcoholic beer and Ready-To-Drink ("RTD") beverages), as well as to expand its Soft Drinks and Food business segments. Nevertheless, unforeseen circumstances, such as a reduction in the brand value of "Asahi Super Dry" or a decline in the image or reputation of the Group's products (even where the basis for such decline is unfounded), a significant drop in beer consumption due to changes in market demand (such as a decline in consumer spending resulting in consumer preference moving from beer to lower priced low-malt *happoshu* and new-genre beverages), or a general decline in the popularity of the Group's beer products for competitive or other reasons, may materially adversely affect the Group's business, results of operations and financial condition.

The Group operates in highly competitive markets and its financial performance could suffer if the Group is unable to compete effectively.

The alcoholic beverages industry in Japan is highly competitive and dominated by four major Japanese beverages companies including the Group. The Group and its competitors sell similar types of products. Competition is also fierce in the soft drinks market as well as the food products market in which the Group competes, as these markets are saturated with a large number of competitors.

Although the Group has held and continues to hold a leading market position in the Japanese alcoholic beverages market (see "Business — Strength and Strategy"), especially in the sales of beer, it faces severe competition from other beer companies which, like the Group, have extensive networks of liquor retailers, good brand recognition and competitive pricing capabilities. In addition, as beer companies generally market several lines of products in each of the beer-type beverage category (namely beer, low-malt *happoshu* and new-genre beverages) simultaneously, the Group requires research and development and marketing capabilities to develop and promote each of its new products. The same applies to the soft drinks industry which has shorter product life cycles than those in the alcoholic beverages industry. In the overseas markets, although the Group (through the acquisition of the European Beer Business) has a leading position in many of the European markets in which it operates, it faces stiff competition from global beverage companies, some of which may have greater resources and experience operating in Europe. Failure to respond to market trends and competitive pressure in a timely manner may have a materially adverse effect on the Group's business, result of operations and financial condition.

Failure to successfully complete and achieve desired results from mergers and acquisitions, business alliances and investments could have a material adverse effect on the Group's business and results of operations.

The Group engages in, and when suitable opportunities arise may engage further in, mergers and acquisitions, establishing joint ventures and business alliances with, and investments into, other entities to expand its business, especially overseas where the Group has completed a number of notable acquisitions (including the acquisition of the European Beer Business, see "—European Beer Business acquisition considerations"). The Group believes that such activities are effective methods for establishing a global footprint as well as new distribution channels and creating new products, leveraging on the management resources of the parties involved and as such, the Group intends to continue to consider suitable opportunities, should they arise in the future. However, there can be no assurance that any such mergers and acquisitions, joint ventures, business alliances or investments will be successful, achieve the desired results from, or to recoup the investments made for such activities. Failure of any such activities may have a materially adverse effect on the Group's business, results of operations and financial condition.

There is no assurance that the Group's management plans will be implemented successfully or that it will have its intended effect.

The Group is currently pursuing its Long-Term Vision as implemented by its Medium-Term Management Policy (see "Business—Strength and Strategy"). The success of implementation of the Group's management plans is subject to various factors, including general economic and market conditions, the level of competition and the level of consumer spending and demand for the Group's products. Further, any future regulatory constraints, including an increase in liquor taxes and restrictions on sales and consumption of alcohol may in certain circumstances restrict or delay the implementation of any management plans which the Group may set. In addition, following the acquisition of the European Beer Business, the Group is in the process of reformulating its Medium-Term Management Policy in light of its significantly expanded global reach and future plans in Europe. There can be no assurance that the Group's management plans will be implemented successfully, that the implementation of the business plan will have its intended effect or that targets (whether quantitative or qualitative) set in the plan will be met in time or at all.

The loss of key management personnel or the inability to attract and retain qualified employees could adversely affect the Group's business and results of operations.

The Group's ability to continue to expand its operations in Japan and overseas depends on its ability to attract and retain a large and growing number of qualified employees and management level employees while controlling its personnel costs. This is subject to numerous external factors, including the availability of a sufficient number of qualified people in the work force of the areas in which the Group's operations are located, unemployment levels within those areas, prevailing salary rates, changing demographics, health and other insurance costs and changes in employment legislation. If the Group is unable to locate, attract or retain suitable personnel or other related costs increase significantly, the Group's business, results of operations and financial condition may be adversely affected.

The Group's business may be adversely affected if it fails to enforce its intellectual property rights or if third parties assert that the Group violates their intellectual property rights.

Patents, trademarks and other intellectual property rights are important to the Group in its production processes, for maintaining its brand strength and for differentiating itself from its competitors. The Group places emphasis on the selection of personnel who manage its intellectual properties and is constantly working to strengthen its intellectual property portfolio.

However, if any of the following situations relating to intellectual properties occurs, the Group's operating results could be adversely affected:

- an objection might be raised or an application to invalidate might be filed against an intellectual property right of the Group, and as a result, that right might be recognised as invalid;
- a third-party to whom the Group originally had not granted a license might come to possess a license as a result of a merger with or acquisition of another third-party, and the competitive advantage that the Group had due to that license might be lost;
- the Group's intellectual property rights might not give it a competitive advantage or the Group may not be able to protect its intellectual property rights from third-party infringement; and
- the Group or one of its customers might be subject to a third-party's claim of an infringement of intellectual property rights and has to spend a considerable amount of time and money to resolve the issue, or such a claim might interfere with the Group's ability to focus its managerial resources.

Increased costs related to employee retirement benefit obligations in the future could adversely affect the Group's results of operations.

The Group calculates the costs for retirement benefits for, and obligations to, its employees and former employees based on actuarial assumptions related to returns on pension funds and a specific discount rate. These actuarial assumptions are reviewed annually. In the event of decreases in market value or return on investment of the Group's pension assets, or in the event of changes in actuarial assumptions used to calculate projected benefit obligations, the Group's results of operations and financial condition may be adversely affected.

Impairment of assets may adversely affect the Group's financial condition and results of operations.

The Group holds certain securities for the purpose of maintaining long-term business relationships and as such, any negative fluctuation in the market price of such securities or deterioration in the financial condition of the related companies may adversely affect the Group's results of operations and financial condition.

In addition, the Group has made a number of significant acquisitions in recent years (see "Business – History") which have significantly increased the amount of the Group's goodwill and intangible assets. The amount of goodwill and intangible assets recognised on its balance sheet by the Group as at 30 June 2017 was ¥1,376,881 million.

The Group has adopted an accounting standard for impairment of assets which requires that non-current assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and goodwill and other intangible assets with indefinite useful lives be reviewed annually. The Group intends to continue to calculate and report impairment losses for assets to which the above accounting standard applies. It is possible that the Group's results of operations and financial condition may be adversely affected by such review.

Legal and regulatory considerations

Any rise in or changes to liquor tax rates or consumption tax leading to higher sales prices could have a negative impact on the Group's results of operations.

Sales of alcoholic beverages are subject to the Liquor Tax Act of Japan (the "Liquor Tax Act"). As at the date of this Offering Circular, for example, the amounts of liquor tax per 350 millilitres (the content of a typical beverage can in Japan) were ¥77 for beer, ¥47 for low-malt "*happoshu*" and ¥28 for no-malt or liquor-mixed beer flavoured drink called "new-genre beverages". The proportion of such tax amounts to the prices of the Group's alcoholic beverages varies depending on the retail prices of the relevant products, but typically accounts for a relatively large portion of the price of such products. As such, increases in the liquor tax rate would almost inevitably increase the price of the Group's alcoholic beverages, which may reduce the consumption thereof. Furthermore, recent guidelines prescribed under the Act regarding Protection of Liquor Tax and Alcoholic Beverages Business Union, etc. of Japan from 1 June 2017 (see "Recent Business – Recent Developments") may limit the Group's flexibility in its pricing strategies. Additionally, the Liquor Tax Act was amended in 2017 to apply the same liquor tax rates on beer, low-malt *happoshu* and new-genre beverages by October 2026. The changes will effectively lower taxes on beer, while raising taxes on low-malt *happoshu* and new-genre 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 three stages, with a small liquor tax cut for beer and small liquor tax hikes for new-genre beverages in October 2020. Additional adjustments will be made in October 2023 and October 2026 gradually, with the taxes eventually being unified at around 55 yen per 350 millilitres. While lower taxes on beer may result in higher demand for the Group's beer products, the overall effect of these changes on the Group's sales of alcoholic beverages will depend on the Group's product mix and revenue contribution from such products in the future and is therefore uncertain.

Separately, the government increased the rate of consumption tax from 5 per cent to 8 per cent in April 2014 and has announced a plan to further increase the rate to 10 per cent in October 2019. The April 2014 tax increase has had a modest negative impact on annual sales, although the longer-term impact on the Group's sales in Japan or margin levels is unclear. If current or future tax increases result in decreased demand for the Group's products or increased pricing pressure, this may have a negative effect on the Group's business, results of operations and financial condition.

The Group's products may not meet food safety and quality standards.

Due to the nature of the food products industry in which the Group operates, it is critical to ensure the safety and quality of the products the Group manufactures and sells, in particular, as Japanese consumers are generally considered very sensitive to product safety and quality. The Group has implemented stringent quality control systems at various phases of the production process, delivery and distribution, including the procurement of raw materials and ingredients. In addition, its quality control system has been applied to third-party products distributed by the Group. However, the food products industry continues to face safety problems such as the fear of radiation contamination, bird flu and other diseases, use of agricultural chemicals, water pollution, mislabelling of expiry dates and ingredients, and deliberate and malicious contamination. Further, increasingly detailed disclosure is required on food product packages regarding genetically modified ingredients and allergy triggering ingredients. If the Group's products are found not to have met certain safety and quality criteria, either set by competent authorities or consumer expectations, the Group's reputation may be negatively affected. In addition, if any defects are found in its products, the Group may need to recall such products either voluntarily or in compliance with regulatory orders. If any such recall were to occur, significant costs (including replacement costs and advertising costs, as well as possible payments for damages claims) may need to be incurred, and the Group's reputation and its brand value may be materially damaged. Even though the Group has in place a certain level of product liabilities insurance, it may not be sufficient to cover the whole amount of costs which the Group may incur. Any such factors may materially adversely affect the Group's business, results of operations and financial condition.

Material leak or misuse of personal and other confidential information could damage the Group's reputation and business.

The Group receives and manages a large amount of personal information of customers, through sales promotion campaigns and direct marketing activities. The Group implements various security measures related to the system and other aspects of information management, including in relation to parties acting as its agents. However, if any material leak or misuse of personal information occurs due to power outage, natural disasters, malfunction of software and equipment, computer virus attacks, tampering or unauthorised access to the system which are beyond the Group's control either by the Group's employees or others, the Group could be the subject of lawsuits or complaints from the affected customers and regulatory enforcement. In addition, the Group's reputation may be damaged and it may become more difficult to continue to conduct such sales promotion campaigns or direct marketing. Any such occurrences may materially adversely affect the sales of the Group's products, as well as subject the Group to increased costs in respect of any damages suffered by affected parties. Further, any such incidents may impede the smooth running of the Group's operations and negatively affect its business. The Group may also be required to incur expenses if it needs to change its computer security system. In addition, under the Protection of Personal Information Act of Japan, relevant authorities may issue recommendations or orders against any institution in possession of personal information which fails to protect the personal information of its customers. The Group may be required to provide compensation for economic loss and emotional distress arising out of a failure to protect personal information in accordance with this law which may also have a negative impact on its reputation and brand image as well as its business, results of operations and financial condition.

The Group may not be in compliance with environmental laws and regulations.

The Group is required to comply with a wide range of environmental laws and regulations in the course of its business, including recycling of waste, energy reduction, reduction of carbon dioxide emissions, and recycling of containers. In addition, the Group sub-contracts certain of its activities such as the disposal of the waste generated from its operations to third-party agents. Environmental regulations may become more stringent over time, or new laws and regulations may be introduced, and in such case, the Group's activities may become limited or prohibited, and there may be substantial additional costs on capital expenditures or sub-contracting costs in order to continue complying with such new or tightened laws and regulations. In such case, the Group's costs of production may increase and the Group's business, results of operations and financial condition may be materially adversely affected. Further, if the Group or any of its agents (whose activities may be outside the Group's control) is found to be in contravention of any relevant environmental laws and regulations, the Group may need to take appropriate remedial measures (including but not limited to payment of damages) which may be costly and may also cause harm to its reputation. Any such occurrences may materially adversely affect the Group's business, results of operations and financial condition.

There can be no assurance that the Group is in compliance with all applicable laws and regulations and such failure may result in claims, sanctions, harm to its reputation or increased costs.

The Group's business and operations are subject to various forms of governmental regulations in countries in which it conducts business, including required business and investment approvals and licensing, as well as export and import regulations such as tariffs. In addition, liquor tax, food sanitation, product liability, commercial, corporate governance, labour, intellectual property, consumer, taxation, exchange control, environmental, recycling and pricing-related laws and regulations of the countries in which the Group conducts its business also apply. While the Group has policies and procedures in place to ensure compliance, if the Group breaches or is unable to comply with these regulations (including continuing to obtain the requisite licenses for its business activities), the Group may become subject to monetary fines or other penalties and sanctions, and suffer harm to its reputation. In addition, if these regulations become more stringent or materially different, or changes to or new regulations are introduced, it may serve to limit the Group's activities, and compliance with these regulations could result in increased costs. Accordingly, the regulatory environment in which the Group operates may materially adversely affect the Group's business, results of operations and financial condition.

A negative perception of alcohol and stricter regulatory control of alcohol could adversely affect the Group's alcoholic beverage business.

Recently, there has been an increase in awareness of the risks relating to the consumption of alcohol, which is prompting discussion on new laws or amendments to existing legislation and tightening of controls on alcohol consumption. The Group has taken individual measures to promote awareness of such risks through careful labelling in advertisements and on product containers, and is actively promoting public awareness on the risks associated with excessive drinking, underage drinking, alcohol consumption by pregnant and breast feeding women, and the dangers of drinking and driving. However, the World Health Organization and other organisations are working to strengthen regulations on alcohol marketing activities and sales with the goal of preventing inappropriate alcohol drinking behaviour. Japan has also adopted the Basic Law on Measures to Prevent Damages to Health due to Alcohol to follow such worldwide initiatives. If in the long term, regulations that are more restrictive than those that the Group currently expects are enacted, it may have a materially adverse effect on its business, results of operations and financial condition.

Potential liabilities and costs from litigation and other legal proceedings could have an adverse effect on the Group's reputation and results of operations.

Although the Group is not currently involved in any material litigation or legal proceedings, in the course of the Group's business, the Group faces risks of disputes or litigation both in Japan and overseas, whether with or without merit. Due to the inherent uncertainty of disputes or litigation, it is possible that the Group may incur liabilities as a consequence of the proceedings and claims brought against it which may have a negative impact on its reputation and/or have an adverse effect on the Group's business, results of operations and financial condition.

European Beer Business acquisition considerations

The anticipated benefits resulting from the acquisition of the European Beer Business may not be realised and the purchase price allocation in respect thereof is incomplete.

In October 2016, the Group acquired the Italian, Dutch and British businesses and other related assets of SABMiller plc ("SABMiller") (the "Western Europe Beer Business") following the completion of Anheuser-Busch InBev SA/NV's ("AB InBev") acquisition of SABMiller. In addition, in March 2017, the Group acquired AB InBev's businesses in the Czech Republic, the Slovak Republic, Poland, Hungary and Romania (the "Central and Eastern Europe Beer Business" and together with the Western Europe Beer Business, the "European Beer Business") and other related assets that were owned by SABMiller prior to its combination with AB InBev. The acquisition costs in connection with the European Beer Business acquisition amounted to ¥3,626 million in respect of the Western Europe Beer Business and ¥2,739 million in respect of the Central and Eastern Europe Beer Business. However, there can be no assurance that the Group will be able to recoup this substantial investment through successfully integrating the European Beer Business. Specifically, the anticipated benefits resulting from the acquisition are subject to, among other things, the following uncertainties:

- the Group may face significant challenges in combining the European Beer Business infrastructure, management and information technology systems;

- the Group's focus on the integration could result in distraction from other operating objectives (in particular, the Group has organised the operations of the Western Europe Beer Business under Asahi Europe Ltd. and the operations of the Central and Eastern Europe Business under Asahi Breweries Europe Ltd., both of which are newly established subsidiaries and may increase integration challenges);
- there may be difficulties in conforming standards, controls, procedures and accounting and other policies, as well as business cultures and compensation structures;
- the Group may not be able to retain key management personnel and employees at the European Beer Business; and
- unanticipated events or liabilities may arise which result in a delay or in costs significantly in excess of those estimated in connection with integration.

If the Group is not able to achieve the anticipated benefits of the European Beer Business acquisition in full or in a timely manner, the Group could be required to recognise impairment losses (including in relation to goodwill (provisionally recorded) as at 30 June 2017 of ¥158,443 million and ¥866,011 million in respect of the Western Europe Beer Business and the Central and Eastern Europe Beer Business, respectively) or may not be able to recoup its investment, and the business, financial position and results of operations of the Group could be materially adversely affected.

In addition, as the purchase price allocation in respect of the European Beer Business is not yet finalized, the accounting in respect thereof is provisional and is subject to adjustment, which may have a significant impact on the Group's future results of operations. In particular, the purchase price allocation in respect of the Central and Eastern European Beer Business is at an early stage and a significant portion of the purchase consideration has been provisionally allocated to goodwill. It is expected that a portion of this will ultimately be allocated to intangible assets, and therefore subject to amortization in accordance with IFRS, which may have an adverse effect on the Group's results of operations.

The Group incurred substantial debt in connection with the acquisition of the European Beer Business.

The Group's consolidated debt increased substantially by acquiring the European Beer Business because the Group incurred significant short-term debt to finance the acquisition. A portion of such debt is expected to be repaid by the net proceeds of the issuance of the Bonds, in addition to the portion already refinanced through the issuance of ¥280 billion yen-denominated senior bonds in June 2017. As at 30 June 2017, interest-bearing debt (which consists of bonds and borrowings (current liabilities) and bonds and borrowings (non-current liabilities)) totalled ¥1,452.6 billion as compared to ¥570.3 billion as at 31 December 2016. Servicing and repaying the debt may limit the Group's ability to finance new transactions on acceptable terms that would otherwise advance the Group's corporate strategy.

Considerations relating to Financial Information

The Group's historical consolidated financial information may not be indicative of its current or future results of operations and no pro forma financial figures are being prepared for this offering to illustrate the impact of the acquisition of the European Beer Business.

In October 2016, the Group acquired the Western Europe Beer Business and in March 2017, the Group acquired the Central and Eastern Europe Beer Business. Although the Western Europe Beer Business' results of operations are fully reflected in the Group's consolidated financial statements for the three and six months ended 30 June 2017 (and are partially reflected in the Group's consolidated financial statements for the year ended 31 December 2016), the Central and Eastern Europe Beer Business' results of operations have only been reflected in the Group's consolidated financial statements for the three-months ended 30 June 2017.

No *pro forma* financial statements are being prepared for the purposes of this offering to illustrate the impact on the Group's results of operations of the acquisition of the Western Europe Beer Business and the Central and Eastern Europe Beer Business. Although this Offering Circular contains historical revenue (excluding liquor tax) figures prepared by management in respect of the Western Europe Beer Business and the Central and Eastern Europe Beer Business (the "Management Figures"), due to a number of factors, including different accounting reference dates for the respective financial figures, the impact of the acquisition of the European Beer Business on the Group's consolidated financial statements cannot be evaluated by simply combining the different sets of historical financial figures. As a result, there can be no assurance that the historical financial information will be indicative of the future results of operations, financial condition or cash flows of the European Beer Business.

The Management Figures have not been reviewed or audited by the Company's independent auditor or by any other auditor of any of the subsidiaries constituting the European Beer Business and were prepared solely for the purposes of the Company's evaluation of the proposed acquisition of the European Beer Business. Because the acquisition of the Western Europe Beer Business and Central and Eastern Europe Beer Business involved the acquisition of a collection of separate businesses and assets within the SABMiller group, with such businesses and assets spanning a large number of jurisdictions, the Management Figures also depend on assumptions and subjective judgments made to a certain extent by the management of the Company.

The footnotes to the Group's financial statements for the year ended 31 December 2016 and six months ended 30 June 2017 contain limited financial information in respect of revenue and profit or operating profit (as the case may be) assuming the acquisition of the Western Europe Beer Business and the Central and Eastern Europe Beer Business had taken place on 1 January 2016 and 1 January 2017, respectively, such financial information is based upon available information and certain estimates that the Group believes are reasonable, and after applying certain adjustments, assumptions and allocations which have not been independently verified and are not disclosed. Such information has not been audited or been subject to performed procedures specified by review standards by the Group's 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 deriving such financial information is accurate or appropriate or that they are necessarily indicative of the impact of the relevant acquisition had then taken place on the dates indicated. The Company cautions potential investors against placing undue reliance on such information in making any decision to subscribe or purchase the Bonds.

Neither the Managers nor their respective affiliates, directors, officers, employees, agents, representatives or advisers make any representation or warranty, express or implied, regarding the sufficiency or accuracy of the foregoing figures for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group's future results of operations and financial condition.

Interim financial statements and information may not be comparable to annual financial statements and information.

This Offering Circular contains interim financial statements and information as at the dates and for the periods indicated in this Offering Circular, which have not been audited by the Company's independent auditor. In addition, interim financial information may reflect seasonal factors and/or may reflect temporary economic or market trends that are not sustainable. Accordingly, the interim financial statements and information contained in this Offering Circular are not wholly comparable with the annual financial statements and information contained in this Offering Circular and should not be so compared.

There are differences in the Group's financial information prepared under IFRS and Japanese GAAP and such financial information are not directly comparable.

The Company has voluntarily adopted IFRS since 1 January 2016 and the consolidated financial statements for the year ended 31 December 2016 (including the corresponding figures as at and for the year ended 31 December 2015) are the first consolidated financial statements to be prepared in accordance with IFRS. Consolidated financial statements prepared prior thereto were prepared in accordance with Japanese GAAP. As a result, financial results prepared in accordance with Japanese GAAP included in this Offering Circular are not directly comparable with those prepared in accordance with IFRS. Although the notes to the audited consolidated financial statements for the year ended 31 December 2016 provide reconciliation of the Group's consolidated financial statements as at and for the year ended 31 December 2015 to show the effects of the transition to IFRS, such reconciliation has been provided only with respect to significant items and is not intended to identify all quantitative differences between Japanese GAAP and IFRS. Accordingly, investors should exercise caution in comparing figures prepared under IFRS and figures prepared under Japanese GAAP.

Considerations relating to the Bonds

Obligations of the Company under the Bonds are structurally subordinated.

As a holding company that operates through its subsidiaries and other Group entities, (i) the Company's obligations under the Bonds will be effectively subordinated to all existing and future obligations of its existing or future operating subsidiaries and (ii) all claims of creditors of its 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 the Company's claims and those of its creditors, including the holders of Bonds.

The Bonds are unsecured obligations of the Company.

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

- the Company enters into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- the Company defaults in payment of its secured indebtedness or other unsecured indebtedness; or
- any of the Company's indebtedness is accelerated.

If any of these events occurs, the Company's 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 Baa2 by Moody's. In addition, other rating agencies may assign security ratings to the Bonds without solicitation from or provision of information by the Company. 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 the Company 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 the Company is incorporated under the laws of Japan, any insolvency proceeding relating to the Company 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;
- the Group's 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 "Investment Considerations" 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.

The Company 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 the Company's option.

The Bonds are redeemable at the option of the Company 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, the Company also has the right to redeem the Bonds at its 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 the Company elects 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.

Forward-looking statements in this Offering Circular involve risks and uncertainties.

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial figures and beliefs, as well as other statements that are not historical facts are forward-looking statements involving risks and uncertainties. The important factors that could cause actual results to differ materially from such statements include, but are not limited to, the impact of general economic and market conditions in the markets where the Group operates, the level of demand for the Group's products, fluctuations in exchange rates and interest rates, raw material costs and the Group's ability to adapt itself to market, industry and general economic, political and business conditions.

Use of Proceeds

The net proceeds of the issue of the Bonds are estimated to be approximately €1,195 million and will be applied primarily towards repaying short-term bank loans incurred in connection with the acquisition of the Central and Eastern Europe Beer Business.

Capitalisation and Indebtedness

The following table shows the consolidated capitalisation and indebtedness of the Company as at 30 June 2017, which has been extracted without material adjustment from the Company's unaudited quarterly condensed consolidated financial statements, and as adjusted to give effect to the issue of the Bonds:

	As at 30 June 2017	
(Millions of yen)	**Actual**	**As adjusted**
Current liabilities:		
Bonds and borrowings	¥902,151	¥902,151
Total current liabilities	902,151	902,151
Non-current liabilities:		
Bonds and borrowings	550,513	550,513
The Bonds now being issued(2)	—	151,200
Total non-current liabilities	550,513	701,713
Equity		
Issued capital:		
Authorised: 972,305,309 shares		
Issued and outstanding: 483,585,862 shares	182,531	182,531
Share Premium	118,695	118,695
Retained earnings	622,875	622,875
Treasury shares	(76,725)	(76,725)
Other components of equity	110,934	110,934
Total equity attributable to owners of parent	958,311	958,311
Non-controlling interests	9,581	9,581
Total equity	967,892	967,892
Total capitalisation and indebtedness	¥2,420,556	¥2,571,756

Notes:

(1) Total capitalisation 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=¥126.00, the approximate rate of exchange prevailing as at 30 June 2017.

(3) Save as disclosed above, there has been no material adverse change in the capitalisation, indebtedness or contingent liabilities of the Group since 30 June 2017.

Conditions of the 2021 Bonds

The following Conditions, save for paragraphs in italics, will be endorsed on the Certificates (as defined below) evidencing the 2021 Bonds.

The issue of the €600,000,000 0.321 per cent Bonds due 2021 (the "Bonds") was authorised by a resolution of the Board of Directors of Asahi Group Holdings, Ltd. (the "Company") passed on 31 January 2017. A fiscal agency agreement dated 19 September 2017 (the "Fiscal Agency Agreement") has been entered into in relation to the Bonds among the Company, Sumitomo Mitsui Finance Dublin Limited as fiscal agent and paying agent and The Bank of New York Mellon SA/NV, Luxembourg Branch as 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 September 2017 (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 2021 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 2021 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 2021 Bonds represented by a Global Certificate will not be entitled to receive definitive certificates in respect of their individual holdings of 2021 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 2021 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.

By reference to the audited consolidated accounts of the Company for the year ended 31 December 2016, Asahi Europe Ltd. and Asahi Breweries Europe Ltd., being the holding companies of the Western Europe Beer Business and the Central and Eastern Europe Beer Business, respectively, are Principal Subsidiaries of the Company.

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 September 2017 at the rate of 0.321 per cent per annum, payable annually in arrear in the amount of €3.21 per Calculation Amount (as defined below) on 19 September in each year commencing on 19 September 2018 (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 September 2017 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 0.321 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 September 2021. 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 11 September 2017, 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 August 2021 (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 2021 Bonds are represented by a Global Certificate and such 2021 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 9 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.

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 2021 Bonds are represented by a Global Certificate and such 2021 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 2025 Bonds

The following Conditions, save for paragraphs in italics, will be endorsed on the Certificates (as defined below) evidencing the 2025 Bonds.

The issue of the €600,000,000 1.151 per cent Bonds due 2025 (the "Bonds") was authorised by a resolution of the Board of Directors of Asahi Group Holdings, Ltd. (the "Company") passed on 31 January 2017. A fiscal agency agreement dated 19 September 2017 (the "Fiscal Agency Agreement") has been entered into in relation to the Bonds among the Company, Sumitomo Mitsui Finance Dublin Limited as fiscal agent and paying agent and The Bank of New York Mellon SA/NV, Luxembourg Branch as 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 September 2017 (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 2025 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 2025 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 2025 Bonds represented by a Global Certificate will not be entitled to receive definitive certificates in respect of their individual holdings of 2025 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 2025 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.

By reference to the audited consolidated accounts of the Company for the year ended 31 December 2016, Asahi Europe Ltd. and Asahi Breweries Europe Ltd., being the holding companies of the Western Europe Beer Business and the Central and Eastern Europe Beer Business, respectively, are Principal Subsidiaries of the Company.

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 September 2017 at the rate of 1.151 per cent per annum, payable annually in arrear in the amount of €11.51 per Calculation Amount (as defined below) on 19 September in each year commencing on 19 September 2018 (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 September 2017 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 1.151 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 September 2025. 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 11 September 2017, 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 June 2025 (the "Par Call Date") on giving not less than 30 nor more than 60 days' prior notice to the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to the date fixed for redemption) plus the Applicable Premium.

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

For the purposes of this Condition 5(c):

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

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

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

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

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

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

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

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

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

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

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

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

6 Payments

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

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

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

So long as the 2025 Bonds are represented by a Global Certificate and such 2025 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 9 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.

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 2025 Bonds are represented by a Global Certificate and such 2025 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, the 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 recognised 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 25 December and 1 January.

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 the Company 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.

Recent Business

Overview

The Group is a diversified manufacturer and distributor of beverage and food products, with a focus on beer and other beer-type beverages in Japan, with the highest market share in domestic beer sales in terms of shipment volume for the year ended 31 December 2016 and the 7th highest market share (according to Euromonitor) in global beer sales in terms of sales volume for the year ended 31 December 2016 (combining the Group's sales volume and the sales volume of the European Beer Business). The Group's flagship product, "Asahi Super Dry" beer, was the number one beer brand in the Japanese beer market (including the other beer-type beverage markets, namely the low-malt *happoshu* and new-genre beverages markets) for the year ended 31 December 2016 based on total volume. The Group also produces and sells, and imports and sells, a wide range of other alcoholic beverages including *shochu*, RTD beverages (cocktail-type drinks generally sold in cans with low alcoholic content), whisky, spirits and wine. The Group's revenue from outside customers recorded in its Alcohol Beverages business segment for the year ended 31 December 2016 amounted to 55.6 per cent of the consolidated total revenue of the Group for the period. The Group is also involved in the production and sale of soft drinks in its Soft Drinks business segment, which accounted for 20.8 per cent of the Group's consolidated total revenue for the year ended 31 December 2016 and, to a more limited extent, food products in its Food business segment, which accounted for 6.3 per cent of the Group's consolidated total revenue for the same period. Revenues generated from alcoholic beverages and soft drinks overseas (excluding a portion of overseas sales of beer products produced in Japan that have been exported) are included in the Group's Overseas business segment. The Group's Overseas business segment accounted for 14.5 per cent of the Group's consolidated total revenue for the year ended 31 December 2016. The Group engages in other ancillary businesses such as mail-order and logistics, which accounts for a small portion of the Group's consolidated total revenue.

Recent Developments

Adoption of International Financial Reporting Standards

The Group adopted IFRS as at 1 January 2016 and the consolidated financial statements for the year ended 31 December 2016 (including the corresponding figures as at and for the year ended 31 December 2015) are the first consolidated financial statements prepared in accordance with IFRS. Consolidated financial statements prepared prior thereto were prepared in accordance with Japanese GAAP. For the transition, the Group has adopted IFRS 1 "First-time Adoption of International Financial Reporting Standards". See Note 41 "Disclosure regarding the Transition to IFRS" of the consolidated financial statements for the year ended 31 December 2016 on page F-52 for further details on the effect of the transition to IFRS on the Group's financial position, financial performance and cash flows as well as a reconciliation from Japanese GAAP to IFRS. All of the figures set out in this section "Recent Business" are extracted or calculated from the consolidated financial statements prepared in accordance with IFRS or IAS 34.

The Company voluntarily adopted IFRS in order to provide its shareholders, investors and other stakeholders with more useful information by enhancing comparability of its financial information with other companies worldwide and by enriching the content of its financial disclosure. The main impact from the adoption of IFRS for the year ended 31 December 2016 was a ¥183.4 billion decline in revenue compared with Japanese GAAP, reflecting mainly deduction of rebates directly linked to sales which were classified as selling, general and administrative expenses under Japanese GAAP. Core operating profit, which the Group defines as the profit remaining after deducting costs of sales and selling, general and administrative expenses from revenue, is not a defined term under IFRS, but the Group has decided to use it as a key performance indicator for the results of its businesses going forward as it believes it will be helpful for investors as a reference index for normalised business performance.

Acquisition of the European Beer Business

In October 2016, the Group acquired the Italian, Dutch and British businesses and other related assets of SABMiller or the "Western Europe Beer Business" following the completion of AB InBev's acquisition of SABMiller. In addition, in March 2017, the Group acquired AB InBev's businesses in the Czech Republic, the Slovak Republic, Poland, Hungary and Romania or the "Central and Eastern Europe Beer Business" and other related assets that were owned by SABMiller prior to its combination with AB InBev.

Acquisition of the Western Europe Beer Business

The acquisition of the Western Europe Beer Business was completed on 11 October 2016, with the total consideration payable being ¥297,020 million, all of which was paid in cash. The key subsidiaries acquired were Birra Peroni S.r.l., Royal Grolsch NV, Meantime Brewing Company Ltd. and Asahi UK Ltd (formerly Miller Brands (UK) Ltd.), and 25 other entities involved in the manufacturing and distribution of beer were also acquired.

The carrying amount of goodwill derived from the acquisition of the Western Europe Beer Business as at 31 December 2016 was ¥152,062 million. The initial accounting is still provisional because some of the items including the amount of goodwill incurred, assets acquired and liabilities assumed are still under review and therefore the allocation was incomplete at the end of the period. Goodwill is primarily composed of synergies with the Group's businesses and excess profitability that are expected to occur from the acquisition, which do not individually fulfil the criteria for recognition.

Acquisition of the Central and Eastern Europe Beer Business

The acquisition of the Central and Eastern Europe Beer Business was completed on 31 March 2017, with the total consideration payable being ¥904,131 million, all of which was paid in cash, of which ¥280 billion was refinanced through the issuance of yen-denominated domestic bonds issued in June 2017, and the remaining bridge loan of ¥620 billion to be refinanced primarily through debt financing, including the issuance of the Bonds. The key subsidiaries acquired were Plzeňský Prazdroj a.s., Pivovary Topvar a.s., Kompania Piwowarska S.A., Ursus Breweries SA and Dreher Sörgyárak Zrt.

The carrying amount of goodwill derived from the acquisition of the Central and Eastern Europe Beer Business as at 30 June 2017 was ¥866,011 million. The amount of goodwill incurred, acquired assets and liabilities assumed in the business combination are still under review to verify the identifiable assets and liabilities at the end of the six months ended June 30, 2017. Therefore, purchase price allocation is incomplete and the initial accounting is still provisional.

Impact of the Acquisition of the European Beer Business on Results of Operations

Following the acquisition of the Western Europe Beer Business, the Group began reporting financial figures for its European Beer Business as a sub-segment of its Overseas business segment (the "Europe Business sub-segment"). Revenue generated by the Europe Business sub-segment for the year ended 31 December 2016 was ¥26,384 million (in respect of the period from 11 October 2016 to 31 December 2016). Core operating profit generated by the Europe Business sub-segment for the same period was ¥4,170 million, which was offset by a one-time acquisition cost of ¥5,958 million, resulting in an overall core operating loss of ¥1,787 million generated by the Europe Business sub-segment.

Revenue generated by the Overseas business segment for the three months ended 31 March 2016 was ¥58,398 million and revenue generated by the Overseas business segment for the three months ended 31 March 2017 was ¥84,161 million, comprising revenue of ¥24,452 million generated by the Europe Business sub-segment (then consisting of the Western Europe Beer Business) for the three months ended 31 March 2017 and revenue of ¥59,709 million generated by the other operations of the Overseas business segment. Core operating profit for the Overseas business segment in the three months ended 31 March 2017 was ¥2,334 million and core operating loss for the Europe Business sub-segment (then consisting of the Western Europe Beer Business) was ¥751 million. Core operating loss for this period includes a one-time acquisition cost of ¥409 million related to the acquisition of the Western Europe Beer Business and a one-time acquisition cost of ¥2,200 million related to the acquisition of the Central and Eastern Europe Beer Business. EBITDA[1] for the Overseas business segment for the three months ended 31 March 2017, adjusted to remove the one-time acquisition costs was ¥8,281 million (including ¥3,218 million in respect of the Western Europe Beer Business).

Revenue generated by the Overseas business segment for the three months ended 30 June 2016 was ¥51,402 million and revenue generated by the Overseas business segment for the three months ended 30 June 2017 was ¥171,902 million, comprising revenue of ¥118,175 million generated by the Europe Business sub-segment (consisting of ¥36,502 million in respect of the Western Europe Beer Business and ¥81,673 million in respect of the Central and Eastern Europe Beer Business) and revenue of ¥53,727 million generated by the other operations of the Overseas business segment. Core operating profit for the Overseas business segment in the three month ended 30 June 2017 was ¥18,239 million and core operating profit for the Europe Business sub-segment (consisting of ¥5,275 million in respect of the Western Europe Beer Business and ¥11,428 million in respect of the Central and Eastern Europe Beer Business) was ¥16,704 million. Core operating profit for this period includes a one-time acquisition cost of ¥398 million related to the acquisition of the Western Europe Beer Business and a one-time acquisition cost of ¥3,997 million related to the acquisition of the Central and Eastern Europe Beer Business. EBITDA[1] for the Overseas business segment for the three months ended 30 June 2017, adjusted to remove the one-time acquisition costs was ¥30,505 million (including ¥7,562 million in respect of the Western Europe Beer Business and ¥19,399 million in respect of the Central and Eastern Europe Beer Business).

The European beer industry is significantly affected by seasonality, with a significant majority of sales volume being generated during the third and second calendar quarters (in that order) and the remainder being generated during the fourth and first calendar quarters (in that order). The Group expects that the results of operations of the Europe Business sub-segment will be similarly affected by such seasonality.

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1 See Footnote (2) to the table on page 53 for the calculation of business segment EBITDA.

Revisions to Japanese liquor tax laws

Pursuant to the Standards regarding Fair Transactions in Liquor, which have been prescribed under the Act regarding Protection of Liquor Tax and Alcoholic Beverages Business Union, etc. of Japan, from 1 June 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. Since the coming into force of such Act, there has been no significant effect on the Group's sales of alcoholic beverages although there can be no assurance that there are no effects on the sales of alcoholic beverages in the future.

Disposal of equity interests

In December 2016, the Group concluded a contract with Ting Hsin (Cayman Islands) Holding Corp. and Tingyi (Cayman Islands) Holding Corp. (together, "Tingyi"), to sell an equity stake in Tingyi Asahi Beverages Holding Co., Ltd. ("TAB") of 10.0 per cent held by the Company's wholly owned subsidiary, AI Beverage Holding Co., Ltd. for a transfer price of U.S.$330 million. The disposal comes as part of the Group's overall strategy of enhancing corporate value through business portfolio restructuring with a focus on asset efficiency (see "Business – Strength and Strategy"). The Group announced a further sale of the remainder of its equity stake in TAB in June 2017, whereby the Group will transfer a total of 20.4 per cent of the total shares outstanding to Tingyi (Cayman Islands) Holdings Corp. for a total transfer price of U.S.$612 million.

In November 2016, the Group resolved to accept a tender offer announced by Kagome Co., Ltd. ("Kagome") for its own common shares. The Group and Kagome both engage in the business area of "food and health", and had entered into a capital and business alliance agreement in February 2007 to pursue a wide range of cooperative relationship in all aspects of the supply chain in the mutual group's business. As part of the Group's focus on asset efficiency, it concluded that a good cooperative relationship will be able to be kept in the future even without a capital alliance, and therefore, the Group and Kagome mutually agreed to dissolve the capital alliance.

Factors Affecting Results of Operations

Pricing

The Group operates in competitive markets and faces pricing pressures in various sales channels. For example, a global trend of consolidation among major retail groups has resulted in supermarkets, convenience stores and other retailers having increased bargaining power in many markets. Although competitive pressures within the alcoholic beverages and soft drinks market in Japan has eased as the focus has shifted away from price competition and towards differentiation and profit margins, nevertheless, significant pricing pressure remains among major retailers and the Group's ability to increase prices in response to increases in prices of raw materials may be limited. The vending machine channel in Japan, which has historically commanded higher pricing and is a significant sales revenue for the Group, is also seeing price competition due to market saturation and increased competition from supermarkets and other retailers which have stronger bargaining power and are able to sell products at a lower price. Pricing is also affected by the mix of products because some products have higher average unit pricing than other types of products.

Taxation of Alcoholic Beverages

The production and sale of alcoholic beverages are subject to taxation in Japan under the Liquor Tax Act and to similar excise taxes in most of the countries in which the Group's alcoholic beverages are sold, which have a substantial impact on the pricing of alcoholic beverages. The Group's revenue and cost of sales both generally include these excise taxes and therefore are subject to changes in levels of taxation in the countries where it operates.

Seasonality

As the majority of its operations are located in the northern hemisphere, the Group generally records greater revenue in the summer months, especially in July and August, as demand for the Group's principal products, alcoholic beverages and soft drinks, are generally higher when the weather is hot. As a result, the Group tends to record greater revenue in the second half of its financial year. In addition, sales in December are also generally higher in Japan in connection with the New Year holiday period (and the resulting concentration of the Japanese tradition of gift giving in this period and other various events). As such, the results of any one financial quarter are not necessarily indicative of the results of the whole financial year.

Procurement Costs

The principal raw materials used by the Group include malt, hops, sugar, dairy products, water and coffee beans. The availability of these materials can be affected by changes in weather patterns as well as global supply and demand. Additionally, conversion of raw materials into the Group's products for sale also uses electricity and natural gas. The cost of raw materials and energy can fluctuate substantially. The Group seeks to minimise the impact of any increases through measures such as the design of lighter packaging that uses less materials, fine-tuning procurement specifications and improving manufacturing operations to reduce waste.

Foreign Exchange Rates

The Group operates on a global basis, and its results are impacted by fluctuations in foreign exchange rates. In operations in Japan, the Group sources certain raw materials from overseas. Such materials are principally priced in euros and U.S. dollars. The Group actively manages its procurement costs in a manner that mitigates the impact of currency fluctuations. Weakening of the yen against the U.S. dollar, however, will generally increase procurement costs. The Group's results of operations reported in yen are also impacted by the translation effect upon conversion of the local currency results of its overseas subsidiaries. A strengthening of the euro against the yen will increase the contribution from overseas subsidiaries in the consolidated results and conversely a weakening of the euro against the yen will decrease the contribution from overseas subsidiaries (in particular as a result of the acquisition of the European Beer Business).

Promotion and Advertising Expenses

The Group engages in a broad range of promotional and advertising activities in support of its brands and individual products. The Group's promotions in Japan focus in particular on supermarkets, discount retailers and convenience stores. The Group's advertising expenses in Japan are concentrated on supporting its core brands within important product segments as well as focused promotions surrounding new product introductions. The Group targets those products that it believes have the greatest cost-benefit and also utilises a variety of media, including online promotions and social media in addition to television advertising.

The following financial figures as at and for the three and six months ended 30 June 2017 have not been reviewed or audited by the Company's independent auditor. In addition, as a result of the acquisition of the Western Europe Beer Business and the Central and Eastern Europe Beer Business, certain financial figures may not be directly comparable. The Western Europe Beer Business' results of operations are reflected in the Group's consolidated financial statements for the three and six and months ended 30 June 2017 (in the Overseas business segment) and the Central and Eastern Europe Beer Business' results of operations have been reflected in the Group's consolidated financial statements for the three-months ended 30 June 2017 (in the Overseas business segment), but in each case, not in the corresponding periods in the prior year.

Consolidated Results for the Three Months Ended 30 June 2017 compared to the Three Months Ended 30 June 2016

The following table shows revenue (prior to corporate/elimination adjustments) and core operating profit for each of the Group's business segments for the three months ended 30 June 2016 and 2017:

	Three months ended 30 June			
	2016		2017	
(Millions of yen)	**Revenue**	**Core operating profit**	**Revenue**	**Core operating profit**
Alcohol Beverages	¥254,514	¥31,249	¥254,268	¥32,011
Soft Drinks	98,797	11,928	103,132	13,356
Food	27,704	3,084	28,215	2,998
Overseas[(1)(2)]	51,402	2,563	171,902	18,239
Other	26,794	768	27,982	1,198
Adjustments[(3)]	(26,292)	(7,516)	(27,303)	(8,262)
Consolidated	¥432,920	¥42,078	¥558,198	¥59,540

Notes:

(1) "Overseas" includes the results of operations of the Western Europe Beer Business and the Central and Eastern Europe Beer Business for the three months ended 30 June 2017.

(2) Includes a one-time acquisition costs of ¥4,395 million in respect of the acquisition of the European Beer Business.

(3) With respect to core operating profit, includes corporate/elimination adjustments, amortisation of acquisition-related intangible assets and corporate adjustment items (IFRS adjustments).

Consolidated Results for the Six Months Ended 30 June 2017 compared to the Six Months Ended 30 June 2016

Overview

During the six months ended 30 June 2017, the global economy saw some recovery, mainly reflecting the recovery of business conditions of emerging economies such as China as well as the increase in personal consumption in the U.S. and Europe. The business conditions in Japan continued a mild recovery, primarily as a result of an improvement in personal consumption due to improved employment conditions and income environments.

Results

Revenue

Revenue for the six months ended 30 June 2017 increased by ¥158,508 million, or 20.3 per cent, to ¥937,375 million, compared to ¥778,867 million in the six months ended 30 June 2016, primarily due to higher sales volume in the Group's main businesses, as well as the consolidation of the European Beer Business.

Cost of sales

Cost of sales for the six months ended 30 June 2017 increased by ¥86,251 million, or 17.2 per cent, to ¥587,114 million, compared to ¥500,863 million in the six months ended 30 June 2016, primarily due to higher sales volume in the Group's main businesses, as well as the consolidation of the European Beer Business.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended 30 June 2017 increased by ¥52,294 million, or 23.4 per cent, to ¥275,727 million, compared to ¥223,433 million in the six months ended 30 June 2016. This was due mainly to the consolidation of the European Beer Business, as well as the inclusion of one-time acquisition costs.

Core operating profit and EBITDA

Core operating profit for the six months ended 30 June 2017 increased by ¥19,963 million, or 36.5 per cent, to ¥74,533 million, compared to ¥54,569 million in the six months ended 30 June 2016. EBITDA for the six months ended 30 June 2017 was ¥111,761 million compared to ¥83,529 million for the six months ended 30 June 2016.

Profit before tax

Profit before tax for the six months ended 30 June 2017 increased by ¥16,025 million, or 33.6 per cent, to ¥63,698 million, compared to ¥47,673 million in the six months ended 30 June 2016. This increase was primarily due to an increase in revenue and core operating profit.

Income tax expense

Income tax expense for the six months ended 30 June 2017 increased by ¥3,131 million, or 18.0 per cent, to ¥20,461 million, compared to ¥17,330 million in the six months ended 30 June 2016.

Profit attributable to owners of parent

Profit attributable to owners of parent for the six months ended 30 June 2017 increased by ¥12,556 million, or 40.8 per cent, to ¥43,303 million, compared to ¥30,747 million in the six months ended 30 June 2016, due primarily to an increase in revenue.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for the six months ended 30 June 2017 decreased by ¥339 million, or 83.7 per cent, to ¥66 million, compared to ¥405 million in the six months ended 30 June 2016, due primarily to an increase in profits of overseas affiliates of the Group.

Net profit

As a result of the above, net profit for the six months ended 30 June 2017 increased by ¥12,894 million, or 42.4 per cent, to ¥43,236 million, compared to ¥30,342 million in the six months ended 30 June 2016.

Operating Results by Business Segment

The following table shows revenue (prior to corporate/elimination adjustments) and core operating profit for each of the Group's business segments for the six months ended 30 June 2016 and 2017:

	Six months ended 30 June			
	2016		2017	
(Millions of yen)	**Revenue**	**Core operating profit**	**Revenue**	**Core operating profit**
Alcohol Beverages	¥443,590	¥46,198	¥444,694	¥47,229
Soft Drinks	169,322	12,293	178,284	16,591
Food	53,110	4,812	55,196	6,052
Overseas(1)(2)	109,800	5,512	256,063	20,573
Other	48,648	289	51,201	253
Adjustments(3)	(45,605)	(14,536)	(48,066)	(16,168)
Consolidated	¥778,867	¥54,569	¥937,375	¥74,533

Notes:

(1) "Overseas" includes the results of operations of the Western Europe Beer Business and three months of the Central and Eastern Europe Beer Business for the six months ended 30 June 2017.

(2) Includes one time acquisition costs of ¥7,004 million, in respect of acquisition of the European Beer Business.

(3) With respect to core operating profit, includes corporate/elimination adjustments, amortisation of acquisition-related intangible assets and corporate adjustment items (IFRS adjustments).

Alcohol Beverages

Revenue for the Alcohol Beverages business segment for the six months ended 30 June 2017 increased by ¥1,104 million, or 0.2 per cent, to ¥444,694 million, compared to ¥443,590 million in the six months ended 30 June 2016. This was primarily due to higher sales volume of alcoholic and non-alcohol beer-taste beverages other than beer-type beverages.

Core operating profit for this business segment for the six months ended 30 June 2017 increased by ¥1,031 million, or 2.2 per cent, to ¥47,229 million, compared to ¥46,198 million in the six months ended 30 June 2016. This was primarily due to an increase in revenue as well as the Group's success in decreasing costs, such as advertisement fees and raw material costs.

Soft Drinks

Revenue for the Soft Drinks business segment for the six months ended 30 June 2017 increased by ¥8,961 million, or 5.2 per cent, to ¥178,284 million, compared to ¥169,322 million in the six months ended 30 June 2016. This was primarily due to the increase in sales of carbonated drinks as well as lactic acid drinks.

Core operating profit for this business segment for the six months ended 30 June 2017 increased by ¥4,298 million or 34.9 per cent, to ¥16,591 million, compared to ¥12,293 million in the six months ended 30 June 2016. This was primarily due to the increase in revenue as well as the Group's efforts to streamline its production systems.

Food

Revenue for the Food business segment for the six months ended 30 June 2017 increased by ¥2,086 million, or 3.9 per cent, to ¥55,196 million, compared to ¥53,110 million in the six months ended 30 June 2016. This was primarily due to the increase in sales volume of the Group's core brand products.

Core operating profit for this business segment for the six months ended 30 June 2017 decreased by ¥1,240 million, or 25.7 per cent, to ¥6,052 million, compared to ¥4,812 million in the six months ended 30 June 2016. This was primarily due to an increase in revenue as well the Group's success in decreasing costs such as advertisement fees and raw material costs.

Overseas

Revenue for the Overseas business segment for the six months ended 30 June 2017 increased by ¥146,263 million, or 133.2 per cent, to ¥256,063 million, compared to ¥109,800 million in the six months ended 30 June 2016. This was primarily due to increase in sales in Oceania as well as in Europe.

Core operating profit for this business segment for the six months ended 30 June 2017 increased by ¥15,061 million, or 273.2 per cent, to ¥20,573 million, compared to ¥5,512 million in the six months ended 30 June 2016. This was primarily due to increase in revenue from the European Beer Business, despite the recording of a one-time acquisition cost of ¥7,004 million in relation to the European Beer Business.

Other

Revenue for the Other business segment for the six months ended 30 June 2017 increased by ¥2,553 million, or 5.2 per cent, to ¥51,201 million, compared to ¥48,648 million in the six months ended 30 June 2016.

Core operating profit for this business segment for the six months ended 30 June 2017 decreased by ¥36 million, or 12.4 per cent, to ¥253 million, compared to ¥289 million in the six months ended 30 June 2016.

Consolidated results for the year ended 31 December 2016 compared to the year ended 31 December 2015

Overview

During the year ended 31 December 2016, the global economy saw gradual recovery, mainly reflecting the continued recovery of the U.S. economy, countered by the slowdown in business conditions of emerging economies such as China and increasing uncertainty caused by Brexit and other issues. The business conditions in Japan continued a mild recovery, primarily as a result of an improvement in personal consumption due to improved employment conditions and income environments, despite signs of sluggish exports and production.

Results

Revenue

Revenue for the year ended 31 December 2016 increased by ¥17,374 million, or 1.0 per cent, to ¥1,706,901 million, compared to ¥1,689,527 million in the prior year, primarily due to increase in sales of domestic businesses in the Alcohol Beverages and Soft Drinks business segments.

Cost of sales

Cost of sales for the year ended 31 December 2016 decreased by ¥4,666 million, or 0.4 per cent, to ¥1,098,173 million, compared to ¥1,102,839 million in the prior year, primarily due to a decrease in raw material costs in the Food and Soft Drinks business segments and a result of the Group's efforts to manufacture materials internally within the Group.

Selling, general and administrative expenses

Selling, general and administrative expenses for the year ended 31 December 2016 increased by ¥14,245 million, or 3.1 per cent, to ¥460,241 million, compared to ¥445,996 million in the prior year. This was due mainly to an increase in advertising and marketing costs in the Alcohol Beverages business segment, as well as the recording of one-time acquisition costs relating to the acquisition of the Western Europe Beer Business.

Core operating profit and EBITDA

Core operating profit for the year ended 31 December 2016 increased by ¥7,795 million, or 5.5 per cent, to ¥148,486 million, compared to ¥140,692 million in the prior year. EBITDA for the year ended 31 December 2016 was ¥205,803 million compared to ¥197,288 million for the year ended 31 December 2015.

Profit before tax

Profit before tax for the year ended 31 December 2016 increased by ¥32,505 million, or 27.6 per cent, to ¥150,068 million, compared to ¥117,563 million in the prior year. This increase was primarily due to an increase in revenue, as well as the recording of a one-time impairment loss involving the business in Oceania in the previous year.

Income tax expense

Income tax expense for the year ended 31 December 2016 increased by ¥19,990 million, or 46.5 per cent, to ¥62,952 million, compared to ¥42,962 million in the prior year.

Profit attributable to owners of parent

Profit attributable to owners of parent for the year ended 31 December 2016 increased by ¥13,451 million, or 17.7 per cent, to ¥89,221 million, compared to ¥75,770 million in the prior year. This primarily reflected the recording of a gain on sales of investments accounted for by the equity method, although the gain was partially offset by an increase in income tax expenses.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for the year ended 31 December 2016 increased by ¥935 million, or 79.9 per cent, to ¥2,105 million, compared to ¥1,170 million in the prior year, due primarily to decrease in profits of overseas affiliates of the Group.

Net profit

As a result of the above, net profit for the year ended 31 December 2016 increased by ¥12,515 million, or 16.7 per cent, to ¥87,115 million, compared to ¥74,600 million in the prior year.

Operating Results by Business Segment

The following table shows revenue (prior to corporate/elimination adjustments) and core operating profit for each of the Group's business segments for the years ended 31 December 2015 and 2016:

	Year ended 31 December					
	2015			2016		
(Millions of yen)	**Revenue**	**Core operating profit**	**EBITDA(1)(2)**	**Revenue**	**Core operating profit**	**EBITDA(1)(2)**
Alcohol Beverages	¥970,958	¥119,740	¥146,838	¥976,649	¥120,823	¥144,932
Soft Drinks	350,283	25,260	33,242	363,905	32,335	41,552
Food	111,306	8,446	10,791	110,824	10,256	13,513
Overseas(3)	250,452	13,954	23,180	250,316	12,348	22,890
Other	97,267	2,448	2,658	102,279	2,000	2,260
Adjustments(4)	(90,741)	(29,156)	(19,421)	(97,073)	(29,277)	(19,344)
Consolidated	¥1,689,527	¥140,692	¥197,288	¥1,706,901	¥148,486	¥205,803

Notes:

(1) Consolidated EBITDA = core operating profit + amortisation of intangible assets + depreciation (excluding lease assets and trademarks at the time of acquisition of subsidiaries).

(2) Business Segment EBITDA = core operating profit + depreciation (excluding lease assets and trademarks at the time of acquisition of subsidiaries).

(3) "Overseas" Includes the results of operations of the Western Europe Beer Business for the period from 11 October 2016 to 31 December 2016 and includes a one time acquisition cost of ¥5.9 billion in respect of the acquisition of the European Beer Business in respect of the year ended 31 December 2016.

(4) With respect to core operating profit and EBITDA, includes corporate/elimination adjustments, amortisation of acquisition-related intangible assets and corporate adjustment items (IFRS adjustments).

Alcohol Beverages

Revenue for the Alcohol Beverages business segment for the year ended 31 December 2016 increased by ¥5,690 million, or 0.5 per cent, to ¥976,649 million, compared to ¥970,958 million in the prior year. This was primarily due to higher sales volume of beer-type beverages as well as other alcoholic and non-alcohol beer-taste beverages, along with the addition of revenue from a newly consolidated subsidiary.

Core operating profit for this business segment for the year ended 31 December 2016 increased by ¥1,083 million, or 0.9 per cent, to ¥120,823 million, compared to ¥119,740 million in the prior year. This was primarily due to an increase in sales of beer-type beverages, as well as an increase in revenue of other alcoholic beverages.

Soft Drinks

Revenue for the Soft Drinks business segment for the year ended 31 December 2016 increased by ¥13,622 million, or 3.8 per cent, to ¥363,905 million, compared to ¥350,283 million in the prior year. This was primarily due to the increase in sales of core brands.

Core operating profit for this business segment for the year ended 31 December 2016 increased by ¥7,076 million or 28.0 per cent, to ¥32,335 million, compared to ¥25,260 million in the prior year. This was primarily due to an increase in revenue from core brands, as well as a result of the Group's efforts to manufacture materials internally within the Group.

Food

Revenue for the Food business segment decreased by ¥482 million, or 0.4 per cent, to ¥110,824 million for the year ended 31 December 2016, compared to ¥111,306 million for the year ended 31 December 2015. Although there were strong sales in the Group's core brands, sales increased due to the review of overseas freeze-dried food business.

Core operating profit for this business segment for the year ended 31 December 2016 increased by ¥1,810 million, or 21.4 per cent, to ¥10,256 million, compared to ¥8,446 million in the prior year. This was primarily due to an increase in sales of "Mintia" products, as well as sales of healthcare products, baby food and freeze dried soups.

Overseas

Revenue for the Overseas business segment for the year ended 31 December 2016 decreased by ¥135 million, or 0.1 per cent, to ¥250,316 million, compared to ¥250,452 million in the prior year. There were favourable results in Oceania and China, as well as new contribution from the European Beer Business, but the decline in sales in Southeast Asia and the impact of the appreciation of the yen resulted in a slight decrease in revenue.

Core operating profit for this business segment for the year ended 31 December 2016 decreased by ¥1,605 million, or 11.5 per cent, to ¥12,348 million, compared to ¥13,954 million in the prior year. This was primarily due to the recording of one-time costs of ¥6.0 billion in relation to the acquisition of the Western Europe Beer Business.

Other

Revenue for the Other business segment for the year ended 31 December 2016 increased by ¥5,012 million, or 5.1 per cent, to ¥102,279 million, compared to ¥97,267 million in the prior year.

Core operating profit for this business segment for the year ended 31 December 2016 decreased by ¥448 million, or 18.3 per cent, to ¥2,000 million, compared to ¥2,448 million in the prior year.

Financial Condition

Consolidated balance sheet as at 30 June 2017 compared to Consolidated balance sheet as at 31 December 2016

Total assets as at 30 June 2017 increased by ¥1,096,493 million, or 52.5 per cent, to ¥3,182,874 million from ¥2,086,381 million as at 31 December 2016. This was primarily due to the consolidation of assets in relation to the Central and Eastern Europe Beer Business.

Total liabilities as at 30 June 2017 increased by ¥974,705 million, or 78.5 per cent, to ¥2,214,981 million from ¥1,240,276 million as at 31 December 2016. This was primarily due to an increase in interest-bearing debt incurred in relation to the acquisition of the Central and Eastern Europe Beer Business.

Total equity as at 30 June 2017 increased by ¥121,787 million, or 14.3 per cent, to ¥967,892 million from ¥846,105 million as at 31 December 2016 due primarily to the increase in profit attributable to owners of parent and favourable foreign exchange rates.

Consolidated balance sheet as at 31 December 2016 compared to Consolidated balance sheet as at 31 December 2015

Total assets as at 31 December 2016 increased by ¥281,708 million, or 15.6 per cent, to ¥2,086,381 million from ¥1,804,673 million as at 31 December 2015. This was primarily due to the inclusion of new acquisitions overseas in the scope of consolidation, offsetting the decrease in assets caused by the cash conversion of assets through means including the sale of investment securities and shares of affiliates.

Total liabilities as at 31 December 2016 increased by ¥239,285 million, or 23.9 per cent, to ¥1,240,276 million from ¥1,000,991 million as at 31 December 2015. This was primarily due to an increase in financial debt.

Total equity as at 31 December 2016 increased by ¥42,423 million, or 5.2 per cent, to ¥846,105 million from ¥803,682 million as at 31 December 2015. The results primarily reflected an increase in retained earnings due to the recording of profit attributable to owners of parent. This was partially offset by a decrease in retained earnings due to the payment of dividends.

Liquidity and Capital Resources

Cash flows for the six months ended 30 June 2017 compared to cash flows for the six months ended 30 June 2016

Net cash from operating activities for the six months ended 30 June 2017 was ¥88,798 million, compared to ¥62,260 million for the six months ended 30 June 2016, representing an increase in net cash of 42.6 per cent. This result primarily reflected an improvement in profit before tax.

Net cash used in investing activities for the six months ended 30 June 2017 was ¥920,388 million, compared to ¥21,820 million for the six months ended 30 June 2016, representing an increase in net cash used of 4,118.0 per cent. This primarily reflected the acquisition of the Central and Eastern Europe Beer Business.

Net cash from financing activities for the six months ended 30 June 2017 was ¥864,704 million, compared to net cash of ¥30,316 million used in the six months ended 30 June 2016. This result primarily reflected the bridge loan to be used for the acquisition of the Central and Eastern Europe Beer Business.

As a result of the foregoing factors, cash and cash equivalents as at 30 June 2017 were ¥83,793 million, compared to ¥48,459 million as at 31 December 2016, representing an increase of ¥35,333 million, or 72.9 per cent.

Cash flows for the year ended 31 December 2016 compared to cash flows for the year ended 31 December 2015

Net cash from operating activities for the year ended 31 December 2016 was ¥154,452 million, compared to ¥116,471 million for the prior year, representing an increase in net cash of 32.6 per cent. The main factors of increasing cash were non-cash items such as depreciation and amortisation and impairment losses. Meanwhile, the main factor of decreasing cash was income taxes paid due to fluctuation in operating funds, such as trade receivables.

Net cash used in investing activities for the year ended 31 December 2016 was ¥268,507 million, compared to ¥77,083 million for the prior year, representing an increase in net cash used of 248.3 per cent. The main use of cash was for the purchase of stocks of the European subsidiaries. There were also cash inflows mainly from proceeds from sales of financial assets and investment in an affiliate accounted for by the equity method.

Net cash from financing activities for the year ended 31 December 2016 was ¥119,554 million, whereas ¥75,250 million was used in the prior year. The main source of cash was an increase in interest-bearing debt due to proceeds from long-term borrowings.

As a result of the foregoing factors, cash and cash equivalents as at 31 December 2016 were ¥48,459 million, compared to ¥43,290 million as at 31 December 2015, representing an increase of ¥5,169 million, or 11.9 per cent.

Funding

The Group derives the funds it requires for its operations principally from cash flow from operations and borrowings from financial institutions, as well as from issuance of bonds. The Group considers the reduction of interest-bearing debt as a priority, however, it makes flexible use of resources available according to the need for potential investments such as capital expenditure to enhance the management base and increase efficiency or strategic investments such as mergers and acquisitions. When financing needs arise, the Group responds by carefully considering procurement methods that will facilitate the lowest possible interest cost and meet working capital needs, in principle through short-term loans and the issuance of commercial papers. As at 31 December 2016 and 30 June 2017, the Group’s bonds and borrowings (non-current liabilities) amounted to ¥288,490 million and ¥550,513 million, respectively.

With regard to the liquidity of funds, the Company and its major subsidiaries have introduced a cash management system that channels excess funds of each entity to the Company so that it can centrally manage these funds and enables it to both improve capital efficiency and minimise financing costs.

Capital Expenditure

The following table shows information with respect to the Group’s capital expenditure by business segment on an accrual basis for the periods indicated:

	Year ended 31 December	
(Millions of yen)	**2015**	**2016**
Alcohol Beverages	¥18,095	¥29,936
Soft Drinks	16,637	15,206
Food	5,359	3,660
Overseas	15,680	17,940
Other	201	430
Corporate	855	4,568
Total capital expenditure	¥56,830	¥71,743

The Group's capital expenditure is generally funded principally by internally generated funds, and, taking into consideration the state of the Group's balance sheets, by bank borrowings, commercial paper and bond issuances. For the year ended 31 December 2016, funds were used primarily for the following purposes:

- renewal of existing facilities and improvement of profitability in the Alcohol Beverages business segment;
- improvement of efficiency of logistics and production systems in conjunction with business integration in the Soft Drinks business segment;
- strategic investment to expand sales by enhancing production systems and to achieve continuous earnings improvement in the Food business segment; and
- capital investment to increase efficiency based on a strategy of continuously improve earnings in the Overseas business segment.

The Group's capital expenditure for the year ending 31 December 2017 is expected to be slightly higher than that for the year ended 31 December 2016.

The capital expenditure plans referred to above represent the management's current plans and may be subject to substantial changes, both in terms of the amount and the planned usage, dependent on, among other things, changes in market, industry and economic conditions.

Business

Overview

The Group is a diversified manufacturer and distributor of beverage and food products, with a focus on beer and other beer-type beverages in Japan, with the highest market share in domestic beer sales in terms of shipment volume for the year ended 31 December 2016 and the 7th highest market share (according to Euromonitor) in global beer sales in terms of sales volume for the year ended 31 December 2016 (combining the Group's sales volume and the sales volume of the European Beer Business). The Group's flagship product, "Asahi Super Dry" beer, was the number one beer brand in the Japanese beer market (including the other beer-type beverage markets, namely the low-malt *happoshu* and new-genre beverages markets) for the year ended 31 December 2016 based on total volume. The Group also produces and sells, and imports and sells, a wide range of other alcoholic beverages including *shochu*, RTD beverages (cocktail-type drinks generally sold in cans with low alcoholic content), whisky, spirits and wine. The Group's revenue from external customers recorded in its Alcohol Beverages business segment for the year ended 31 December 2016 amounted to 55.6 per cent of the consolidated total revenue of the Group for the period. The Group is also involved in the production and sale of soft drinks in its Soft Drinks business segment, which accounted for 20.8 per cent of the Group's consolidated total revenue for the year ended 31 December 2016 and, to a more limited extent, food products in its Food business segment, which accounted for 6.3 per cent of the Group's consolidated total revenue for the same period. Revenues generated from alcoholic beverages and soft drinks overseas (excluding a portion of overseas sales of beer products produced in Japan that have been exported) are included in the Group's Overseas business segment. The Group's Overseas business segment accounted for 14.5 per cent of the Group's consolidated total revenue for the year ended 31 December 2016. The Group engages in other ancillary businesses such as mail-order and logistics, which accounts for a small portion of the Group's consolidated total revenue.

History

The Company's predecessor, Osaka Beer Brewing Company was established in 1889 and launched its first "Asahi Beer" in 1892. In 1906, Dainippon Breweries Co., Ltd. was established by the merger of three breweries including the Company's predecessor, but following the *zaibatsu* (large conglomerates) dissolution measures taken in post-war Japan, it was divided into two newly established companies in 1949, one of them being the Company.

In 1987, the Company started selling its "Asahi Super Dry" beer, the first very dry draft beer developed in Japan, which revolutionised the Japanese beer market with its immense popularity and became the flagship product of the Group, and helped the Group to gain the top market share (by shipment volume) in the Japanese beer-type beverages market in 2001 for the first time.

In 1992, the Group entered the food business with the establishment of Asahi Beer Food Ltd. and the Company entered into the Chinese beer market in 1994 by acquiring shares in three Chinese beer breweries. In 2002, the Company launched a new business structure in its alcoholic beverages business segment, extending the scope of its business to a wider range of other alcoholic beverages, by taking over the alcoholic beverages businesses of Kyowa Hakko Kogyo Co., Ltd. and the *shochu* business of Asahi Kasei Corporation, as well as entering into a strategic sales alliance with Maxxium Japan KK ("Maxxium Japan"), the Japanese arm of Maxxium Worldwide BV, a joint venture between Rémy Cointreau SA of France, The Edrington Group of the United Kingdom, Jim Beam Brands (a division of the Fortune Brands, Inc.) of the United States and V&S Vin & Sprit AB (publ) of Sweden.

In October 2007, the Company launched a tender offer bid for its then Tokyo Stock Exchange listed subsidiary, Asahi Soft Drinks Co., Ltd. ("Asahi Soft Drinks"), and upon completion of the tender offer and subsequent processes, Asahi Soft Drinks became a wholly-owned subsidiary of the Company at the end of April 2008.

In July 2011, the Group established a holding company structure, with the Company's alcoholic beverages business being demerged to its wholly-owned subsidiary, Asahi Group Holdings, Ltd. (which was subsequently renamed Asahi Breweries, Ltd.) through a demerger by absorption type company split. The Company changed its trade name to Asahi Group Holdings, Ltd. and changed its business purposes in alignment with the businesses to be assumed upon becoming a pure holding company.

In October 2012, the Group completed the purchase of all outstanding shares of Calpis Co., Ltd. ("Calpis Co."), a leading lactic acid beverage company in Japan represented by the lactic acid beverage Calpis – Japan's first lactic acid drink. In March 2015, the Group completed the purchase of all outstanding shares of ENOTECA CO., LTD ("Enoteca"). Established in 1988 as a wine importer, Enoteca has become a highly recognised and established brand in the domestic wine market.

In October 2016, the Group acquired the Italian, Dutch and British businesses and other related assets of SABMiller following the completion of AB InBev's acquisition of SABMiller. In addition, in March 2017, the Group acquired AB InBev's businesses in the Czech Republic, the Slovak Republic, Poland, Hungary and Romania and other related assets that were owned by SABMiller prior to its combination with AB InBev.

The Company's shares have been listed on the First Section of the Tokyo Stock Exchange since 1949.

Strength and Strategy

Group Strengths

Leading Japanese beer company with a well-diversified business portfolio

The Group is a diversified beverage conglomerate, with a comprehensive brand portfolio spanning multiple beverage categories, including beer and other beer-type beverages such as low-malt *happoshu* and new-genre beverages, as well as other alcoholic beverages including liquors, wine, RTD beverages, which has generated consistent profitability and ample cash flows. Centred around its flagship product, "Asahi Super Dry", the Group's diversified brand portfolio has generated steady revenues in the domestic market. The Group's Alcohol Beverages business segment has delivered consistent and high returns, with EBITDA[1] ranging between ¥140.8 billion and ¥143.5 billion and EBITDA margin[2] of approximately 15 per cent for the years ended 31 December 2012 to 31 December 2015 calculated on the basis of Japanese GAAP numbers and EBITDA[3] of ¥146.8 billion and ¥144.9 billion and EBITDA margin of approximately 15 per cent for the years ended 31 December 2015 to 31 December 2016 calculated on the basis of IFRS numbers. Where EBITDA margin is calculated on the basis of revenue excluding liquor tax, EBITDA margin was 25.8 per cent and 25.1 per cent for the years ended 31 December 2015 and 2016, respectively.

The Group has consistently maintained its position as the number one beer-type beverages manufacturer in Japan based on market share of domestic sales in terms of shipment volume (according to Euromonitor), with a market leading share of the domestic beer market since 2010 and an approximately 40 per cent share of the market for the year ended 31 December 2016. The Group has extended its market leading position since 2010, with the gap between the Group and the next competitor widening from 0.8 per cent in 2010 to 6.6 per cent in 2016. In particular, the Group's dominant position in the domestic beer market remains unchallenged, with the Group's brand portfolio receiving multiple awards overseas as well. The Group's market share of domestic beer sales in terms of shipment volume was 49 per cent for the six months ended 30 June 2017 and the Group also commanded a market leading share of 31 per cent (for the six months ended 30 June 2017) in terms of shipment volume of the domestic new-genre beverages market through its core portfolio of products including "Clear Asahi".

Although the Group's strengths are evident across the domestic beer-type beverages market, the Group's traditional area of strength has been in the domestic beer market, and as compared to its competitors, a larger portion of the Group's overall shipment volume of beer-type beverages are constituted by beer sales (for the year ended 31 December 2016, beer, low-malt *happoshu* and new-genre beverages constituted 63.9 per cent, 9.5 per cent and 26.6 per cent respectively, of the Group's overall sales volume of beer-type beverages). Low-malt *happoshu* and new-genre beverages have been eating into beer sales partly as a result of the current tiered liquor tax regime where beer is taxed at the highest level potentially disproportionately affecting the Group's sales relative to its domestic competitors, given its greater reliance on beer sales. However, conversely, the Group is well positioned to benefit from the expected liquor tax reforms (which will apply the same liquor tax rates on beer, low-malt *happoshu* and new-genre beverages by October 2026), which is anticipated to strengthen domestic beer consumption, given its dominant position in the domestic beer market and the high portion of its overall shipment volume of beer-type beverages constitute by beer sales.

Robust and solid business foundations in the domestic soft drinks and food products markets

The Group has also maintained a strong business foundation in the domestic soft drinks and food products markets, with a diversified brand portfolio encompassing a variety of products, with strong brand recognition and high market share in a large number of product categories. Key brands for soft drinks include "Mitsuya Cider", "WONDA", "Jurokucha" and "Calpis" and for food products include "Mintia" "Dear Natura" "Goo Goo Kitchen" and "Itsumono Omisoshiru". In the Soft Drinks business segment, through cost reductions,

1 EBITDA calculated on the basis of Japanese GAAP figures is comprised of operating income + amortization of goodwill and intangible assets + depreciation (excluding lease assets).

2 EBITDA margin = EBITDA / revenue (in the case of IFRS) and net sales (in the case of Japanese GAAP).

3 EBITDA calculated on the basis of IFRS figures is comprised of core operating profit + depreciation (excluding lease assets and trademarks at the time of acquisition of subsidiaries).

increasing operational efficiencies (including in its manufacturing and distribution processes) and improving efficiencies in its advertising and sales activities, the Group has also significantly increased profitability, with EBITDA margin[4] for the year ended 31 December 2016 climbing to 11.4 per cent from 9.4 per cent for the year ended 31 December 2015 (each calculated on the basis of IFRS numbers) and to 7.0 per cent for the year ended 31 December 2015 from 4.7 per cent for the year ended 31 December 2012 (each calculated on the basis of Japanese GAAP figures). In the Food business segment, the Group likewise increased profitability through realising cost efficiencies in its sales and advertising activities and through controlling manufacturing and raw material costs, with EBITDA margin climbing from 7.1 per cent in the year ended 31 December 2012 to 10.0 per cent in the year ended 31 December 2015 (each calculated on the basis of Japanese GAAP figures) and from 9.7 per cent. in the year ended 31 December 2015 to 12.2 per cent in the year ended 31 December 2016 (each calculated on the basis of IFRS figures).

Acquisition of the European Beer Business resulting in increased global footprint

Following the acquisition of the European Beer Business, the Group has a diversified global footprint, with the Group's operations in Europe complementing its existing businesses in Asia and Oceania and increasing the profitability of the Group's Overseas business segment. As a result of consolidation of the Western Europe Beer Business, the Group's Overseas business segment's EBITDA increased from ¥4.8 billion to ¥8.2 billion and EBITDA margin increased from 8.3 per cent to 9.8 per cent in the three months ended 31 March 2017 (excluding a one-time acquisition cost of ¥2.6 billion) as compared to the corresponding period in 2016. Following consolidation of the Central and Eastern Europe Beer Business, the Group's Overseas business segment's EBITDA increased from ¥4.4 billion to ¥30.5 billion and EBITDA margin increased from 8.6 per cent to 17.7 per cent in the three months ended 30 June 2017 (excluding a one-time acquisition cost of ¥4.3 billion) as compared to the corresponding period in 2016. Moreover, with both the Western Europe Beer Business and the Central and Eastern Europe Beer Business formerly existing within the SABMiller group, there are medium to long term prospects of leveraging synergies not only to streamline supply chain management by utilising the expertise of the Group's cost competitiveness and to expand innovation utilising technology and the Group's development capabilities in the Japanese market, but also geographically expanding global premium brands and gaining greater access to the premium markets by leveraging its "Asahi Super Dry'' brand.

In the Western Europe Beer Business, through the flagship "Peroni", "Grolsch", "Peroni Nastro Azzurro" and "Meantime" brands, the Group expects to establish a stable foundation for steady revenue generation as well as a platform for future growth. "Grolsch" and "Peroni" are two of the best-known premium beer brands in the world with over 400 years and 150 years of history, respectively, and which command a number one market share in Italy and number two market share in the Netherlands, respectively (on a sales volume basis, according to GlobalData Plc (formerly Canadean)). "Peroni Nastro Azzurro" commands a number one market share in the U.K. market in the super premium category (on a sales volume basis, according to GlobalData Plc). "Meantime" is a pioneer brand in the modern craft beer category in the U.K. and is rapidly growing its popularity amongst the younger generation in urban areas such as London. In addition to the existing strong market positions of these brands in Italy, the Netherlands and the U.K., the Group's brand portfolio of premium beer brands in the Western Europe Beer Business can be leveraged globally to take advantage of a growing shift in global beer consumption towards premium beer categories.

In the Central and Eastern Europe Beer Business, through global brands such as "Pilsner Urquell", the original Pilsner beer, which is distributed globally and maintains top market shares in the Czech Republic (the world's highest per capita beer drinking country), the Slovak Republic, Poland, Hungary and Romania, the Group has acquired a strong platform for revenue generation and in markets characterised by high operating margins. In addition to the strength of brands such as "Pilsner Urquell" and "Kozel", the brand portfolio of the Central and Eastern Beer Business includes several local brands, which hold high market shares in the aggregate in their respective local markets, ensuring the Group is not overly reliant on any particular brand in this region.

Robust cash flow and disciplined financial policy

The Group utilises its strong cash flow generation to ensure careful management of its debt and leverage levels and the Group has maintained a robust capital structure through utilising its cash flow to repay interest-bearing debt. The Group has also streamlined its businesses with a focus on capital efficiency and has engaged in opportunistic divestments, including in relation to Kagome and TAB (with net proceeds of ¥24.6 billion and U.S.$330 million, respectively) – the proceeds of such divestments and any future divestments (including with respect to the remainder of the equity stake in TAB for U.S.$612 million) will be applied towards repayment of interest-bearing debt, further improving the Group's capital structure and financial management.

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[4] See Footnotes 1 – 3 on page 58 for calculation of EBITDA margin.

The Group has historically maintained prudent leverage ratios and from 2012 to 2015, its Net Debt to EBITDA ratio (Net Debt being interest-bearing debt less total cash and cash equivalents, and EBITDA being the sum of core operating income, amortisation of intangible assets and depreciation (excluding lease assets and trademarks at the time of acquisition of subsidiaries) fluctuated between 1.8 to 2.5 and Debt to Equity ratio (calculated as gross debt to owned capital under Japanese GAAP) fluctuated between 0.5 to 0.6, demonstrating its commitment to ensuring a sound and robust capital structure. Following the acquisition of the European Beer Business, such ratios have temporarily spiked, but the Group aims to lower its Net Debt to EBITDA ratio to approximately 3x and Debt to Equity ratio to approximately 1x in the medium term, with a view to maintaining an investment grade rating and deleveraging being top priorities in terms of cash flow allocation. Within this framework, the Group also aims to allocate cash flow towards domestic and overseas maintenance capital expenditure and payment of stable dividends.

The Group also intends on securing stable funding base by diversifying funding by type, currency, tenor and target market.

Long-Term Vision

The Group's key guiding principle is to be a corporate group trusted around the world through the "Kando" of food (deliciousness, happiness and innovation). As a comprehensive beverage and food business group whose core business is alcoholic beverages, the Group aims to be an industry leader in Japan with high value addition as a key area of focus and establish a unique position as a global player that leverages strengths originating in Japan.

Medium-Term Management Policy

The Medium-Term Management Policy for realising the Group's Long-Term Vision has laid out three key priorities:

Strengthening of earning power by positioning the domestic profit base as the cornerstone of earnings and the overseas business as a growth engine.

The Group aims to:

- promote innovation and demonstrate leadership in the industry with high added value and differentiation as key areas of focus;
- reform its earning structure and evolve its business model through business integration and value chain sophistication; and
- acquire foundations for growth, mainly in the overseas markets through leveraging strengths originating in Japan.

Improving asset and capital efficiency that takes into consideration capital cost.

The Group aims to:

- improve capital efficiency with an emphasis on equity spread (including through disposal of non-performing assets and strategic acquisitions); and
- restructure business administration and business portfolio management utilising rate of return on invested capital as a performance indicator.

Reinforcing environment, social, and governance initiatives to increase sustainability.

The Group aims to:

- upgrade intangible assets such as nature, social and relationship capital and personnel and develop them toward a creating shared value strategy; and
- implement "growth-oriented corporate governance" that contributes to the practice of management to enhance corporate value.

Medium-Term Key Priorities by Business Segment

Alcohol Beverages

In the Alcohol Beverages business segment, the Group aims to maintain and improve profitability as the Group's largest cash generating business. In particular, the Group aims to demonstrate leadership in the industry through increasing the profit pool of the industry as a leading diversified beverages company (with the fully integrated Asahi Soft Drinks and Calpis Co., in such ways as building optional production and logistics systems). Based on reinforcement of core brands by leveraging its brand development capabilities and its corporate culture of innovation, the Group strives to create new values and demand, aiming for first entry into new markets. The Group also aims to reform its earnings structure through value chain upgrading and collaboration, and evolve its business model including tackling e-commerce as a distribution channel.

Soft Drinks
In the Soft Drinks business segment, the Group aims to realise growth with profit by establishing a differentiated position as the Group's second mainstay business and avoiding falling into price competition by focusing solely on market share. In particular, the Group aims to establish a distinctive, prominent position in the market centred on reinforcement of the brand power of its core products including "Mitsuya Cider", "WONDA", "Jurokucha" and "Calpis", producing tailored products in response to consumer health consciousness and producing new value through innovation, including in the chilled beverages business. The Group also aims to reform earnings structure such as maximisation of integration synergies (with the fully integrated Asahi Soft Drinks and Calpis Co., in such ways as building optional production and logistics systems), sales channel and container mix improvement and reduction of stock keeping units.

Food
In the Food business segment, the Group aims to develop the Group's next-generation foundations for growth by focusing on its strengths and leveraging business integration. In particular, the Group aims to enhance brand value and strengthen high-added value product proposals through focusing on existing food categories where the Group's strength lies (including mint tablets and supplement tablets and other nutritionally balanced snack bars in addition to a variety of freeze-dried products and baby and infant food and milk), creating new value and demand through innovation that leverages business integration in product areas such as food with health function claims. The Group also aims to reform its earnings structure through focusing on value chain optimisation.

Overseas
In the Overseas business segment, the Group aims to expand its global foundation for growth through leveraging its strengths and driving the Group's sustained growth. In particular, the Group aims to implement strategies for growth centred on brand reinforcement and development in existing businesses in Oceania, Southeast Asia, and other regions, reforming earnings structure through the expansion of integration synergies and restructuring of its business portfolio by region and acquiring new foundations, including the European Beer Business. The Group also aims to foster growth through leveraging its strengths in Japan, such as brand power and cost competitiveness and transposing these strengths to its overseas operations.

Acquisition of the European Beer Businesses

Transaction Summary

In October 2016, the Group acquired the Italian, Dutch and British businesses and other related assets of SABMiller or the "Western Europe Beer Business" following the completion of AB InBev's acquisition of SABMiller. In addition, in March 2017, the Group acquired AB InBev's businesses in the Czech Republic, the Slovak Republic, Poland, Hungary and Romania or the "Central and Eastern Europe Beer Business" and other related assets that were owned by SABMiller prior to its combination with AB InBev (see "Recent Business—Recent Developments").

Overview of Business

The Western Europe Beer Business and the Central and Eastern Europe Beer Business are primarily comprised of key beer brands in the relevant jurisdictions. In the Western Europe Beer Business, these are "Peroni" in Italy and "Grolsch" in the Netherlands, both of which are brands with a long history, as well as craft beer brand "Meantime" and a sales and distribution company in the U.K. In the Central and Eastern Europe Beer Business, this includes, "Pilsner Urquell" in the Czech Republic, "Z'ubr" in Poland and "Timisoreana" in Romania. Through the acquisition of the European Beer Business, the Group acquired leading market shares in most of the countries in which the European Beer Business operates (see "Business—Operations").

No *pro forma* financial statements have been prepared for this offering to illustrate the impact of the two acquisitions on the Group's results of operations. Nevertheless, the following Management Figures are provided to present certain financial information in respect of the Western Europe Beer Business and the Central and Eastern Europe Beer Business. However, such figures have not been reviewed or audited by the Company's independent auditors or by any other auditor of any of the subsidiaries constituting the European Beer Business and have been prepared in respect of periods prior to the acquisition by the Company (see "Investment Considerations – The Group's historical consolidated financial information may not be indicative of its current or future results of operations and no *pro forma* financial figures are being prepared for this offering to illustrate the impact of the acquisition of the European Beer Business").

The revenue (excluding liquor tax) of the Central and Eastern Europe Beer Business for the years ended 31 March 2014, 2015 and 2016 were €1,658 million, €1,659 million and €1,641 million, respectively, and the revenue (excluding liquor tax) of the Western Europe Beer Business for the same periods were €636 million, €670 million and €747 million, respectively.

The total volume of sales achieved by the Central and Eastern Europe Beer Business for the years ended 31 March 2014, 2015 and 2016 were 30.2mHL (million hectolitres), 30.6mHL and 30.7mHL, respectively, and total volume of sales achieved by the Western Europe Beer Business for the years ended 31 March 2014, 2015 and 2016 were 6.7mHL, 6.8mHL and 7.3mHL, respectively.

There can be no assurance that the Management Figures provided above (net sales and sales volume figures) will be indicative of the future results of operations of the European Beer Business or the Group. The Management Figures should not be relied upon by investors to provide the same quality of information associated with financial information or financial statements that have been subject to an audit or review. The Company cautions potential investors against placing undue reliance on the Management Figures in making any decision to subscribe or purchase the Bonds.

Strategic Rationale

As one of the strategic imperatives under the new Medium-Term Management Policy, the Group envisages strengthening its cash generating power by positioning the domestic profit base as the cornerstone of earnings and the overseas business as its growth engine. The Group has been working to expand its overseas growth platform, mainly in Asia and Oceania, for some time, and has successfully created a capable network in Southeast Asia, China and Oceania. In an environment of slower economic growth in emerging countries and further global consolidation, the Group intends to respond to various risks and opportunities and further accelerate its growth by leveraging its strengths developed in Japan. As part of these strategies, the Group acquired (as part of the acquisition of the Western Europe Beer Business) Peroni, Grolsch and Meantime brands, as well as the Italian, Dutch and British companies of SABMiller that manufacture and distribute these brands.

Separately, as part of the acquisition of the Central and Eastern Europe Beer Business, the Group acquired businesses and operations in five countries in Central and Eastern Europe that were owned by SABMiller prior to its combination with AB InBev, as well as intellectual property rights relating to the brands (excluding certain geographical areas). The Central and Eastern Europe Beer Business is highly compatible with the Group's existing business in Western Europe and will strengthen its business platform, allowing the Group to grow sustainably across Europe. Through the acquisition of the Central and Eastern Europe Beer Business, together with “Asahi Super Dry”, “Peroni” and “Grolsch”, the Group aims to establish a unique position as a global player, mainly focusing on a leading premium brand portfolio to achieve sustainable growth. The Group's strategy is to enhance its cash generating power through its overseas business by maximising synergies with its existing business in Europe, the second largest business platform next to its domestic operations, along with merging the brand power and cost competitiveness it has cultivated in Japan.

The acquisition of the European Beer Businesses represents a significant step in the Group's global ambitions, and has brought the proportion of non-Japanese Group employees to around 60 per cent of total worldwide group employees. Using the European Beer Business acquisitions as a springboard, the Group aims to transform from a Japanese brand to a truly global brand. The Group also aims to achieve sustained growth driven by rebuilding its business portfolio and position the domestic profit base as the cornerstone of earnings. It is anticipated that overseas revenue will comprise about 30 per cent of overall revenues in the near to short term. Through expanding its global footprint, the Group also intends on creating synergies by leveraging its strengths in Japan and exporting these to the European market, in particular through streamlined supply chain management (through leveraging its expertise in cost competitiveness) expansion of its technology and development capabilities which the Group has cultivated in the domestic market and ensuring exposure of its brand portfolio to a broader geographical market.

Selected Financial Information

The following table shows certain selected financial information of the Group as at the dates and for the periods indicated. Financial figures in the below table have been extracted or calculated from the consolidated financial statements prepared in accordance with IFRS or IAS 34.

(Billions of yen, except per share data and ratios)	As at and for the year ended 31 December		As at and for the six months ended 30 June	
	2015	2016	2016	2017
Operating Results:				
Revenue	¥ 1,689.5	¥ 1,706.9	¥ 778.8	¥ 937.3
Cost of sales	1,102.8	1,098.1	500.8	587.1
Selling, general and administrative expenses	445.9	460.2	223.4	275.7
Operating profit	96.6	136.8	52.7	70.7
Profit Attributable to owners of parent	75.7	89.2	30.7	43.3
Capital investment [(1)]	53.5	63.4	22.7	29.5
Depreciation and amortisation[(2)]	50.8	51.0	26.2	32.9
Research and development expenses	10.3	9.5		4.8
Core operating profit[(3)]	140.6	148.4	54.5	74.5
EBITDA[(4)]	197.2	205.8	83.5	111.7
Financial Position:				
Total assets	¥ 1,804.6	¥ 2,086.3	¥1,698.6	¥3.182.8
Interest-bearing debt[(5)]	414.4	570.3		1,452.6
Total equity	803.6	846.1		967.8
Cash Flows:				
Cash flows from (used in) operating activities	¥ 116.4	¥ 154.4	¥ 62.2	¥ 88.7
Cash flows from (used in) investing activities	(77.0)	(268.5)	(21.8)	(920.3)
Cash flows from (used in) financing activities	(75.2)	119.5	(30.3)	864.7
Cash and cash equivalents at end of period	43.2	48.4	51.4	83.7
Per Share Data (in yen):				
Profit attributable to owners of parent — basic	¥ 164.82	¥ 194.75	¥ 67.12	¥ 94.52
Profit attributable to owners of parent — diluted	164.75	194.75	67.11	94.52
Equity attributable to owners of parent	1,723.97	1,825.57		
Financial Ratios:				
Core operating profit margin[(6)] (%)	8.3%	8.7%	7.0%	7.9%
ROE[(7)] (Ratio of profit to equity attributable to owners of parent) (%)	9.7%	11.0%		
ROA[(8)] (Ratio of profit before tax to total assets) (%)	6.5%	7.7%		
Total assets turnover[(9)] (times)	0.93x	0.88x		
Equity attributable to owners of parent ratio[(10)] (%)	43.7%	40.1%	43.9%	30.1%
Debt/equity ratio[(11)] (times)	0.52x	0.68x		1.51x
Net debt/EBITDA[(12)] (times)	1.86x	2.53x		

Notes:

(1) Capital investment excludes instruments in lease assets.

(2) Depreciation and amortisation excludes lease assets and trademarks at the time of acquisition of subsidiaries.

(3) Core operating profit is a reference index for normalised business performance. Core operating profit = Revenue — (cost of sales + selling, general and administrative expenses).

(4) EBITDA = core operating profit + amortisation of intangible assets + depreciation (excluding lease assets and trademarks at the time of acquisition of subsidiaries).

(5) Interest-bearing debt is the sum of bonds and borrowings (current liabilities) and bonds and borrowings (non-current liabilities).

(6) Core operating profit margin is core operating profit divided by revenue.

(7) ROE is the ratio of profit to equity attributable to owners of parent. Profit is profit for the period attiributable to owners of parent.

(8) ROA is the ratio of profit before tax to total assets.

(9) Total assets turnover is revenue divided by total assets.

(10) Equity attributable to owners of parent ratio is equity attributable to owners of parent divided by total assets.

(11) Debt to equity ratio is interest-bearing debt divided by equity attributable to owners of parent.

(12) Net debt as used in this line item is interest-bearing debt less total cash and deposits.

The following table shows certain selected financial information of the Group as at the dates and for the periods indicated. Financial figures in the below table have been extracted or calculated from the consolidated financial statements prepared in accordance with Japanese GAAP.

	As at and for the year ended 31 December			
(Billions of yen, except per share data and ratios)	**2012**	**2013**	**2014**	**2015**
Operating Results:				
Net sales	¥1,579.0	¥1,714.2	¥1,785.4	¥1,857.4
Cost of sales	974.7	1,032.8	1,073.4	1,100.5
Selling, general and administrative expenses	495.9	563.9	583.7	621.7
Operating income	108.4	117.4	128.3	135.1
Net income	57.1	61.7	69.1	76.4
Capital investment(1)	41.1	48.4	59.8	52.0
Depreciation and amortisation(2)	48.5	47.7	44.5	46.6
Research and development expenses	9.6	10.8	10.7	10.3
EBITDA(3)	170.9	183.6	192.3	197.9
Financial Position:				
Total assets	¥1,732.1	¥1,791.5	¥1,936.6	¥1,901.5
Interest-bearing debt	456.2	403.7	434.7	414.9
Total net assets	726.8	827.4	896.5	891.8
Cash Flows:				
Net cash provided by operating activities	¥109.2	¥157.2	¥146.7	¥112.7
Net cash used in investing activities	(134.3)	(65.7)	(92.1)	(75.5)
Net cash provided by (used in) financing activities	43.0	(84.9)	(35.8)	(73.0)
Cash and cash equivalents at end of period	34.3	41.1	62.2	43.2
Per Share Data (in yen):				
Net income	¥122.75	¥135.73	¥148.92	¥166.25
Diluted net income	122.67	126.26	148.80	166.18
Net assets	1,553.35	1,772.47	1,904.64	1,916.69
Financial Ratios:				
Operating margin(4) (%)	6.9%	6.9%	7.2%	7.3%
ROE(5) (%)	8.4%	8.0%	8.1%	8.8%
ROA(6) (%)	7.0%	7.0%	7.1%	7.6%
Total assets turnover(7) (times)	0.97x	0.97x	0.96x	0.97x
Equity ratio(8) (%)	41.8%	45.7%	45.5%	46.2%
Debt/Equity ratio(9) (times)	0.63x	0.49x	0.49x	0.47x
Net debt/EBITDA(10) (times)	2.47x	1.97x	1.92x	1.85x

Notes:

(1) Capital investment excludes instruments in lease assets.

(2) Depreciation and amortisation excludes lease assets and trademarks at the time of acquisition of subsidiaries.

(3) EBITDA = operating income + amortization of goodwill and intangible assets + depreciation (excluding lease assets).

(4) Operating margin is operating income divided by net sales.

(5) ROE is the ratio of net income to net assets.

(6) ROA is the ratio of ordinary income to total assets.

(7) Total assets turnover is revenue divided by total assets.

(8) Equity ratio is owned capital divided by total assets.

(9) Debt/Equity ratio is interest-bearing debt divided by total shareholders' equity.

(10) Net debt as used in this line item is interest-bearing debt less total cash and deposits.

Operations

The Group divides its operations into the following five business segments: (i) Alcohol Beverages, (ii) Soft Drinks, (iii) Food, (iv) Overseas and (v) Other.

The following table sets out a breakdown of revenue (prior to corporate / elimination adjustments) of each business segment of the Group for the periods indicated, together with their ratio to total revenue, extracted or calculated from the consolidated financial statements prepared in accordance with IFRS or IAS 34:

(Millions of yen, except percentages)	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
Alcohol Beverages	¥970,958	57.4%	¥976,649	57.2%	¥443,590	56.9%	¥444,694	47.4%
Soft Drinks	350,283	20.7	363,905	21.3	169,322	21.7	178,284	19.0
Food	111,306	6.5	110,824	6.4	53,110	6.8	55,196	5.8
Overseas	250,452	14.8	250,316	14.6	109,800	14.0	256,063	27.3
Other	97,267	5.7	102,279	5.9	48,648	6.2	51,201	5.4
Adjustments	(90,741)	(5.3)	(97,073)	(5.6)	(45,605)	(5.8)	(48,066)	(5.1)
Total revenue	¥1,689,527	100.0%	¥1,706,901	100.0%	¥778,867	100.0%	¥937,375	100.0%

The following table sets out a breakdown of the core operating profit of each business segment of the Group (before inter-segment eliminations) for the periods indicated, together with their ratio to total core operating profit, extracted or calculated from the consolidated financial statements prepared in accordance with IFRS or IAS 34:

(Millions of yen, except percentages)	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
Alcohol Beverages	¥119,740	85.1%	¥120,823	81.3%	¥ 46,198	84.6%	¥ 47,229	63.3%
Soft Drinks	25,260	17.9	32,335	21.7	12,293	22.5	16,591	22.2
Food	8,446	6.0	10,256	6.9	4,812	8.8	6,052	8.1
Overseas	13,954	9.9	12,348	8.3	5,512	10.1	20,573	27.6
Other	2,448	1.7	2,000	1.3	289	0.5	253	0.3
Adjustments(1)	(29,156)	(20.7)	(29,277)	(19.7)	(14,536)	(26.6)	(16,168)	(21.6)
Total core operating profit	¥140,692	100.0%	¥148,486	100.0%	¥ 54,569	100.0%	¥ 74,533	100.0%

Note:

(1) Includes corporate/elimination adjustments, amortisation of acquisition-related intangible assets and corporate adjustment items (IFRS adjustments).

Alcohol Beverages

The Alcohol Beverages business segment is the principal business of the Group, where revenue from external customers and core operating profit for the year ended 31 December 2016 for the business segment accounted for 55.6 per cent and 81.3 per cent of the Group's total revenue and total core operating profit for the year ended 31 December 2016, respectively.

The principal type of products produced by the Group in this business segment comprises beer-type beverages. The following table sets out the three different types of beer-type beverages produced by the Group, with a brief description thereof (based on the definitions set under the Liquor Tax Act and by the Japanese tax authorities):

Beverage type	Description
Beer	Sparkling alcoholic beverage with alcoholic content of less than 20 per cent, made purely from malt, hops and water or from malt, hops, water and wheat with designated auxiliary materials
Happoshu	Sparkling alcoholic beverage with alcoholic content of less than 20 per cent, made in part from malt or wheat
New-genre	Sparkling alcoholic beverages with alcoholic content of less than 10 per cent, which are either (i) made from ingredients including hops and similar bitterness ingredients but excluding malt and wheat, or (ii) low-malt *happoshu* with spirits (with either wheat or barley as an ingredient) added to it

The Group's other principal products under this business segment are *shochu*, RTD beverages, whisky, spirits and wine.

The following table sets out a breakdown of the Group's revenue by type of alcoholic beverage on a consolidated basis for the periods indicated, and their ratio to total revenue, extracted or calculated from the consolidated financial statements prepared in accordance with IFRS or IAS 34:

	Year ended 31 December				Six months ended 30 June			
(Billions of yen, except for percentages)		**2015**		**2016**		**2016**		**2017**
Beer	¥574.4	59.1%	¥560.3	57.3%	¥246.8	55.6%	¥243.2	54.6%
Happoshu	61.0	6.2	59.1	6.0	27.7	6.2	27.5	6.1
New genre	129.1	13.2	142.2	14.5	66.9	15.0	69.5	15.6
Total beer-type beverages	¥764.5	78.7%	¥761.6	77.9%	¥341.4	76.9%	¥340.2	76.5%
Whisky and spirits	57.9	5.9	54.3	5.5	25.9	5.8	26.2	5.8
Wine	33.9	3.4	40.1	4.1	18.6	4.1	19.0	4.2
RTD low-alcoholic beverages	28.3	2.9	37.2	3.8	16.0	3.6	18.1	4.0
Shochu	28.8	2.9	27.4	2.8	13.1	2.9	13.2	2.9
Other	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Total other alcoholic beverages	¥148.9	15.3%	¥159.1	16.2%	¥73.7	16.6%	¥76.5	17.2%
Non-alcoholic beverages	29.2	3.0	31.6	3.2	13.6	3.0	13.9	3.1
Other, contracted manufacture, etc.	23.3	2.3	24.0	2.4	11.8	2.6	12.3	2.7
Other/elimination in segment(1)	40.0	—	39.7	—	18.3	—	18.8	—
Corporate adjustment	(34.9)	—	(39.4)	—	(15.2)	—	(17.0)	—
Total revenue	¥971.0	100.0%	¥976.6	100.0%	¥443.6	100.0%	¥444.7	100.0%

Note:

(1) Other/elimination in segment includes Lotte Asahi Co., Ltd. and Asahi Beer U.S.A., Inc., both of which were previously in Other/elimination of Overseas Business.

Beer-type Beverages

The classification of the Group's beer-type beverages into beer, low-malt *happoshu* and new-genre beverages is driven by the different application of taxation under the Liquor Tax Act, which applies varying tax rates in accordance with the malt content of, and the use of other ingredients in, beer-like sparkling alcoholic beverages.

The following table shows a comparison of the amount of liquor taxes per 350 millilitres of beer-type beverages by type of beverage currently in effect:

(Yen)	Tax amount imposed per 350 millilitres
Beer	¥77
Happoshu (less than 25 per cent malt content)	47
New-genre	28

The following table shows the shipment volume of the Group-by product group for the year ended 31 December 2016:

	Industry's shipment volume(1)	Group's shipment volume
	(Millions of cases)(2)	
Beer	210.70	103.21
Happoshu	57.30	15.29
New-genre	146.76	43.11
Total beer-type beverages	414.76	161.61

Notes:

(1) Source: Brewers Association of Japan, Society to Consider the *Happoshu* Tax System.

(2) Calculated on the basis of 12.66 litres per case.

The table below lists the Group's principal beer-type beverages in accordance with each category.

Beer-type beverages	Product name	Description
Beer	Asahi Super Dry	Flagship draft beer famous for its dry taste, launched in 1987. A dry beer with a refined, clear taste. The texture is light, but it has a distinct edge. The sharp finish is emphasised in this standard-setting dry beer. Sales volume for the year ended 31 December 2016 was approximately 100 million cases.(2)
	Asahi Dry Premium	Premium draft beer with a focus on its dry taste and depth of flavour.
	Asahi The Dream	The first draft beer with 100 per cent malt and 50 per cent less carbohydrates.(1)
Happoshu	Asahi Style Free	First sugar free low-malt *happoshu* introduced to the Japanese market. Sales volume for the year ended 31 December 2016 was approximately 13.36 million cases.(2)
New-genre	Clear Asahi	New-genre beverage launched in March 2008 focusing on clean and clear taste derived from two-tier clear fermentation, with low-malt *happoshu* and barley spirit as ingredients. Sales volume for the year ended 31 December 2016 was approximately 35.48 million cases.(2)
Non-alcohol	Asahi Dry Zero	Alcohol and sugar free, as well as zero calories (according to nutrition labelling standards) beer-taste beverage.

Notes:

(1) According to Standard Tables of Food Composition in Japan – 2015 (Seventh Revised Edition).

(2) Calculated on the basis of 12.66 litre per case.

Since its launch in 1987, "Asahi Super Dry" has been the Group's flagship product and most of the Group's beer-type beverage sales are generated from sales of "Asahi Super Dry". "Asahi Super Dry" was the number one beer brand in the Japanese beer market (including the other beer-type beverage markets, namely the low-malt *happoshu* and new-genre beverages markets) for the year ended 31 December 2016 based on total volume (according to Euromonitor) and the Group continues to focus on maintaining its market share with "Asahi Super Dry". At the same time, the Group is also exploring expansion opportunities in line with the trends in market demand, for example in areas such as premium beer (more expensive and generally richer tasting beer), low-malt *happoshu* and new-genre beverages with a focus on low sugar content products and distinctive taste as well as non-alcohol beer-taste beverages. In addition, the Group aims to improve the quality of draft beer in restaurants and the freshness of products in stores, by concentrating on sales promotion measures in the home-consumption market.

The Group also manufactures and sells certain well-known overseas brand beers, including "Tsingtao Beer", "Bass Pale Ale" and "Löwenbräu", pursuant to their respective licence agreements. While "Bass Pale Ale" and "Löwenbräu" are manufactured and sold in Japan, "Tsingtao Beer" is manufactured at the Company's joint venture company in Shenzhen, China, which was established with Tsingtao Brewery Co., Ltd.

Other Alcoholic Beverages

In addition to beer-type beverages, the Group manufactures and sells various other alcoholic beverages including *shochu*, RTD beverages, whisky, brandy, spirits and wine under this business segment.

The Group markets *shochu*, which are generally distilled from barley, rice, potato or buckwheat with typically around 25 per cent alcoholic strength. The main brand of the Group's *shochu* includes "Kanoka", "Satsuma-Kokumurasaki" and "Satsuma-Tsukasa".

The Group also produces and sells RTD alcoholic beverages, which are cocktail-type drinks generally sold in cans. The Group currently markets four brands of *shochu*-based RTD beverages and hard liquor-based RTD beverages, with "Asahi Cocktail Partner", "Asahi Slat" and "Asahi Mogitate" being its core brands.

In addition, the Group produces and sells Nikka brand whisky and brandy in Japan through The Nikka Whisky Distilling, a wholly-owned subsidiary of the Company, focusing particularly on the "Taketsuru Pure Malt", "Single Malt Yoichi" and "Black Nikka Clear Blend" label whiskies.

The Group also sells wines, including the Group's Japanese wine brand "Saint Neige", using grapes from its own winery in Yamanashi prefecture, Japan. The Group also imports and sells a variety of hard liquor, spirits and liqueurs.

Soft Drinks

Revenue from external customers and core operating profit for the Soft Drinks business segment accounted for 20.8 per cent and 21.7 per cent of the Group's consolidated revenue and total core operating profit, respectively, for the year ended 31 December 2016. The Group's soft drinks business is principally undertaken by Asahi Soft Drinks, Calpis Co. and LB Co., Ltd.

The Group has seen steady growth in sales under this business segment through its range of core brands including "WONDA" (canned coffee), "Mitsuya Cider" (carbonated soft drink), "Calpis" (lactic acid drink), "Jurokucha" (Japanese tea drink), "Wilkinson" (carbonated water drink) and "Oishii Mizu" (bottled water). In addition, the Group markets "Mt. Fuji Vanadium Natural Mineral Water", a mineral water brand, and "Bireley's" fruit juices and drinks among other soft drinks as well as chilled soft drinks.

The table below lists the Group's principal soft drink brands.

Beverage type	Product name	Description
Carbonated drinks	Mitsuya Cider	The well-known fresh taste of this drink starts with water "polished" through repeated filtration, to which is added fragrances gathered from fruit and other sources. No heat is applied in the production process, and no preservatives are added. Ever since its debut in 1884, Mitsuya Cider has been a nationally famous carbonated beverage. Sales volume for the year ended 31 December 2016 was approximately 39.03 million cases.
	Wilkinson	Consisting only of "polished" water that has been carbonated, it packs a refreshing punch. This genuine sparkling water has the kind of clear, clean taste preferred by adults. Sales volume for the year ended 31 December 2016 was approximately 16.30 million cases.
Coffee	WONDA	Made especially for morning consumption, this canned coffee goes down easily but has a bracing bitterness. It features a just-roasted, just-ground, just-poured taste suitable for starting your day. Sales volume for the year ended 31 December 2016 was approximately 41.91 million cases.
RTD tea	Jurokucha	Made from 16 carefully selected ingredients. With no caffeine and an aromatic, clean taste, this tea can be gulped down easily. Sales volume for the year ended 31 December 2016 was approximately 24.05 million cases.
Lactic acid beverage	Calpis	This fermented lactic acid beverage, made from lactic acid bacteria and raw milk, has 95 years of history. Sales volume for the year ended 31 December 2016 was approximately 35.15 million cases.
Mineral water	Oishii Mizu	Bottled deep ground natural water which has been bottled using a sterilisation method using a micro filter instead of heat treatment.

Food

Revenue from external customers and core operating profit generated from the Food business segment accounted for 6.3 per cent and 6.9 per cent of the Group's consolidated revenue and total core operating profit, respectively, for the year ended 31 December 2016. The Group's food business is principally undertaken by Asahi Group Foods, Ltd.

Under this business segment, the Group produces and sells mint tablets “Mintia” and supplement tablets “Dear-Natura” and other nutritionally balanced snack bars in addition to a variety of freeze-dried products and baby and infant food and milk.

Overseas

The Group considers its overseas operations to be an important factor in the Group’s future growth. Revenue from external customers and core operating profit generated from the Overseas business segment accounted for 14.5 per cent and 8.3 per cent of the Group’s consolidated total revenue and total core operating profit, respectively, for the year ended 31 December 2016.

Europe

In 2016, the Group acquired the Western Europe Beer Business, and with it, “Peroni” in Italy and “Grolsch” in the Netherlands, both of which are brands with a long history, as well as craft beer brand “Meantime” and a sales and distribution company in the U.K. Subsequently, in March 2017, the Group acquired the Central and Eastern Europe Beer Business, which consists of beer businesses in five Central Eastern European countries (the Czech Republic, the Slovak Republic, Poland, Hungary and Romania), including the globally renowned Czech brand, “Pilsner Urquell”.

In addition to forming a stable earnings base in Italy and the Netherlands, the Western Europe Beer Business is steadily becoming more profitable with “Peroni” and “Grolsch” driving growth and expansion as global brands in the U.K. and other countries. In the U.K., “Peroni Nastro Azzurro” is a market leader in the super premium market, and together with “Meantime”, a pioneer of modern craft beer, is increasing its presence in this growing category. The Western Europe Beer Business will be managed by Asahi Europe Ltd.

With the acquisition of the Central and Eastern Europe Beer Business, the Group has acquired top market shares in a number of countries in the region in terms of sales volume of beer. The Czech Republic, the Slovak Republic and Poland account for over 70 per cent of the overall revenue of the Central and Eastern Europe Beer Business. The Central and Eastern Europe Beer Business will be managed by Asahi Breweries Europe Ltd.

The table below lists brand shares of principal beer brands of the Western Europe Beer Business for the year ended 31 December 2016 by each country according to GlobalData Plc.

Country	Principal brand	Brand share[(1)]
Italy	Peroni	13 per cent (No. 1)
Netherlands	Grolsch	12 per cent (No. 2)
United Kingdom	Peroni Nastro Azzurro Meantime	3 per cent (No. 10)

Note:

(1) Brand share is on a volume basis.

The table below lists market shares of the Central and Eastern Europe Beer Business for the year ended 31 December 2016 by each country according to GlobalData Plc.

Country	Principal brand/Brand share[(1)]	Market share[(2)]
Poland	Z’ubr (12 per cent (No. 1)) Tyskie (11 per cent (No. 2))	35 per cent (No. 1)
Czech Republic	Gambrinus (16 per cent (No. 1)) Pilsner Urquell (9 per cent (No. 2))	44 per cent (No. 1)
Slovak Republic	Kozel (10 per cent (No. 3)) Saris (8 per cent (No. 4))	30 per cent (No. 2)
Romania	Timisoreana (14 per cent (No. 1)) Ciucas (14 per cent (No. 2))	34 per cent (No. 1)
Hungary	Arany Ászok (10 per cent (No. 2)) Kőbányai (8 per cent (No. 4))	28 per cent (No. 1)

Notes:

(1) Brand share is on a volume basis.

(2) Market share is on a volume basis.

Oceania

In Oceania, the Group is increasing soft drinks sales by marketing a diverse product line-up that includes "Schweppes" (carbonated mineral water), mineral waters, and sports drinks. For alcoholic beverages, the Group is active in Oceania through the Company's wholly-owned subsidiaries Asahi Premium Beverages Pty Ltd. and Independent Liquor (NZ) Limited. The regional product range includes the sales of "Asahi Super Dry" in Australia as well as other premium and mainstream beer brands, a market leading RTD portfolio as well as premium full strength spirits.

Southeast Asia

In Southeast Asia, the Group's business covers a diverse range of products and geographies. For soft drinks, the Group's business includes the marketing and sales of the "WONDA Coffee" brand line-up in Malaysia, the sales of Japanese tea-based drinks in Indonesia, a new carbonated soft drinks business in Myanmar, and the production and sale of "Calpis" in various countries within the region.

Asia

In Mainland China, Hong Kong, Taiwan and South Korea, the Group's efforts are focused on strengthening and expanding the production capacity and sales of the Group's core brands across various categories in both the Alcohol Beverages and Soft Drinks business segments.

Sales, Marketing and Customers

The Group's alcoholic beverage products are generally first sold to liquor wholesalers licensed under the Liquor Tax Act in Japan, from which the products are sold to liquor retailers specialised in selling to bars and restaurants, supermarkets, convenience stores, discount outlet stores and other types of stores. Beer consumption composition at bars and restaurants is slightly smaller than the level of consumption at home, whereas in the case of low-malt *happoshu* and new-genre beverage, most of the consumption is made at home.

With regard to the Group's soft drinks, the Group sells the majority of its products to wholesalers for on-selling to supermarkets, convenience stores and other types of stores (or, in some cases, the Group sells directly to retailers), with the balance being sold to Asahi Calpis Beverage for on-selling to third-party vending machine operators or selling directly to consumers through vending machines operated by itself.

The Group's food products are generally sold to wholesalers which then sell to retail outlets such as convenience stores and supermarkets.

The Group's employees involved in marketing and sales promote the Group's products through contacting restaurants, bars, retailers and other outlets at which the Group's products are sold to consumers, as well as organising promotional events and campaigns. In addition, mass advertising, in particular through the television networks, plays an important role in promoting products to consumers, in particular in relation to newly launched products. The Group manages its brand carefully for its marketing purposes, taking into consideration the benefits gained by consumers through buying the particular brand as well as the target customers' lifestyles, and tailoring the advertising and other marketing activities for the target customers for each brand.

Although pricing for the Group's products is decided freely by the Group in general, there are guidelines in place requiring manufacturers to set fair and transparent prices for alcoholic products, including the requirement for rebates to be transparent (with disclosure of the basis and timing of payment) and justifiable, as well as a general guidance to the effect that, as liquor taxes are taxes intended by the tax authorities as being borne by the ultimate consumers, changes in liquor taxes should be appropriately passed on to consumers through changes in prices rather than changes in margins at the level of the manufacturer, wholesalers or retailers. However, as no such requirements are in place in respect of soft drinks, the majority of the sales promotion expenses in relation to soft drinks comprise rebates and discounts, in particular in respect of supermarket sales.

The following table shows the sales promotion and advertising costs and their respective ratio to total consolidated revenue (after corporate adjustment items (IFRS adjustment)) of the Group for the periods indicated:

(Millions of yen, except percentages)	Year ended 31 December				Six months ended 30 June			
	2015		2016		2016		2017	
Sales promotion premium and commissions	¥96,052	5.6%	¥106,991	6.3%	¥53,224	6.8%	¥60,691	6.5%
Advertising/promotional expenses	50,549	2.9	48,092	2.8	26,757	3.4	31,422	3.4
Total	¥146,602	8.5%	¥155,084	9.1%	¥79,981	10.3%	¥92,113	9.8%

Sales promotion premium and commissions principally comprise consumer campaigns including fees for sales cooperation.

The Group also conducts regular consumer research on brand image held, purchasing trends and assessment of products by consumers in relation to the Group's own products as well as its competitors' products, and actively utilises the results of such research in its brand management.

Raw Materials and Supplies

The principal raw materials and ingredients for the Group's main products are barley, hops, sugar and dairy products. The Group mostly imports such products from overseas. In order to reduce the risk and cost of obtaining raw materials and ingredients, the Group typically enters into contracts of varying in term lengths with Japanese trading companies with certain criteria and specifications, but also enters into spot contracts to diversify its sources. In addition, the Group has in place a set of raw materials risk management standards which tests and analyses the quality and safety of raw materials. The Group also periodically performs quality audits of the producers of the raw materials it uses. The Group ensures that all raw materials which it purchases have a fully traceable origin.

Aluminium cans, glass bottles, cardboard carton boxes and kegs used for packaging beer and plastic bottles and cartons used for packaging soft drinks are principally from Japanese third-party manufacturers, although some packaging material (for example pet bottles for drinks) are manufactured by Group companies.

While the Group has not experienced material difficulties in obtaining the raw materials it requires and does not anticipate such difficulties in the foreseeable future although it may be forced to bear a certain amount of price increases.

Production

As at 31 December 2016, the Group owned 31 principal production facilities throughout Japan, with eight of them being facilities for the production of beer-type beverages. In addition, the Group had 53 principal production facilities overseas. Overseas production of the Group's products is generally conducted by local breweries either under licensing agreements or under production agreements with the Group.

The Group monitors and manages its production processes through prior preparation of production plans, and ensuring that actual production follows such plans. The Group manages its inventory through referrals between computerised inventory ledgers and actual inventory stock, as well as managing certain of its inventory through production lots based on date of production, "use-by" date or other data. The Group aims to reduce inventory through various measures, including having regular meetings between sales, production and logistics personnel, with an aim to deliver products to consumers as early as possible after production.

The Group uses its own distribution network connecting the Group's production facilities and its customers. The Group has been working to increase the proportion of direct deliveries from production facilities to its customers (rather than through distribution centres), with the aim of improving the efficiency of transportation.

Quality Control

The Group has introduced strict quality control systems at every phase of the production, namely; developing new products; procurement of raw materials and supplies; production; and delivery and distribution. At the phase of the development of the new products, the Group takes steps to ensure that all necessary information is accurately disclosed on the packaging of the products, with checking and monitoring by the several committees within the Group. With respect to the procurement phase, the Group has put in place risk management standards whereby the quality of raw materials and supplies are regularly analysed, as well as ensuring the traceability of such raw materials. At the production phase, the Group has put in place its original quality control system as well as a system complying with ISO 9001 for production in Japan. At the delivery and distribution phase, the Group has established certain shipment standards in order to ensure safe distribution and timely delivery.

Each of the Group companies has established its own quality standard guidelines, the adequacy of and compliance with which are regularly monitored by the Company. In addition, the Group Quality Control Committee acts as a group-wide committee to discuss quality control strategies.

With respect to overseas production, the Group sends its engineers to production sites to monitor and supervise the production process for quality control. In addition, the Group conducts quality testing of the products produced at its overseas production sites.

The Group has implemented its Quality Risk Management Guidelines to deal with any failures in quality of the Group's material products. The Group aims to ensure that there is immediate disclosure about any such failure in order to reduce damage caused to the consumers and the society.

Competition

In the beer-type beverages industry in Japan, the Group competes with three other major companies (and their group companies) involved in the domestic beer industry: Kirin Holdings Company Limited, Suntory Holdings Limited and Sapporo Holdings Limited. The Group considers that the main competitive factors in the beer-type beverages market are taste and quality, pricing, brand loyalty (including consumers' loyalty to the Group's flagship product "Asahi Super Dry") and consumer perception, the ability to introduce new products successfully, packaging, logistics and distribution and marketing and promotional activities.

With respect to the soft drinks industry in Japan, the Group competes with a large number of manufacturers, including Coca-Cola (Japan), Suntory Holdings Limited, Suntory Beverage & Food Limited, Kirin Holdings Company Limited and ITO EN, LTD. The Group believes that securing appropriate sales channels, in particular a wide network of vending machines, is critical in continuing to compete in this market.

With respect to the food products industry in Japan, due to market barriers to new entrants being low, there have been a large number of medium-sized to small-sized companies competing intensively in Japan.

Overseas, the European Beer Business forms a significant majority of the Group's operations. The Group competes primarily with Heineken Holding N.V., Carlsberg Group and Anheuser-Busch InBev SA/NV, with competitive factors including taste and quality, pricing, brand loyalty and consumer perception.

Research and Development

The Group seeks to expand its technological skill to create new products in the alcoholic beverages, soft drinks and food business segments through the Company's research facilities and other research teams in various Group companies which are responsible for the development of new products and quality control. Research areas include analysis of raw materials, product development as well as generic technology which not only concentrates on the development of alcoholic beverages, soft drinks and foods, but also sustainable manufacturing methods, production of environmentally friendly containers and support for the agricultural industry.

The Group's main research & development ("R&D") centre is located in Ibaraki prefecture, Japan, and consists of two principal groups:

- R&D Headquarters, which concentrate on functional research of food materials, research into technologies for utilising microorganisms and new technologies, development of new products and related technologies based on food, pharmaceuticals and related products and R&D on containers, packaging and supplies, among others; and
- Product & Technology Development Headquarters, which concentrate on new product development related to alcoholic beverages, raw material R&D and the brewing process as well as the development and improvement of analytical methods and sensory inspection for quality assurance and the development of containers, packaging materials, testing and cost verification.

In the year ended 31 December 2016, R&D activities expenses decreased slightly to ¥9.5 billion, compared to ¥10.3 billion recorded in the previous year.

The following highlights some of the Group's recent R&D activities:

- the Group is developing new agricultural material (fertiliser) containing beer yeast cell walls, a by-product of the brewing process, which is effective in increasing agricultural yields and improving the quality of the products by using the ability of beer yeast cell walls to boost immunity of plants. The Group established Asahi Bio Cycle Co., Ltd. in an effort to strengthen this development further; and

- the Group has been successful in showing through the use of technologies and knowhow built through the years that the consumption of an original strand of lactic acid (*Lactobacillus amylovorus* CP1563 strand) helps the breakdown of body fat. The Group has developed a Food for Specified Health Uses ("TOKUHO") product called "Karada Calpis" in April 2017 using this particular lactic acid.

The Group also aims to use its technologies and knowhow accumulated by Asahi Breweries and other Group companies to collaborate with newly acquired companies in Europe.

Intellectual Property and Know-How

The Group owns various intellectual properties necessary for its business, including the trademarks "Asahi" and "Asahi Super Dry", as well as other intellectual property rights such as patents relating to equipment relating to the brewing process. The Group recognises the importance of such intellectual properties to its operations, especially its "Asahi Super Dry" trademark and various confidential beer manufacturing knowhow, and has taken measures to protect them from the infringement or discovery by third parties. The Group takes, and intends to continue to take, appropriate measures if it becomes aware of material infringements of its intellectual properties.

Property, Plant and Equipment

The following table shows information with respect to the Group's principal production bases as at 31 December 2016:

Subsidiary/Facilities	Business segment	Principal activities	Floor space	Book value
			(m^2)	(Millions of yen)
Asahi Breweries, Ltd. (8 breweries)	Alcohol Beverages	Production of beer-type and related beverages	1,631,028	¥137,842
The Nikka Whisky Distilling Co., Ltd. (7 factories)	Alcohol Beverages	Production of whisky and related beverages	890,124	16,837
Asahi Soft Drinks Co., Ltd. and 2 other Group companies (5 factories)	Soft Drinks	Production of soft drinks	590,293	74,852
LB Co., Ltd. (Head office and 2 factories)	Soft Drinks	Production of soft drinks	20,659	3,812
Asahi Food & Healthcare Co., Ltd. (3 factories)(1)	Food	Production of food products and dietary supplements	40,383	4,100
Wakodo Co., Ltd. and 1 other Group company) (2 factories)(1)	Food	Production of food products	109,825	17,910
Asahi Beer Malt, Ltd. (Head office and 2 factories)	Alcohol Beverages	Malt processing facilities	120,400	2,111
Amano Jitsugyo Co., Ltd. (2 factories)(1)	Food	Production of food products	59,444	9,153
Beijing Beer Asahi Co., Ltd. and 1 other Group company (2 breweries)	Overseas	Production of beer-type beverages	225,709	5,932
Schweppes Australia Pty Limited and 7 other Group companies (18 factories)	Overseas	Production of soft drinks	1,391,571	36,407
Etika Beverages Sdn. Bhd. (2 factories)	Overseas	Production of soft drinks	53,502	3,389
PT Tirta Sukses Perkasa (and 2 other subsidiaries) (19 factories)	Overseas	Production of soft drinks	395,813	12,765
Etika Dairies Sdn. Bhd. (and 4 other subsidiaries) (6 factories)	Overseas	Production of dairy products	523,374	3,164
Birra Peroni S.r.l.(5 factories)	Overseas	Production of beer-type beverages	572,047	25,414
Royal Grolsch NV (1 factory)	Overseas	Production of beer-type beverages	280,000	26,980

Note:

(1) On 1 July 2017, Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. were merged into Asahi Group Foods, Ltd.

Corporate Social Responsibility (“CSR”)

Under the Group’s corporate philosophy, “Satisfying customers with the highest level of quality and integrity while contributing to the promotion of healthy living and the enrichment of society worldwide”, the Group focuses on its contribution to the society through its primary business domains of food and health. The Group has formulated the “Asahi Group CSR Policy” and carries out its CSR activities based on such corporate philosophy and “Guideline for Corporate Behaviour”, which consists of: (i) customer satisfaction, (ii) safety and environmental responsibility, (iii) fair, open corporate ethics, (iv) world-class corporate activities, (v) a corporate culture rich in ideas and vitality, (vi) original and responsive corporate action, (vii) independent and integrated management, and (viii) continued, high-quality growth.

Regulations

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 licence issued by the superintendent of the competent tax office. Such licences 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 per cent malt content) and new-genre beverages being ¥220,000, ¥134,250 and ¥80,000 per kilolitre, respectively. The Liquor Tax Act was amended in 2017 to apply the same liquor tax rates on beer, low-malt *happoshu* and new-genre beverages by October 2026. The changes will effectively lower taxes on beer, while raising taxes on low-malt *happoshu* and new-genre 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 three stages, with a small liquor tax cut for beer and small liquor tax hikes for new-genre beverages in October 2020. Additional adjustments will be made in October 2023 and October 2026, with the rate eventually being unified at around ¥155,000 per kilolitre.

The 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 1 June 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.

The 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 labelling 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 labelling or advertising, which may cause harm to public health, is prohibited. The operation of restaurants is also subject to the Food Sanitation Act.

The 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 categorised 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.

The 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.

The Food Labelling Act

The provisions for food and beverages labelling in the Food Sanitation Act, the Health Promotion Act and the JAS Law were integrated into a single act, the Food Labelling Act of Japan, as amended (the "Food Labelling Act") which was established to create a unified, comprehensive system for food and beverages labelling. Under the Food Labelling Act, the Prime Minister must establish standards that cover certain matters for the labelling 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, labelling method and indication of TOKUHO. The Food Labelling 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 labelling includes the fact that food and beverages are categorised 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 labelling. If a person fails to indicate the labelling matters or comply with the compliance matters set forth in the Food Labelling 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.

The Act Against Unjustifiable Premiums and Misleading Representations

The Act Against Unjustifiable Premiums and Misleading Representations of Japan 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.

The 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 (the "Collection and Recycling Act") is a law designed to reduce waste and to promote the utilisation 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 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.

Insurance

The Group maintains a range of insurance policies, which the Company believes are comparable to other companies with similar operations in Japan. The Group maintains insurance in respect of earthquakes at certain important manufacturing facilities. The Group insures all manufacturing facilities premises owned by the Group for risks such as fire, theft and third-party liability. The Group maintains product liability insurance with respect to both its domestic and overseas operations.

Legal Proceedings

The Group is not involved in any litigation or other legal proceedings that it believes, if determined adversely to the Group, would individually or in the aggregate have a material adverse effect on the Group's business, financial condition or results of operations.

Management and Employees

The Articles of Incorporation of the Company provide for a board of directors consisting of no more than 15 members and provide for no more than six Audit & Supervisory Board Members. All directors and Audit & Supervisory Board Members are elected by the shareholders at a general meeting of shareholders. The term of office for Directors is one year, and the term of office for Audit & Supervisory Board Members is four years, but Directors and Audit & Supervisory Board Members may serve any number of consecutive terms.

The Company has introduced a corporate officer system in order to facilitate more responsive execution of management and enhance supervisory function of the Board of Directors by separating decision-making and execution. Corporate Officers are responsible for managing the business operations. The Board of Directors oversees the corporate officers and sets fundamental strategies.

By its resolution, the Board of Directors may elect, from among its members, a Chairman and a President, along with one or more Vice Chairmen, Executive Vice Presidents, Senior Managing Directors and Managing Directors, as well as Senior Advisors. The Board of Directors also elects one or more Representative Directors from among its members. Each of the Representative Directors has the authority to represent the Company in conducting its affairs.

The Audit & Supervisory Board Members are not required to be certified public accountants. The Audit & Supervisory Board Members may not at the same time be directors, accounting advisors, managers or any other type of employees of the Company or any of its subsidiaries or corporate officers of any of its subsidiaries, and at least one-half of them must be persons who satisfy the requirements for an Outside Audit & Supervisory Board Member under the Companies Act of Japan. Each Audit & Supervisory Board Member has a statutory duty to supervise the administration by the Directors of the Company's 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. The Audit & Supervisory Board Members 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 & Supervisory Board Members form the Audit & Supervisory Board. The Audit & Supervisory Board has a statutory duty to prepare an audit report based on the audit reports issued by the individual Audit & Supervisory Board Members each year. An Audit & Supervisory Board Member may note his or her opinion in the audit report if the opinion expressed in his or her audit report is different from the opinion expressed in the audit report issued by the Audit & Supervisory Board. The Audit & Supervisory Board must establish the audit principles, the method of examination by the Audit & Supervisory Board Members of the Company's affairs and financial position and any other matters relating to the performance of the Audit & Supervisory Board Members' duties. The Audit & Supervisory Board is required to elect from among its members at least one standing Audit & Supervisory Board Member.

The Company is 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 independent auditor.

Directors and Audit & Supervisory Board Members

The names and titles of the Directors and Audit & Supervisory Board Members of the Company as at the date of this Offering Circular are as follows:

Name	Title
Naoki Izumiya	Chairman and Representative Director, CEO
Akiyoshi Koji	President and Representative Director, COO
Katsutoshi Takahashi	Senior Managing Director, Senior Managing Corporate Officer
Yoshihide Okuda	Senior Managing Director, Senior Managing Corporate Officer
Noboru Kagami	Director and Corporate Officer
Kenji Hamada	Director and Corporate Officer (CFO)
Atsushi Katsuki	Director and Corporate Officer
Mariko Bando	Outside Director
Naoki Tanaka	Outside Director
Tatsuro Kosaka	Outside Director
Akira Muto	Standing Audit & Supervisory Board Member
Tetsuo Tsunoda	Standing Audit & Supervisory Board Member
Katsutoshi Saito	Outside Audit & Supervisory Board Member
Yumiko Waseda	Outside Audit & Supervisory Board Member
Yutaka Kawakami	Outside Audit & Supervisory Board Member

The names and titles of the Corporate Officers of the Company as at the date of this Offering Circular are as follows:

Name	Title
Shiro Ikeda	Senior Managing Corporate Officer
Yasutaka Sugiura	Managing Corporate Officer
Ryoichi Kitagawa	Managing Corporate Officer
Yukitaka Fukuda	Corporate Officer
Tomomasa Kanda	Corporate Officer
Yutaka Henmi	Corporate Officer
Taemin Park	Corporate Officer
Manabu Sami	Corporate Officer
Keizo Tanimura	Corporate Officer

The current business address of each of the Directors is 1-23-1 Azumabashi, Sumida-ku, Tokyo 130-8602, Japan.

As at the date of this Offering Circular, there were no outstanding loans granted by the Company to the Directors nor any guarantees provided by the Company for their benefit.

The aggregate remuneration paid to the Company's Directors (excluding Outside Directors) by the Company in their capacities as such was ¥419 million for the year ended 31 December 2016. The aggregate remuneration paid to the Company's Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) by the Company in their capacities was ¥65 million for the year ended 31 December 2016. The aggregate remuneration paid to the Company's Outside Directors and Outside Audit & Supervisory Board Members in their capacities was ¥79 million for the year ended 31 December 2016.

Under the Articles of Incorporation of the Company, the Company may enter liability limitation contracts with any of its Directors and Audit & Supervisory Board Members (excluding Executive Directors, etc.) in order to limit the liability in connection with their failure to execute their duties in good faith and without gross negligence, to the minimum liability amount, which is the higher of a certain amount (¥10 million or more) determined in advance or the amount provided for by Article 425, Paragraph 1 of the Companies Act.

Employees

The total number of full-time employees of the Group was 23,619 as at 31 December 2016.

Subsidiaries and Affiliates

As at 31 December 2016, the Company had 137 subsidiaries and 138 affiliates accounted for by the equity method. The following table sets out some of the Company's major subsidiaries and affiliates as at 31 December 2016:

Name	Location	Major products or lines of business	Issued share capital as at 31 December 2016	Percentage of voting rights owned, directly or indirectly, by the Company
			(Millions of yen unless otherwise specified)	(Per cent)
Alcohol Beverages				
Asahi Breweries, Ltd.	Tokyo, Japan	Production and sales of alcoholic beverages	20,000	100.0
Asahi Draft Marketing, Ltd.	Tokyo, Japan	Maintenance of beer dispensers	20	100.0
Asahi Beer Malt, Ltd.	Shiga, Japan	Production and sales of various types of malt and barley tea	90	100.0
Asahi BEER FEED Co., Ltd.	Tokyo, Japan	Manufacturing and sales of feed stock	30	100.0
Asahi Food Create, Ltd.	Tokyo, Japan	Restaurant management and operation	40	100.0
Masuda Co., Ltd.	Osaka, Japan	Wholesaler	450	100.0
Asahi Sales and Marketing Okinawa, Ltd.	Okinawa, Japan	Sales of alcoholic beverages and soft drinks in Okinawa	10	100.0
NADAMAN CO., LTD.	Tokyo, Japan	Japanese restaurant management and operation, and other food-service businesses	41	100.0
The Nikka Whisky Distilling Co., Ltd.	Tokyo, Japan	Production of whisky, brandy, wine and other alcoholic beverages	100	100.0
Hokkaido Nikka Service Co., Ltd.	Hokkaido, Japan	Production of whisky, brandy, wine and other alcoholic beverages	10	100.0
Sendai Nikka Service Co., Ltd.	Sendai, Japan	Production of whisky, brandy, wine and other alcoholic beverages	10	100.0
Sainte Neige Wine Co., Ltd.	Yamanashi, Japan	Production of wine	50	100.0
Satsumatsukasa Shuzo Co., Ltd.	Kagoshima, Japan	Production of *shochu*	12	85.0
ENOTECA CO., Ltd.	Tokyo, Japan	Sales of alcoholic beverages	1,761	100.0
Soft Drinks				
Asahi Soft Drinks Co., Ltd.	Tokyo, Japan	Production and sales of soft drinks	11,081	100.0
Calpis Co., Ltd.	Tokyo, Japan	Production and sales of soft drinks	90	100.0

Name	Location	Major products or lines of business	Issued share capital as at 31 December 2016	Percentage of voting rights owned, directly or indirectly, by the Company
			(Millions of yen unless otherwise specified)	(Per cent)
LB Co., Ltd.	Saitama, Japan	Production and sales of chilled products for dairy consumption	487	100.0
Asahi Soft Drinks Sales Co., Ltd.	Tokyo, Japan	Sales of soft drinks	100	100.0
Asahi Orion Inryo Co., Ltd.	Okinawa, Japan	Production and sales of soft drinks	20	80.0
Asahi Midori, Ltd.	Fukuoka, Japan	Sales of soft drinks	40	100.0
Michinoku Co., Ltd.	Iwate, Japan	Sales of soft drinks	30	100.0
Food				
Asahi Group Foods, Ltd[(1)].	Tokyo, Japan	Sales of confectionaries, supplements, yeast extract, baby foods, freeze-dried foods and others	5,000	100.0
Asahi Food & Healthcare Co., Ltd.[(1)]	Tokyo, Japan	Production of supplements, quasi-pharmaceutical products and yeast extract	3,200	100.0
Wakodo Co., Ltd.[(1)]	Tokyo, Japan	A pioneer in paediatric nutritional products. The largest baby food company in Japan	2,918	100.0
Amano Jitsugyo Co., Ltd.[(1)]	Hiroshima, Japan	Production of caramels, powdered seasonings and freeze-dried products	67	100.0
Nippon Freeze Drying Co., Ltd.	Nagano, Japan	Food processing	90	100.0
Wako Food Industry Co., Ltd.	Nagano, Japan	Production of dairy products	25	100.0
Asahi Field Marketing Ltd.	Tokyo, Japan	In-store sales promotion of alcoholic beverages, soft drinks and others.	10	100.0
Overseas				
Asahi Beer (China) Investment Co., Ltd.	Shanghai, PRC	Sales of Asahi Super Dry, Asahi beer and *shochu* in China	RMB737,487 thousand	100.0
Yantai Beer Tsingtao Asahi Co., Ltd.	Shandong, PRC	Brewing of Yantai Beer and Tsingtao Beer in Shangdong Province	RMB218,804 thousand	40.0

Name	Location	Major products or lines of business	Issued share capital as at 31 December 2016	Percentage of voting rights owned, directly or indirectly, by the Company
			(Millions of yen unless otherwise specified)	**(Per cent)**
Beijing Beer Asahi Co., Ltd.	Beijing, PRC	Brewing and sales of Beijing Beer in the Beijing market, and brewing of Asahi Super Dry and Asahi Beer	RMB843,914 thousand	90.0
CFI CO., LTD	Tokyo, Japan	Investments	100	100.0
A I Beverage Holdings Co., Ltd	Tokyo, Japan	Business promotion of production and sales of alcoholic beverages and soft drinks	100	100.0
Asahi Holdings (Australia) Pty Ltd.	Victoria, Australia	Development and execution of regional business strategies and regional business management as the Head Quarter for Oceania	AU$1,806,901 thousand	100.0
Schweppes Australia Pty Limited	Victoria, Australia	Production and sales of soft drinks in Australia	AU$372,231 thousand	100.0
Asahi Premium Beverages Pty Ltd.	Victoria, Australia	Production and sales of alcoholic beverages and soft drinks in Australia and export to Asia Pacific	AU$21,841 thousand	100.0
Independent Liquor (NZ) Limited	Papakura, New Zealand	Production and sales of alcoholic beverages in New Zealand	NZ$243,496 thousand	100.0
The Better Drinks Co Limited	Waitakere, New Zealand	Production and sales of soft drinks in New Zealand	NZ$49,010 thousand	100.0
Asahi Group Holdings Southeast Asia Pte. Ltd.	Singapore	Other Investment Holding Companies	S$931,602 thousand	100.0
Etika Beverages Sdn. Bhd.	Kuala Lumpur, Malaysia	Production and sales of soft drinks in Malaysia	RM111,702 thousand	100.0
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	Production and sales of dairy products centering in Malaysia	RM89,915 thousand	100.0
Asahi Beer U.S.A., Inc.	Los Angeles, U.S.A.	Sales of Asahi Super Dry beer, and Asahi Group Products in North America	US$32,000 thousand	100.0
PT Asahi Indofood Beverage Makmur	Jakarta, Indonesia	Production and sales of soft drinks in Indonesia	IDR1,210,000 million	51.0
PT Prima Cahaya Indobeveragaes	Jakarta, Indonesia	Production of soft drinks in Indonesia	IDR264,128 million	100.0

Name	Location	Major products or lines of business	Issued share capital as at 31 December 2016	Percentage of voting rights owned, directly or indirectly, by the Company
			(Millions of yen unless otherwise specified)	(Per cent)
PT Tirta Sukses Perkasa	Jakarta, Indonesia	Production of bottled spring water in Indonesia	IDR587,485 million	80.0
Asahi Loi Hein Company, Ltd.	Yangon, Myanmar	Production and sales of soft drinks in Myanmar	MMK44,620 million	51.0
Asahi Europe Ltd.	Woking, U.K.	Development and execution of regional business strategies and management as the Head Quarter for Western Europe	€2,544 million	100.0
Birra Peroni S.r.l.	Rome, Italy	Brewing and sales of Italian premium beer over 150 years	€132 million	100.0
Asahi UK Limited	Surrey, U.K.	Marketing and distribution of world premium beer across the U.K. and Ireland	US$1,702	100.0
Other				
Asahi Logistics Co., Ltd.	Tokyo, Japan	A logistics company of Asahi Group Holdings	80	100.0
East Japan AB Cargo Co., Ltd. . . .	Tokyo, Japan	Subsidiary of Asahi Logistics, operating in eastern Japan	10	100.0
West Japan AB Cargo Co., Ltd. . . .	Osaka, Japan	Subsidiary of Asahi Logistics, operating in western Japan	10	100.0
Asahi Professional Management Co., Ltd.	Tokyo, Japan	Group company entrusted with operations such as accounting, financing, general affairs, welfare and business system development	50	100.0

Note:

(1) On 1 July 2017, Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. were merged into Asahi Group Foods, Ltd.

Taxation

Japanese 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.

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, i.e., 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 Company 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 the Company

   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 the Company. Most importantly, if such Non-Resident Holder is a specially-related person of the Company, income tax at the rate of 15.315 per cent of the amount of such interest will be withheld by the Company 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 the Company 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 organisation such as the 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 the Company); 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*) (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 Company 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 Company, 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 Company 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 the Company

Payments of interest on the Bonds to be made to a Resident Holder (except for (a) a Designated Financial Institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act 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 which has received interest through a payment handling agent in Japan as defined 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")) or to a Non-Resident Holder that is a specially-related person of the Company 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 the Company 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 an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially related person of the Company having no permanent establishment in Japan, the Japanese taxation is finalised only by the withholding tax referred to above.

Under the Law, if a Non-Resident Holder becomes a specially-related person of the Company, 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 the Company for Japanese withholding tax purposes is determined based on the status as at the beginning of the fiscal year of the Company 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 the Company.

The Japanese withholding tax imposed upon interest on the Bonds paid to a Non-Resident Holder that is a specially-related person of the Company 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.

U.S. Foreign Account Tax Compliance Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Company may be a foreign financial institution for these purposes. A number of jurisdictions (including Japan) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in such jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

Subscription and Sale

Pursuant to a subscription agreement dated 11 September 2017 in respect of the Bonds (the "Subscription Agreement") between the Company and J.P. Morgan Securities plc, Nomura International plc, BNP Paribas and Citigroup Global Markets Limited (together, the "Joint Lead Managers") and Daiwa Capital Markets Europe Limited, Mizuho International plc and SMBC Nikko Capital Markets Limited (together with the Joint Lead Managers, the "Managers"), the Managers have agreed with the Company, subject to the satisfaction of certain conditions, to purchase severally but not jointly, 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.

Managers	Principal Amount of the 2021 Bonds	Principal Amount of the 2025 Bonds
J.P. Morgan Securities plc	€162,000,000	€162,000,000
Nomura International plc	150,000,000	150,000,000
BNP Paribas	102,000,000	102,000,000
Citigroup Global Markets Limited	60,000,000	60,000,000
Daiwa Capital Markets Europe Limited	54,000,000	54,000,000
Mizuho International plc	36,000,000	36,000,000
SMBC Nikko Capital Markets Limited	36,000,000	36,000,000
Total	€600,000,000	€600,000,000

The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The 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 the Company as set out therein. The Company has agreed to indemnify the 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 the Company nor any Manager has made any representation that any action will be taken in any jurisdiction by the Managers or the Company 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.

United Kingdom

In the United Kingdom, 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 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 organised under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan; and (ii) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any of the Bonds to, or for the benefit of, any person other than (a) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the Company (as described in Article 6, Paragraph (4) of the Special Taxation Measures Act), (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (28) 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 under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, 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 (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 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 defined in Section 275(2) of the SFA, 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 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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 the document 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, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, 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 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 the Company or its 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 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 securities of the Group 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 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 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 securities and/or instruments of the Company or its affiliates. Certain of the Managers or their respective affiliates that have a lending relationship with the Company or its affiliates routinely hedge their credit exposure to the Company or its affiliates consistent with their customary risk management policies. Typically, such 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 the Company's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The 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) The Company has obtained all necessary consents, approvals and authorisations in Japan in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Company dated 31 January 2017.

(2) The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Securities Identification Number (ISIN) is XS1577953760 and the Common Code is 157795376 in respect of the 2021 Bonds and XS1577951715 and 157795171 in respect of the 2025 Bonds.

(3) Approval in-principle has been received for the listing of the Bonds of each Series on 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, the Company 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 the Company 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.

(4) There has been no significant change in the financial or trading position of the Group and no material adverse change in the financial position or prospects of the Group since 31 December 2016.

(5) There are no, nor have there been any, governmental, legal, arbitral, administrative or other proceedings involving the Company 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 financial position or the profitability of the Company or the Group and, so far as the Company is aware, there are no such proceedings pending or threatened.

(6) Copies of the latest annual report in English (including the audited consolidated financial statements of the Company), and English translations of the latest unaudited consolidated interim financial results announcement of the Company (*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.

(7) The consolidated financial statements of the Company as at and for the year ended 31 December 2016, including corresponding figures as at and for the year ended 31 December 2015, prepared in accordance with IFRS, included in this Offering Circular, have been audited by KPMG AZSA LLC, an independent auditor, in accordance with auditing standards generally accepted in Japan as stated in their report appearing herein.

Index to the Audited Consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT

KPMG

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, 2016, 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 judgement, 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, 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG AZSA LLC

March 29, 2017
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
As of January 1, 2015, December 31, 2015 and December 31, 2016

	Notes	Millions of yen Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
< Assets >				
Current assets				
Cash and cash equivalents	8	62,236	43,290	**48,459**
Trade and other receivables	9 31	365,239	372,043	**397,340**
Inventories	10	122,207	129,494	**136,460**
Income tax receivables		10,279	4,525	**14,161**
Other financial assets	14	5,299	6,360	**3,428**
Other current assets	15	18,992	21,832	**31,934**
Subtotal		584,254	577,547	**631,784**
Assets held for sale	11	—	—	**3,241**
Total current assets		584,254	577,547	**635,026**
Non-current assets				
Property, plant and equipment	12	541,067	518,576	**570,771**
Goodwill and intangible assets	13	240,046	223,485	**491,538**
Investments accounted for using equity method		225,158	190,563	**141,398**
Other financial assets	14	173,364	236,110	**198,586**
Deferred tax assets	28	30,184	21,932	**18,825**
Net defined benefit assets	19	19,412	25,354	**18,942**
Other non-current assets	15	12,590	11,103	**11,293**
Total non-current assets		1,241,825	1,227,126	**1,451,355**
Total assets		1,826,080	1,804,673	**2,086,381**

See accompanying notes.

	Notes	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
		Millions of yen		
< Liabilities and equity >				
Liabilities				
Current liabilities				
Trade and other payables	16	274,956	273,092	**332,639**
Bonds and borrowings	17 31	280,856	249,209	**281,870**
Income tax payables		27,430	23,476	**34,957**
Other financial liabilities	17	28,066	27,038	**26,352**
Other current liabilities	20	147,420	143,770	**142,828**
Subtotal		758,731	716,588	**818,649**
Liabilities directly related to assets held for sale	11	—	—	**907**
Total current liabilities		758,731	716,588	**819,556**
Non-current liabilities				
Bonds and borrowings	17 31	153,435	165,231	**288,490**
Net defined benefit liabilities	19	24,073	23,391	**25,789**
Deferred tax liabilities	28	41,168	37,245	**49,302**
Other financial liabilities	17	55,753	55,746	**54,127**
Other non-current liabilities	20	2,964	2,787	**3,009**
Total non-current liabilities		277,395	284,402	**420,719**
Total liabilities		1,036,126	1,000,991	**1,240,276**
Equity				
Issued capital	21	182,531	182,531	**182,531**
Share premium	21	120,895	120,524	**118,668**
Retained earnings	21	493,129	549,084	**589,935**
Treasury shares	21	(58,176)	(77,377)	**(76,709)**
Other components of equity		36,154	14,657	**21,927**
Total equity attributable to owners of parent		774,534	789,420	**836,354**
Non-controlling interests		15,419	14,261	**9,750**
Total equity		789,953	803,682	**846,105**
Total liabilities and equity		1,826,080	1,804,673	**2,086,381**

See accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2015 and 2016

	Notes	Millions of yen Previous year (ended December 31, 2015)	Millions of yen **Current year (ended December 31, 2016)**
Revenue	24	1,689,527	**1,706,901**
Cost of sales		(1,102,839)	**(1,098,173)**
Gross profit		586,688	**608,728**
Selling, general and administrative expenses	25	(445,996)	**(460,241)**
Other operating income	26	3,514	**8,004**
Other operating expense	26	(47,580)	**(19,600)**
Operating profit		96,626	**136,889**
Finance income	27	3,011	**3,106**
Finance costs	27	(5,095)	**(4,066)**
Share of profit (loss) of entities accounted for using equity method		17,627	**1,974**
Gain on sales of investments accounted for using equity method		—	**12,163**
Gain on remeasurements related to business combinations		5,394	**—**
Profit before tax		117,563	**150,068**
Income tax expense	28	(42,962)	**(62,952)**
Profit		74,600	**87,115**
Profit attributable to:			
Owners of parent		75,770	**89,221**
Non-controlling interests		(1,170)	**(2,105)**
Total		74,600	**87,115**
Basic earnings per share (Yen)	29	164.82	**194.75**
Diluted earnings per share (Yen)	29	164.75	**194.75**

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2015 and 2016

	Notes	Millions of yen Previous year (ended December 31, 2015)	Millions of yen **Current year (ended December 31, 2016)**
Profit		74,600	**87,115**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value of financial instruments measured at fair value through other comprehensive income	30	(1,073)	**(3,010)**
Remeasurements of defined benefit plans	19 30	2,992	**(6,333)**
Share of other comprehensive income of entities accounted for using equity method	30	(4)	**30**
Items that might be reclassified to profit or loss			
Cash flow hedges	30 31	(197)	**(7,628)**
Translation difference on foreign operations	30	(29,759)	**10,137**
Share of other comprehensive income of entities accounted for using equity method	30	6,532	**(18,683)**
Total other comprehensive income	30	(21,509)	**(25,488)**
Total comprehensive income		53,090	**61,627**
Total comprehensive income attributable to:			
Owners of parent		55,722	**64,366**
Non-controlling interests		(2,631)	**(2,738)**

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2015 and 2016

		Millions of yen					
		Equity attributable to owners of parent					
						Other components of equity	
	Notes	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
Balance as of January 1, 2015		182,531	120,895	493,129	(58,176)	36,460	—
Comprehensive income							
Profit				75,770			
Other comprehensive income						(1,074)	3,024
Total comprehensive income		—	—	75,770	—	(1,074)	3,024
Transfer to non-financial assets							
Transactions with owners							
Dividends	22			(21,629)			
Purchase of treasury shares					(20,031)		
Disposal of treasury shares			(370)		831		
Changes through business combinations							
Share-based payment transaction	23						
Transfer from other components of equity to retained earnings				1,813		1,210	(3,024)
Other increase (decrease)							
Total contributions by owners and distribution to owners		—	(370)	(19,815)	(19,200)	1,210	(3,024)
Acquisition of non-controlling interests without change in control							
Total changes in the ownership interest in subsidiaries		—	—	—	—	—	—
Total transactions with owners		—	(370)	(19,815)	(19,200)	1,210	(3,024)
Balance as of December 31, 2015		182,531	120,524	549,084	(77,377)	36,596	—

		Millions of yen					
		Equity attributable to owners of parent					
		Other components of equity					
	Notes	Cash flow hedges	Translation difference on foreign operations	Total other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2015		(305)	—	36,154	774,534	15,419	789,953
Comprehensive income							
Profit				—	75,770	(1,170)	74,600
Other comprehensive income		(197)	(21,800)	(20,048)	(20,048)	(1,461)	(21,509)
Total comprehensive income		(197)	(21,800)	(20,048)	55,722	(2,631)	53,090
Transfer to non-financial assets		364		364	364		364
Transactions with owners							
Dividends	22			—	(21,629)	(475)	(22,104)
Purchase of treasury shares				—	(20,031)		(20,031)
Disposal of treasury shares				—	460		460
Changes through business combinations				—	—	1,949	1,949
Share-based payment transaction	23			—	—		—
Transfer from other components of equity to retained earnings				(1,813)	—		—
Other increase (decrease)				—	—		—
Total contributions by owners and distribution to owners		—	—	(1,813)	(41,201)	1,474	(39,726)
Acquisition of non-controlling interests without change in control				—	—		—
Total changes in the ownership interest in subsidiaries		—	—	—	—	—	—
Total transactions with owners		—	—	(1,813)	(41,201)	1,474	(39,726)
Balance as of December 31, 2015		(138)	(21,800)	14,657	789,420	14,261	803,682

See accompanying notes.

		Millions of yen					
		Equity attributable to owners of parent					
						Other components of equity	
	Notes	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
Balance as of January 1, 2016		**182,531**	**120,524**	**549,084**	**(77,377)**	**36,596**	**—**
Comprehensive income							
Profit				**89,221**			
Other comprehensive income						**(2,967)**	**(6,301)**
Total comprehensive income		**—**	**—**	**89,221**	**—**	**(2,967)**	**(6,301)**
Transfer to non-financial assets							
Transactions with owners							
Dividends	22			**(23,817)**			
Purchase of treasury shares					**(21)**		
Disposal of treasury shares			**(302)**		**689**		
Changes through business combinations	35						
Share-based payment transaction	23		**44**				
Transfer from other components of equity to retained earnings				**(24,553)**		**18,252**	**6,301**
Other increase (decrease)							
Total contributions by owners and distribution to owners		**—**	**(258)**	**(48,370)**	**668**	**18,252**	**6,301**
Acquisition of non-controlling interests without change in control			**(1,597)**				
Total changes in the ownership interest in subsidiaries		**—**	**(1,597)**	**—**	**—**	**—**	**—**
Total transactions with owners		**—**	**(1,855)**	**(48,370)**	**668**	**18,252**	**6,301**
Balance as of December 31, 2016		**182,531**	**118,668**	**589,935**	**(76,709)**	**51,881**	**—**

		Millions of yen					
		Equity attributable to owners of parent					
		Other components of equity					
	Notes	Cash flow hedges	Translation difference on foreign operations	Total other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2016		**(138)**	**(21,800)**	**14,657**	**789,420**	**14,261**	**803,682**
Comprehensive income							
Profit				**—**	**89,221**	**(2,105)**	**87,115**
Other comprehensive income		**(7,652)**	**(7,933)**	**(24,854)**	**(24,854)**	**(633)**	**(25,488)**
Total comprehensive income		**(7,652)**	**(7,933)**	**(24,854)**	**64,366**	**(2,738)**	**61,627**
Transfer to non-financial assets		**7,571**		**7,571**	**7,571**		**7,571**
Transactions with owners							
Dividends	22			**—**	**(23,817)**	**(489)**	**(24,306)**
Purchase of treasury shares				**—**	**(21)**		**(21)**
Disposal of treasury shares				**—**	**386**		**386**
Changes through business combinations	35			**—**	**—**	**155**	**155**
Share-based payment transaction	23			**—**	**44**		**44**
Transfer from other components of equity to retained earnings				**24,553**	**—**		**—**
Other increase (decrease)				**—**	**—**	**312**	**312**
Total contributions by owners and distribution to owners		**—**	**—**	**24,553**	**(23,406)**	**(21)**	**(23,428)**
Acquisition of non-controlling interests without change in control				**—**	**(1,597)**	**(1,750)**	**(3,347)**
Total changes in the ownership interest in subsidiaries		**—**	**—**	**—**	**(1,597)**	**(1,750)**	**(3,347)**
Total transactions with owners		**—**	**—**	**24,553**	**(25,004)**	**(1,771)**	**(26,776)**
Balance as of December 31, 2016		**(219)**	**(29,734)**	**21,927**	**836,354**	**9,750**	**846,105**

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2015 and 2016

	Notes	Millions of yen Previous year (ended December 31, 2015)	 **Current year** **(ended December 31, 2016)**
Cash flows from (used in) operating activities			
Profit before tax		117,563	**150,068**
Depreciation and amortization expenses		70,745	**71,131**
Impairment losses		27,099	**6,336**
Interest and dividend income		(2,698)	**(2,836)**
Interest expenses		3,875	**3,763**
Share of loss (profit) of entities accounted for using equity method		(17,627)	**(1,974)**
Gain on sales of investment in an entity accounted for using equity method		—	**(12,163)**
Losses (gains) on sales and disposals of property, plant and equipment		3,766	**(1,324)**
Gains on remeasurements related to business combinations		(5,394)	**—**
Decrease (increase) in trade receivables		(13,387)	**(9,821)**
Decrease (increase) in inventories		(4,242)	**(607)**
Increase (decrease) in trade payables		(3,032)	**6,369**
Increase (decrease) in accrued alcohol tax		(173)	**497**
Increase (decrease) in net defined benefit assets and liabilities		(2,811)	**(2,096)**
Other		6,441	**(2,623)**
Subtotal		180,123	**204,718**
Interest and dividends received		8,801	**5,546**
Interest paid		(3,776)	**(3,658)**
Income taxes paid		(68,677)	**(52,153)**
Net cash flows from (used in) operating activities		116,471	**154,452**
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(47,975)	**(50,357)**
Proceeds from sales of property, plant and equipment		5,239	**11,923**
Purchase of intangible assets		(10,573)	**(7,791)**
Purchase of investment securities		(3,822)	**(2,286)**
Proceeds from sales of financial assets		2,279	**30,870**
Proceeds from sales of investment in an entity accounted for using equity method		—	**36,440**
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	33	(21,257)	**(290,893)**
Other		(975)	**3,587**
Net cash flows from (used in) investing activities		(77,083)	**(268,507)**
Cash flows from (used in) financing activities			
Increase (decrease) in short-term borrowings		(36,328)	**(10,793)**
Payments of finance lease liabilities		(11,220)	**(10,765)**
Proceeds from long-term borrowings		13,828	**205,310**
Repayments of long-term borrowings		(14,113)	**(7,479)**
Proceeds from issuance of bonds		34,815	**—**
Redemption of bonds		(20,000)	**(30,000)**
Purchase of treasury shares		(20,031)	**(21)**
Dividends paid	22	(21,629)	**(23,817)**
Proceeds from share issuance to non-controlling shareholders		—	**312**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		—	**(2,773)**
Other		(571)	**(418)**
Net cash flows from (used in) financing activities		(75,250)	**119,554**
Effect of exchange rate changes on cash and cash equivalents		(4,558)	**642**
Net increase (decrease) in cash and cash equivalents		(40,422)	**6,141**
Cash and cash equivalents at beginning of period	8	62,236	**43,290**
Increase (decrease) in cash and cash equivalents resulted from change in scope of consolidation	32	21,476	**—**
Cash and cash equivalents transferred to assets held for sale	11	—	**(972)**
Cash and cash equivalents at end of period	8	43,290	**48,459**

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries

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, 2016 were authorized for issue by Akiyoshi Koji, President and Representative Director, and Kenji Hamada, Chief Financial Officer, on March 29, 2017. The Group has adopted IFRS from the current year (begins on January 1, 2016 and ends on December 31, 2016), and the consolidated financial statements for the current year are the first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is January 1, 2015. For the transition, the Group has adopted IFRS 1 "First-time Adoption of International Financial Reporting Standards." The effect of the transition to IFRS on the Group's financial position, financial performance, and cash flows is described in "41. Disclosures regarding the Transition to IFRS."

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. Early Application of New Standards and Interpretations

The Group has early applied IFRS 9 "Financial Instruments" (2014).

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

Standards and interpretations which have been newly issued or amended by the approval date of the consolidated financial statements and will be effective and applied in the future periods are as follows. The impact to the Group by their initial application 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
IFRS 12	Disclosure of Interest in Other Entities	Annual periods beginning on and after January 1, 2017	The annual period ending December 31, 2017	Clarification of disclosure requirements regarding interest classified as held for sale or discontinued operations (amendments to IFRS 12)
IAS 7	Statement of Cash Flows	Annual periods beginning on and after January 1, 2017	The annual period ending December 31, 2017	Improvements of disclosures under the Disclosure Initiative (amendments to IAS 7)
IAS 12	Income Taxes	Annual periods beginning on and after January 1, 2017	The annual period ending December 31, 2017	Clarification regarding recognition of deferred tax assets arising from unrealized losses (amendments to IAS 12)
IFRS 2	Share-based Payment	Annual periods beginning on and after January 1, 2018	The annual period ending December 31, 2018	Clarification regarding classification and measurements of share-based payments (amendments to IFRS 2)
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on and after January 1, 2018	The annual period ending December 31, 2018	Establishment of an accounting standard for revenue recognition (replacement for IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, and SIC 31)
IAS 40	Investment Property	Annual periods beginning on and after January 1, 2018	The annual period ending December 31, 2018	Clarification regarding transfers to, or from, investment property (amendments to IAS 40)
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Annual periods beginning on and after January 1, 2018	The annual period ending December 31, 2018	Clarification regarding exchange rate to use on the initial recognition of expenses or profit in a foreign currency when an asset or a liability arisen from the advance consideration has been recognized (establishment of IFRIC 22)
IFRS 16	Leases	Annual periods beginning on and after January 1, 2019	The annual period ending December 31, 2019	Establishment of an accounting standard for lease contracts (replacement for IAS 17, IFRIC 4, SIC 15 and SIC 27)
IFRS 10 IAS 28	Consolidated Financial Statements Investments in Associates and Joint Ventures	To be determined	To be determined	Clarification of accounting for sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)

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 between 20 percent and 50 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 in equity interest 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.

With regard to certain equity-accounted investees that operate in China, it is impracticable to access their financial statements in a timely manner although their reporting date is the same with that of the Group, due to regulatory constraints in the jurisdictions where such entities (including their parents) are located or listed or in the light of relationships with other shareholders. As a result, the consolidated financial statements are prepared based on financial information for the period ended three months before the Group's reporting date with adjustments for the effects of important transactions and events occurred between the end of the reporting period of the associate or joint venture and that of the Group.

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. Goodwill is recognized when the cost exceeds the fair values of the identifiable assets acquired and the liabilities assumed. On the contrary, when the cost is less than the fair values of the identifiable net assets, the excess is recognized in profit or loss. The Group elects to recognize non-controlling interests in the acquiree for each business combination, either at fair value or at the proportionate share of the identifiable net assets at the acquisition date, elected on a transaction-by-transaction basis. Acquisition-related costs are expensed as incurred. Additional acquisition of non-controlling interest after control is obtained is accounted for as equity transactions, and goodwill does not arise from such transactions accordingly.

The Group has elected to use an exemption in IFRS 1 and thereby does not apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before the transition date. Those business combinations are accounted for under the previous GAAP (Japanese GAAP).

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 Currencies

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Japanese yen, which is the Group's presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement or translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the reporting date are recognized in profit or loss, except for exchange differences arising from financial assets measured through other comprehensive income and qualifying cash flow hedges that are recognized in other comprehensive income.

(iii) Foreign Operation

The financial performance and the financial position of all group companies (none of them operates in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency using the following methods:

(a) assets and liabilities are translated using the exchange rate at the reporting date;
(b) income and expenses are translated at an average exchange rate (except for when use of the average exchange rate does not reasonably approximate the cumulative effect of translation at the transaction dates, in which case income and expenses are translated using the exchange rate at each transaction date); and
(c) all resulting exchange differences are recognized in other comprehensive income and accumulated as translation difference on foreign operations within other components of equity.

In the case of partial disposal or sale of foreign operations, exchange differences accumulated through other comprehensive income are reclassified to profit or loss as a part of gains or losses related to the transaction.

The Group has elected to use an exemption in IFRS 1, and thereby reclassified all of the cumulative translation differences arising from foreign operations to retained earnings at the date of IFRS transition.

(4) Property, Plant and Equipment

Buildings and structures, machinery and vehicles, tools, fixtures and fittings, and land primarily consist of manufacturing and production facilities and properties of the head office. Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost includes the purchase price, the cost directly related to acquisition of the assets, the costs of dismantling and removing the item and restoring the site on which the item has been located and borrowing costs to be capitalized.

Subsequent expenditures are included in the related asset's carrying amount or recognized as a separate asset, as appropriate, only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are recognized in profit or loss as incurred.

Land is not depreciated. The cost of each asset other than land is depreciated to residual value on a straight-line basis over the estimated useful lives, mainly as follows:

Buildings and structures 3–50 years
Machinery and vehicles 2–15 years
Tools, fixtures and fittings 2–20 years

The residual values, useful lives and the depreciation method are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on disposals are measured as the difference between the considerations and the carrying amount, and are recognized in profit or loss.

The Group has elected to use an exemption in IFRS 1, and thereby used fair value at the transition date as deemed cost for certain items of property, plant and equipment.

(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 reviewed for impairment testing annually and is recognized at acquisition cost less accumulated impairment losses. Any impairment loss recognized on goodwill is not subsequently reversed. Gains or losses arising from sale of a business include the carrying amount of goodwill associated with the business.

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

(ii) Trademarks

Separately acquired trademarks are recognized at cost. Trademarks acquired through a business combination are recognized at their acquisition-date fair values. Trademarks are recognized at cost less accumulated amortization and impairment losses. Trademarks are amortized on a straight-line basis over their estimated useful lives mainly from 20 to 40 years, except for items with indefinite useful lives.

(iii) Software

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

Development costs that are directly attributable to design and testing of software of the Group are recognized as intangible assets only if the expenditures can be measured reliably, the product or procedure is technically feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and use the asset.

Other development expenditures that do not meet these criteria are expensed as incurred. Development costs previously expensed are not recognized as assets in a subsequent period.

Software is amortized mainly over five years which is their estimated useful life.

Costs associated with maintaining software are expensed as incurred.

(iv) Other Intangible Assets

Other intangible assets are measured at cost. They are amortized over the estimated useful lives, and are measured at cost less accumulated amortization and impairment losses. However, there are some assets that are not amortized since they last as long as the business continues, and thereby their useful lives are indefinite (e.g. land leasehold right). Amortization cost is allocated on a straight-line basis over the estimated useful lives.

The residual values, useful lives and the amortization method of intangible assets are reviewed at each reporting date and adjusted if appropriate.

(7) Leases

The Group leases certain property, plant and equipment and intangible assets as a lessee. Leased property, plant and equipment and intangible assets where the Group holds substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the outstanding liability and finance expense. The interest elements, that are the finance expense, are recognized in profit or loss over the lease term so as to produce a constant rate of interest on the remaining balance of the liability. A property, plant and equipment or an intangible asset under a finance lease is depreciated or amortized over the shorter of the useful life of the asset and the lease term.

Leases other than finance leases are classified as operating leases. A lease payment for an operating lease, less any lease incentive received or receivable from the lessor, is recognized in profit or loss on a straight-line basis over the lease term.

(8) Impairment of Non-financial Assets

Goodwill and intangible assets with indefinite useful lives are not amortized but reviewed annually for impairment testing. Assets that are subject to depreciation or amortization are reviewed for impairment when occurrence of an event or a change in circumstances indicates that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are divided into the smallest groups of assets that generate independent cash inflows (cash-generating units). Impairment losses on non-financial assets other than goodwill are subsequently reviewed for possible reversal at each reporting date.

(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 trade date. Financial assets are classified as assets measured at amortized cost or measured at fair value.

Financial assets measured at fair value through profit or loss are measured at their fair value upon initial recognition. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are recognized at their fair value plus transaction costs that are directly attributable to the transactions.

The Group determines the classification under IFRS 9 "Financial Instruments" on the basis of the facts and circumstances that existed at the date of transition. Equity instruments are designated as equity investments at fair value through other comprehensive income.

(a) Financial Assets measured at Amortized Cost
Financial assets are classified as assets measured at amortized cost only if the assets are held within the Group's business model whose objective is to hold assets in order to collect contractual cash flow, and the contractual terms of the financial assets give rise on specified dates to cash flows which are solely payments of principal and interest on the principal amount outstanding.

(b) Financial Assets measured at Fair Value
Assets that do not meet either of the aforementioned two criteria are classified as financial assets measured at fair value.
As for a financial asset measured at fair value, the Group measures such an asset at fair value through profit or loss or may designate it as a financial asset measured at fair value through other comprehensive income on an individual basis, except for equity instruments held for trading purposes which should always be measured at fair value through profit or loss. The designation as a financial asset measured at fair value through other comprehensive income is irrevocable.
Please refer to (v) Derivatives and Hedge Accounting for derivatives.

b. Subsequent Measurement

Financial assets are subsequently measured based on the classification of the asset as follows:

(a) Financial Assets measured at Amortized Cost
Financial assets measured at amortized cost are measured using the effective interest method.

(b) Financial Assets measured at Fair Value
Financial assets measured at fair value are measured at fair value at the reporting date.

Changes in fair value are recognized in profit or loss or in other comprehensive income according to the classification of the financial assets.

Dividends received from equity instruments designated as financial assets measured at fair value through other comprehensive income are recognized in profit or loss. In cases that fair value of these financial assets is significantly declined or disposed, gain or loss accumulated in other comprehensive income is reclassified to retained earnings within equity.

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 assesses recoverability of financial assets measured at amortized cost and estimates expected credit loss at each reporting date.

A loss allowance for expected credit losses is measured at an amount equal to 12-month expected credit losses for financial assets whose credit risk has not increased significantly since initial recognition. A loss allowance is measured at an amount equal to the lifetime credit losses for financial assets whose credit risk has increased significantly since initial recognition. Trade receivables, on the contrary, always require a loss allowance be measured at an amount equal to the lifetime credit losses.

Interest income for financial assets whose credit risk has significantly increased and there is objective evidence of impairment is measured by applying the effective interest rate to the net carrying amount of the financial asset less loss allowance.

Indicators used by the Group to assess whether there is any objective evidence of impairment include:

- 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 expectations of recovering the financial asset in its entirety or a portion thereof.

A loss allowance may be reversed when credit risk decreases due to a subsequent event which can be objectively related to the past impairment (such as an improvement in the borrower's credit rating). The reversal of the previously recognized impairment loss is recognized in profit or loss.

(iii) Financial Liability

a. Initial Recognition and Measurement

The Group recognizes financial liabilities when the Group becomes a party to the contract. Financial liabilities are classified into liabilities measured at fair value through profit or loss or liabilities measured at amortized cost. 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
Financial liabilities measured at fair value through profit or loss are measured at fair value at each reporting date.

(b) Financial Liabilities measured at Amortized Cost
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 are subsequently remeasured at fair value at each reporting date. Gain or loss on remeasurement are accounted for differently based on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item. The Group designates certain derivatives as hedging instruments in cash flow hedges for items such as certain risks associated with recognized assets and liabilities or forecast transactions in which their occurrence is highly probable.

The Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking these 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 used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

Effectiveness of a hedge is continuously assessed. It is considered effective when all of the following conditions are met: there is an economic relationship between hedged items and hedging instruments; the effect of credit risk does not dominate value that results from that economic relationship; and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The effective portion of changes in fair value of a derivative that is designated and qualified as a hedging instrument in a cash flow hedge is recognized in other comprehensive income. Gain or loss relating to the hedge ineffectiveness is immediately recognized in profit or loss.

Accumulated gain and loss recognized in other comprehensive income is reclassified to profit or loss in the same period when cash flows arising from the hedged item affect profit or loss. When the hedged item is a forecast transaction that will result in recognition of a non-financial asset such as inventory or property, plant and equipment, the accumulated gain and loss through other comprehensive income is reclassified and included in the initial cost of the asset. These amounts are ultimately recognized in cost of sales when included in inventory and in depreciation cost when included in property, plant and equipment.

Hedge accounting is prospectively terminated when the hedging instrument expires or is sold, and the hedge no longer meets the criteria for hedge accounting. In cases that hedged future cash flow is still expected to occur, any related cumulative gain or loss recognized in other comprehensive income continues to be accumulated in equity. On the other hand, cumulative gain or loss recognized in other comprehensive income is immediately charged to profit or loss if the hedged forecast transaction is no longer expected to occur.

(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 stated at the lower of cost and net realizable value. The Group generally measures costs of merchandise, finished goods and work in progress by the weighted-average method, and costs of raw materials and supplies by the moving-average method. Costs of merchandise, finished goods, and work in progress consist of costs of raw materials, direct labor, other direct costs and related production overheads based on the normal capacity of the production facilities. Net realizable value is the estimated selling price in the ordinary course of business, less expected selling expenses related thereto.

(12) Assets or Disposal Group Held for Sale
The Group classifies a non-current asset (or disposal group) 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 group) 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 has various pension plans. The Group has defined benefit plans, and some consolidated subsidiaries establish retirement benefits trusts. In addition to those plans, certain consolidated subsidiaries have defined contribution plans and advance payment system of retirement benefits.

The defined benefit plan is the post-employment plan other than the defined contribution plan. The defined contribution plan is the plan in which the employer pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts.

Under defined benefit plans, the Group estimates the defined benefit obligation as expected future payments resulting from employee service in the current and prior periods for each plan. The defined benefit obligation is discounted to the present value. The Group recognizes net retirement benefit liability (assets) at the present value of defined benefit obligation less the fair value of plan assets. The defined benefit obligation is calculated using the projected unit credit method. The discount rate is determined based on the market interest rates of high-quality corporate bonds at the end of the reporting period which have maturities corresponding to the future settlements in each year. The pension plans are generally funded through payments to the fund managed by insurance companies and trust companies based on periodic actuarial review.

In cases that net retirement benefit assets may be recognized under defined benefit plans, the asset is limited to the present value of economic benefits which the Group receives in the form of future refund from the plan or reduction of future contribution to the plan. The Group takes into consideration the minimum funding requirement applied to the Group's plans when calculating the present value of economic benefits. The Group recognizes economic benefits only when they are realizable within the period in which the plans continue to exist or at the time of settlement of the plan obligation.

The Group recognizes the effect of remeasurement on net assets and net liabilities arising from the defined benefit plans in other comprehensive income and then immediately reclassifies it to retained earnings.

The obligation under the defined contribution plans is recognized as employee benefit expense in profit or loss over the period in which the employees provide services.

(ii) Short-term Employee Benefits

Short-term employee benefits are recognized as an expense in the period that the related services are rendered by the employees. Short-term employee benefits are not discounted. Bonuses are recognized as liabilities for the amount estimated to be paid when the Group has present legal or constructive obligation, and the obligation 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 Group has elected to use an exemption in IFRS 1 for share-based payments vested prior to the transition date.

(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 likelihood that an outflow of resources will be required in settlement is determined by class of similar obligations as a whole. A provision is recognized even if the likelihood of an outflow with a certain item included in the same class of obligations may be small.

Provisions are measured at the present value of the future cash flows expected to be required to settle the obligation using a 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 the provision 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 shares (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

Revenue consists of fair value of consideration received or receivable for sales of goods and rendering of services in the Group's normal business operations. Revenue is measured at net amount after eliminating goods returned, rebates, and trade discounts.

(i) Sales of Goods

- Alcohol Beverages — manufacture and sales of beer, low-malt beer (happoshu), distilled spirits (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

The Group recognizes revenue when it has transferred the significant risks and rewards of ownership of the goods to the customer, it is probable that the economic benefits associated with the transaction will flow to the Group, the costs incurred or to be incurred in respect of the transaction and probability of return of the goods can be measured reliably, it retains neither continuing managerial involvement with the goods and the amount of revenue can be measured reliably. Revenue is ordinarily recognized when the Group delivers goods to customers and unfulfilled obligation no longer exists.

(ii) Rendering of Services

The Group is engaged in real estate business such as property management, logistic business such as warehousing, and others. Revenue is recognized when the service is rendered.

(iii) Gross and Net Presentation of Revenue

Revenue is presented in gross amount when the Group is exposed to significant risks and rewards of the sales of goods or rendering of services and thereby considered acting as a principal in the transaction. Under transactions where the Group is not exposed to significant risks and rewards of the sales of goods or rendering of services and thereby considered acting as an agent in the transaction, revenue is presented in net amount of the consideration received and payment to the third party.

(iv) Interest Income

Interest income is recognized based on the effective interest method.

(v) Dividend Income

Dividend income is recognized when the right to receive the payment is established.

(18) Government Grants

Government grants are recognized when there is reasonable assurance that the Group complies with the conditions attaching to them and 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 the reporting date.

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 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 the 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 tax received as an agent from customers which will be paid to tax authorities is excluded from revenue, cost of sales and related expenses in 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)
- Recoverability of deferred tax assets (Note 28)
- Fair value of financial instruments (Note 31)
- Employee benefits (Note 19)
- Contingencies (Note 38)

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 (happoshu), distilled spirits (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 the performance of each operating segment based on the results of measure of segment profit or loss.

Previous Year (ended December 31, 2015)

	Millions of yen							
	Alcohol Beverages	Soft Drinks	Food	Overseas	Other	Segment total	Adjustments	Consolidated
Revenue:								
External customers	946,029	345,928	109,130	248,241	40,197	1,689,527	—	1,689,527
Intersegment	24,929	4,354	2,176	2,210	57,069	90,741	(90,741)	—
Total revenue	970,958	350,283	111,306	250,452	97,267	1,780,268	(90,741)	1,689,527
Segment profit (loss)	105,790	17,054	6,942	(16,063)	2,216	115,941	(19,315)	96,626
Segment assets	730,754	313,444	90,509	609,352	21,118	1,765,178	39,495	1,804,673
Other items								
Depreciation and amortization expense	29,133	23,454	3,236	12,907	391	69,124	1,620	70,745
Impairment losses	5,965	—	175	20,959	—	27,099	—	27,099
Share of profit (loss) of entities accounted for using equity method	210	—	(10)	17,388	—	17,589	37	17,627
Investments accounted for using equity method	841	—	—	188,942	—	189,783	779	190,563
Additions to non-current assets other than financial instruments and deferred tax assets	30,044	22,368	5,411	15,784	267	73,877	855	74,733

Adjustments to the segment profit or loss of ¥(19,315) million include overhead costs of ¥(18,470) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥(844) 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 ¥39,495 million include the corporate assets of ¥62,008 million, which are not allocated to the reportable segments, and elimination of ¥(22,513) 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, 2016)

	Millions of yen							
	Alcohol Beverages	Soft Drinks	Food	Overseas	Other	Segment total	Adjustments	Consolidated
Revenue:								
External customers	**950,438**	**355,991**	**109,130**	**247,760**	**43,581**	**1,706,901**	**—**	**1,706,901**
Intersegment	**26,211**	**7,914**	**1,693**	**2,556**	**58,698**	**97,073**	**(97,073)**	**—**
Total revenue	**976,649**	**363,905**	**110,824**	**250,316**	**102,279**	**1,803,975**	**(97,073)**	**1,706,901**
Segment profit (loss)	**111,192**	**32,775**	**11,377**	**(8)**	**1,983**	**157,320**	**(20,430)**	**136,889**
Segment assets	**718,898**	**291,331**	**89,833**	**953,770**	**25,552**	**2,079,387**	**6,994**	**2,086,381**
Other items								
Depreciation and amortization expense	**27,249**	**22,222**	**3,265**	**14,744**	**436**	**67,918**	**3,212**	**71,131**
Impairment losses	**3,063**	**—**	**—**	**3,272**	**—**	**6,336**	**—**	**6,336**
Share of profit (loss) of entities accounted for using equity method	**66**	**—**	**—**	**1,842**	**—**	**1,908**	**65**	**1,974**
Investments accounted for using equity method	**882**	**—**	**—**	**139,707**	**—**	**140,590**	**807**	**141,398**
Additions to non-current assets other than financial instruments and deferred tax assets	**36,981**	**18,691**	**3,763**	**18,003**	**445**	**77,886**	**4,569**	**82,455**

Adjustments to the segment profit or loss of ¥(20,430) million include overhead costs of ¥(20,410) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥(20) 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 ¥6,994 million include the corporate assets of ¥33,093 million, which are not allocated to the reportable segments, and elimination of ¥(26,099) million to offset intersegment receivables and payables. The corporate assets are primarily assets held by the Company, which is a pure holding company.

(2) Information about Products and Services

Please refer to (1) General Information.

(3) Information about Geographical Areas

With regard to information about geographical areas, revenue to external customers and non-current assets are classified into Japan or overseas based on customers' locations and asset locations, respectively.

Revenue from External Customers

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Japan	1,424,786	**1,439,716**
Overseas	264,741	**267,185**
Total	1,689,527	**1,706,901**

Non-current Assets

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Japan	545,223	541,952	**531,798**
Overseas	248,481	211,212	**541,805**
Total	793,704	753,164	**1,073,603**

(4) Information about Major Customers

		Millions of yen	
Name of customer	Segment	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
KOKUBU GROUP CORP.	Alcohol Beverages Soft Drinks Food	202,490	**202,116**
ITOCHU-SHOKUHIN Co., Ltd.	Alcohol Beverages Soft Drinks Food	184,633	**195,136**

8. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position as of the transition date, 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		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Cash and cash equivalents	62,236	43,290	**48,459**
Total	62,236	43,290	**48,459**

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		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Notes and accounts receivable	352,299	361,447	**384,529**
Others	15,344	12,002	**13,732**
Less: Loss allowance	(2,404)	(1,405)	**(921)**
Total	365,239	372,043	**397,340**

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

10. Inventories

Inventories are analyzed as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Merchandise and finished goods	50,281	61,717	**63,840**
Work in progress	32,538	30,000	**31,390**
Raw materials	33,766	31,793	**33,356**
Supplies	5,620	5,982	**7,872**
Total	122,207	129,494	**136,460**

Whisky and equivalents which are to be sold after 12 months from the year-end account for 68.4% (previous year: 69.6%) of work in progress.

The Group recognized ¥925,927 million of inventories as an expense in the current year (previous year: ¥1,009,728 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 ¥381,872 million (previous year: ¥384,525 million).

11. Disposal Groups Held for Sale

Disposal groups classified as held for sale are analyzed as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Cash and cash equivalents	—	—	**972**
Inventories	—	—	**124**
Plant, property and equipment	—	—	**2,040**
Others	—	—	**104**
Total assets	—	—	**3,241**
Trade and other payables	—	—	**243**
Others	—	—	**663**
Total liabilities	—	—	**907**

The disposal groups held for sale in the current year are composed of assets and liabilities held by 3 subsidiaries belonging to the Overseas segment. The Group pursues to select and concentrate in core competence, and determined to sell the shares in those 3 subsidiaries since those subsidiaries conduct non-core business of the Group. The Group plans to sell the shares within 1 year from the end of the current year, and those plans have already been initiated.

The fair value of the disposal groups less costs to sell amounted to ¥2,334 million. As a result, the Group recognized impairment losses of ¥389 million in the current year, which were included in “Other operating expense” in the consolidated statement of profit or loss.

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, fixtures and fittings	Land	Construction in progress	Other	Total
Transition date (as of January 1, 2015)	166,972	140,999	78,387	133,981	20,617	109	541,067
Separate acquisitions	5,019	17,656	21,797	876	14,393	—	59,742
Acquisitions through business combinations	994	231	494	1,019	16	—	2,756
Disposals	(1,551)	(2,871)	(1,370)	(3,564)	(5)	(23)	(9,385)
Exchange differences	(2,307)	(5,172)	(983)	(1,372)	(1,199)	(7)	(11,042)
Transfers from construction in progress	6,220	15,557	1,024	—	(22,900)	98	—
Impairment losses*	(1,181)	(493)	(33)	(4,863)	—	—	(6,571)
Depreciation	(14,433)	(24,349)	(17,355)	—	—	(42)	(56,180)
Other	(12)	(283)	52	7	(1,583)	9	(1,809)
Previous year (as of December 31, 2015)	159,721	141,274	82,012	126,084	9,339	144	518,576
Separate acquisitions	**7,165**	**17,165**	**19,560**	**364**	**22,237**	**—**	**66,494**
Acquisitions through business combinations	**16,706**	**23,416**	**8,036**	**8,426**	**26**	**—**	**56,613**
Disposals	**(2,045)**	**(1,492)**	**(435)**	**(6,631)**	**(16)**	**—**	**(10,622)**
Exchange differences	**(106)**	**(710)**	**182**	**196**	**(592)**	**7**	**(1,022)**
Transfers from construction in progress	**3,490**	**6,274**	**2,251**	**—**	**(12,016)**	**—**	**—**
Impairment losses*	**(215)**	**(266)**	**(17)**	**—**	**—**	**—**	**(499)**
Depreciation	**(13,872)**	**(22,750)**	**(18,947)**	**—**	**—**	**(38)**	**(55,609)**
Transfers to assets held for sale	**(1,885)**	**(263)**	**(36)**	**—**	**(84)**	**(119)**	**(2,389)**
Other	**(19)**	**(54)**	**(39)**	**—**	**(663)**	**7**	**(770)**
Current year (as of December 31, 2016)	**168,939**	**162,593**	**92,567**	**128,440**	**18,229**	**0**	**570,771**

* Please refer to “13. Goodwill and Intangible Assets” regarding recognition of impairment losses etc.

Cost

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
Transition date (as of January 1, 2015)	435,235	562,100	190,162	136,163	20,617	179	1,344,460
Previous year (as of December 31, 2015)	436,702	565,367	194,851	133,130	9,339	222	1,339,613
Current year (as of December 31, 2016)	**451,069**	**587,882**	**210,410**	**132,857**	**18,229**	**84**	**1,400,534**

Accumulated Depreciation and Accumulated Impairment Losses

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
Transition date (as of January 1, 2015)	268,263	421,101	111,775	2,182	—	69	803,392
Previous year (as of December 31, 2015)	276,980	424,093	112,838	7,046	—	78	821,036
Current year (as of December 31, 2016)	**282,129**	**425,289**	**117,843**	**4,416**	**—**	**83**	**829,763**

The above includes leased assets as follows:

Carrying Amount

	Millions of yen				
	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Total
Transition date (as of January 1, 2015)	1	503	26,803	—	27,308
Previous year (as of December 31, 2015)	1	273	26,376	—	26,651
Current year (as of December 31, 2016)	**578**	**56**	**24,074**	**—**	**24,708**

Depreciation expense of property, plant and equipment is 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
Transition date (as of January 1, 2015)	133,705	72,410	15,347	18,582	240,046
Separate acquisitions	—	9	5,564	6,192	11,767
Acquisitions through business combinations	20,236	2,168	205	1,065	23,676
Disposals	—	—	(330)	(104)	(434)
Exchange differences	(11,375)	(2,652)	(239)	(1,758)	(16,025)
Impairment losses	(17,555)	(2,972)	—	—	(20,528)
Amortization	—	(4,517)	(4,929)	(5,117)	(14,564)
Other	(2)	103	24	(578)	(452)
Previous year (as of December 31, 2015)	125,008	64,550	15,644	18,282	223,485
Separate acquisitions	**—**	**0**	**4,853**	**3,737**	**8,591**
Acquisitions through business combinations	**143,680**	**118,642**	**204**	**4,284**	**266,812**
Disposals	**—**	**(1)**	**(118)**	**(445)**	**(565)**
Exchange differences	**5,330**	**7,019**	**335**	**128**	**12,814**
Impairment losses	**(4,729)**	**—**	**—**	**—**	**(4,729)**
Amortization	**—**	**(5,076)**	**(5,369)**	**(5,075)**	**(15,522)**
Transfers to assets held for sale	**—**	**—**	**—**	**(2)**	**(2)**
Other	**—**	**(58)**	**46**	**666**	**654**
Current year (as of December 31, 2016)	**269,290**	**185,075**	**15,596**	**21,575**	**491,538**

Cost

	Millions of yen				
	Goodwill	Trademarks	Software	Other	Total
Transition date (as of January 1, 2015)	163,936	93,624	59,518	24,692	341,771
Previous year (as of December 31, 2015)	172,795	92,048	61,694	34,058	360,596
Current year (as of December 31, 2016)	**321,807**	**217,159**	**66,051**	**40,349**	**645,367**

Accumulated Amortization and Accumulated Impairment Losses

	Millions of yen				
	Goodwill	Trademarks	Software	Other	Total
Transition date (as of January 1, 2015)	30,231	21,213	44,170	6,110	101,725
Previous year (as of December 31, 2015)	47,787	27,498	46,050	15,775	137,111
Current year (as of December 31, 2016)	**52,516**	**32,083**	**50,455**	**18,773**	**153,828**

The above includes leased assets as follows:

Carrying Amount

	Millions of yen		
	Software	Other	Total
Transition date (as of January 1, 2015)	355	—	355
Previous year (as of December 31, 2015)	295	—	295
Current year (as of December 31, 2016)	**241**	**—**	**241**

There were no significant internally generated intangible assets as of the transition date, the end of the previous year and that of the current year.

Amortization costs 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 were ¥6,768 million as of December 31, 2016 (¥7,396 million as of the transition date, and ¥6,515 million as of December 31, 2015). They primarily consist of trademarks and land leasehold rights. They 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 the European businesses in the current year and the acquisition of Calpis Co., Ltd. in the year ended December 31, 2012. The carrying amount of trademarks related to the European businesses is ¥125,613 million(Note). The carrying amount of trademarks related to Calpis Co., Ltd. is ¥26,742 million (¥30,428 million as of the transition date (January 1, 2015) and ¥28,585 million as of December 31, 2015).

The abovementioned trademarks are amortized using the straight-line method, and the remaining amortization periods of the trademarks related to the European businesses and Calpis Co., Ltd. are 40 years and 16 years, respectively.

(Note) The carrying amount of trademarks related to the European businesses is still provisional as described in "35. Business Combination."

(2) Impairment

Previous Year (ended December 31, 2015)

		Millions of yen	
Segment	Cash-generating unit	Impairment loss amount	Type of assets
Overseas	Oceania business	18,808	Goodwill and trademarks
Alcohol Beverages	Rental properties	3,735	Property, plant and equipment

With regard to impairment of the Oceania business, the carrying amount of the relevant assets has been reduced to the recoverable amount (¥185,582 million), mainly due to a decline in future cash flows. The recoverable amount is measured based on the 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 for 5 years or less which have been approved by the management and extrapolated for future periods based on the growth rate. Growth rate (2.9%) has been determined with reference to such factors as inflation rates in the markets to which cash-generating units belong. Discount rates are determined with reference to the pre-tax weighted average cost of capital of cash-generating units. The main discount rate used in the calculation of value in use is 13.0%.

With regard to impairment of rental properties, the carrying amount of the relevant assets has been reduced to the recoverable amount (¥2,680 million) due to a decline in fair value. The recoverable amount is measured at fair value less costs of disposal based on real estate appraisal, and the measurement is categorized within level 3 of the fair value hierarchy. Details regarding the hierarchy of fair value are described in "31. Financial Instruments."

(Note) Impairment losses are included in "Other operating expense" in the consolidated statement of profit or loss.

Current Year (ended December 31, 2016)

		Millions of yen	
Segment	Cash-generating unit	Impairment loss amount	Type of assets
Overseas	Myanmar soft drink business	**2,883**	Goodwill, others
Alcohol Beverages	Korean alcohol beverage business	**2,830**	Goodwill

With regard to impairment of the Myanmar soft drink business, the carrying amount of the relevant assets has been reduced to the recoverable amount (¥1,538 million) due to a decline in the future cash flows. With regard to impairment of the Korean alcohol beverage business, the carrying amount of the relevant assets has been reduced to the recoverable amount (¥1,616 million) due to a decline in the future cash flows affected by foreign exchange fluctuations.

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 extrapolated for future periods based on the growth rates. Growth rates have been determined with reference to factors such as inflation rates in the markets to which cash-generating units belong. Discount rates are determined with reference to the pre-tax weighted average cost of capital of cash-generating units. The discount rates of the Myanmar soft drink business and Korean alcohol beverage business used in the calculation of value in use are 21.5% and 13.4%, respectively.

(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

Goodwill related to Asahi Holdings (Australia) Pty Ltd is a significant item among goodwill and intangible assets with indefinite useful lives allocated to cash-generating units, and the carrying amount is ¥71,407 million as of December 31, 2016 (¥96,770 million as of the transition date (January 1, 2015), ¥73,640 million as of December 31, 2015). The goodwill is allocated to the Oceania business in the Overseas segment.

The recoverable amounts of cash-generating units to which significant goodwill has been allocated is measured at value in use. The value in use is calculated by discounting at 12.6% (13.0% as of December 31, 2015). Discount rates are determined with reference to the pre-tax weighted average cost of capital of cash-generating units.

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. The growth rate is 2.5% (2.9% as of December 31, 2015) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating units belong.

As of December 31, 2016, the recoverable amounts of the cash-generating units to which significant goodwill was allocated exceeded the carrying amount by ¥29,383 million, however if the discount rate were to increase by 1.7%, then 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 cash-generating units is ¥45,820 million as of December 31, 2016 (¥51,367 million as of December 31, 2015) and ¥6,768 million as of December 31, 2016 (¥6,515 million as of December 31, 2015), respectively.

The carrying amount of goodwill derived from the acquisition of the European businesses in the current year is ¥152,062 million. The amount is still provisional as described in "35. Business Combination."

(3) Research and Development

Please refer to "25. Selling, General and Administrative Expenses" for research and development expense.

14. Other Financial Assets

Other financial assets are analyzed as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Derivative assets	2,272	2,364	**2,484**
Equity instruments	163,466	224,630	**186,284**
Bonds	20	0	**0**
Other	12,904	15,475	**13,244**
Total	178,664	242,470	**202,014**
Current assets	5,299	6,360	**3,428**
Non-current assets	173,364	236,110	**198,586**
Total	178,664	242,470	**202,014**

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 major financial assets measured at fair value through other comprehensive income and dividends received on these assets are as follows:

Transition Date (as of January 1, 2015)

	Millions of yen
Description	Fair value
KAGOME CO., LTD.	18,280
OHSHO FOOD SERVICE CORP.	9,862
SPC Kappa Co., Ltd.	9,003
IMPERIAL HOTEL, LTD.	8,206
The Dai-ichi Life Insurance Company, Limited	7,364
DAIICHIKOSHO CO., LTD.	6,911
COLOWIDE CO., LTD.	6,512
Seven & i Holdings Co., Ltd.	4,915
Sumitomo Realty & Development Co., Ltd.	4,701
ORION BREWERIES, LTD.	4,186

Previous Year (as of December 31, 2015)

	Millions of yen
Description	Fair value
Ting Hsin (Cayman Islands) Holding Corp.	38,540
KAGOME CO., LTD.	21,160
SPC Kappa Co., Ltd.	11,136
DAIICHIKOSHO CO., LTD.	10,186
OHSHO FOOD SERVICE CORP.	8,568
IMPERIAL HOTEL, LTD.	8,281
The Dai-ichi Life Insurance Company, Limited	8,140
COLOWIDE CO., LTD.	6,680
Seven & i Holdings Co., Ltd.	6,258
THE ROYAL HOTEL, LIMITED	6,119

Current Year (as of December 31, 2016)

Description	Millions of yen Fair value
Ting Hsin (Cayman Islands) Holding Corp.	**33,420**
DAIICHIKOSHO CO., LTD.	**9,794**
OHSHO FOOD SERVICE CORP.	**9,049**
SPC Kappa Co., Ltd.	**8,598**
IMPERIAL HOTEL, LTD.	**7,107**
ORION BREWERIES, LTD.	**6,891**
The Dai-ichi Life Insurance Company, Limited	**6,811**
COLOWIDE CO., LTD.	**6,489**
SKYLARK CO., LTD	**5,275**
CHIMNEY CO., LTD.	**5,060**

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Dividends received	2,112	**2,505**

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, 2015)			**Current year (ended December 31, 2016)**		
Fair value	Cumulative gain or loss	Dividends received	Fair value	Cumulative gain or loss	Dividend received
2,064	637	61	**30,632**	**11,616**	**287**

Cumulative gain or loss previously recognized in other components of equity is reclassified to retained earnings when the underlying financial asset is sold, or its fair value is significantly declined compared to the cost. Such amount was ¥18,252 million in the current year (¥1,210 million in the previous year ended December 31, 2015).

15. Other Assets

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

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Prepaid expenses	15,473	16,653	**19,151**
Other	16,109	16,281	**24,075**
Total	31,583	32,935	**43,227**
Current assets	18,992	21,832	**31,934**
Non-current assets	12,590	11,103	**11,293**
Total	31,583	32,935	**43,227**

16. Trade and Other Payables

Trade and other payables are analyzed as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Notes and accounts payable	130,504	126,900	**159,455**
Other payables and accrued expenses	144,452	146,192	**173,184**
Total	274,956	273,092	**332,639**

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

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				
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**	Average interest rate* (%)	Maturity date
Derivatives	1,486	800	**695**	—	—
Short-term borrowings	173,938	148,750	**189,972**	0.67	up to Dec. 22, 2017
Current portion of long-term borrowings	10,941	7,489	**63,916**	0.57	up to Dec. 27, 2017
Current portion of bonds issued	19,977	29,970	**17,980**	0.33	up to Jul. 13, 2017
Commercial paper issued	76,000	63,000	**10,000**	(0.00)	up to Jan. 10, 2017
Long-term borrowings	40,846	47,690	**188,819**	0.60	up to Oct. 14, 2023
Bonds issued	112,589	117,541	**99,670**	0.39	up to May 27, 2022
Other	82,332	81,984	**79,784**	—	—
Total	518,111	497,226	**650,840**	—	—
Current liabilities	308,923	276,248	**308,222**	—	—
Non-current liabilities	209,188	220,977	**342,617**	—	—
Total	518,111	497,226	**650,840**	—	—

* "Average interest rate" is the weighted average interest rate to the aggregate balance at the reporting date. Borrowings with floating interest rates among the bonds and borrowings stated above amounted to ¥170,325 million.

Derivatives 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	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**	Maturity date (Interest rate)
The Company	The 32nd Issue of Unsecured Corporate Bonds	April 27, 2010	19,977 (19,977)	—	**—**	April 27, 2015 (0.63%)
The Company	The 1st Issue of Unsecured Corporate Bonds	October 21, 2011	29,940 (—)	29,970 (29,970)	**—**	October 21, 2016 (0.52%)
The Company	The 2nd Issue of Unsecured Corporate Bonds	October 21, 2011	19,937 (—)	19,953 (—)	**19,968** **(—)**	October 19, 2018 (0.76%)
The Company	The 3rd Issue of Unsecured Corporate Bonds	July 13, 2012	17,942 (—)	17,961 (—)	**17,980** **(17,980)**	July 13, 2017 (0.33%)
The Company	The 4th Issue of Unsecured Corporate Bonds	July 13, 2012	9,956 (—)	9,964 (—)	**9,973** **(—)**	July 12, 2019 (0.55%)
The Company	The 5th Issue of Unsecured Corporate Bonds	July 15, 2014	24,873 (—)	24,898 (—)	**24,923** **(—)**	July 12, 2019 (0.23%)
The Company	The 6th Issue of Unsecured Corporate Bonds	July 15, 2014	9,939 (—)	9,947 (—)	**9,956** **(—)**	July 15, 2021 (0.37%)
The Company	The 7th Issue of Unsecured Corporate Bonds	May 28, 2015	—	24,874 (—)	**24,899** **(—)**	May 28, 2020 (0.24%)
The Company	The 8th Issue of Unsecured Corporate Bonds	May 28, 2015	—	9,940 (—)	**9,948** **(—)**	May 27, 2022 (0.35%)
Total			132,567 (19,977)	147,511 (29,970)	**117,651** **(17,980)**	

(Note) The amounts presented in ( ) represent the current portion payable within 1 year.

(3) Assets Pledged as Collateral for Liabilities

Secured borrowings and the assets pledged as collateral are as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Secured borrowings			
Short-term borrowings	—	—	**217**
Current portion of long-term borrowings	379	404	**320**
Long-term borrowings	729	331	**—**
Total	1,109	736	**537**
Assets pledged as collateral			
Buildings and structures	—	—	**823**
Machinery and vehicles	1,694	1,119	**886**
Land	—	—	**40**
Total	1,694	1,119	**1,750**

18. Leases

The Group leases machinery, vehicles and other assets as a lessee. Some lease contracts contain renewable options. There is 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 liabilities are analyzed as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Less than 1 year			
Minimum lease payments payable	10,546	10,181	**9,250**
Future finance charge	(552)	(469)	**(393)**
Minimum lease payments payable, at present value	9,993	9,711	**8,857**
Between 1 and 5 years			
Minimum lease payments payable	19,699	18,945	**17,145**
Future finance charge	(706)	(707)	**(681)**
Minimum lease payments payable, at present value	18,993	18,238	**16,463**
More than 5 years			
Minimum lease payments payable	342	492	**498**
Future finance charge	(19)	(28)	**(24)**
Minimum lease payments payable, at present value	323	464	**474**
Total			
Minimum lease payments payable	30,588	29,619	**26,894**
Future finance charge	(1,278)	(1,205)	**(1,099)**
Minimum lease payments payable, at present value	29,310	28,414	**25,795**

(2) Operating Leases

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

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Less than 1 year	2,979	2,736	**4,713**
Between 1 and 5 years	7,146	5,885	**8,671**
More than 5 years	5,490	4,155	**7,402**
Total	15,617	12,777	**20,787**

Operating lease expenses recognized during the current year and the previous year are ¥22,388 million and ¥21,343 million, respectively.

19. Employee Benefits

(1) Overview of Defined Benefit Plans

The Group has defined benefit plans such as a defined benefit corporate pension plan and lump-sum retirement benefit plan. In addition, some consolidated subsidiaries have defined contribution pension plans and a system for advance payment of retirement benefits. For entities incorporated in Japan, the defined benefit corporate pension plan has been established in accordance with the Defined-Benefit Corporate Pension Act of Japan. The Group pays out lump-sum benefits upon the retirement 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 the expected rate of return and risks inherent in the investments, and then develops the optimum combination of plan assets called the policy asset mix. The Group controls 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 benefits 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 benefits are 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, 2015)	**Current year (ended December 31, 2016)**
Balance at beginning of period	107,727	**108,636**
Current service cost	5,655	**5,822**
Interest expense	1,043	**1,281**
Remeasurements		
Actuarial gains and losses*	(1,013)	**8,167**
Past service cost	214	**16**
Benefits paid	(5,399)	**(4,635)**
Acquisitions through business combinations	775	**38,242**
Other	(366)	**2,377**
Balance at end of period	108,636	**159,909**

* 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, 2015)	**Current year (ended December 31, 2016)**
Balance at beginning of period	103,065	**110,600**
Interest income	1,012	**1,402**
Remeasurements		
Gains on plan assets	3,406	**(1,012)**
Contribution to plan by employer	7,298	**5,930**
Contribution to plan by employees	—	**75**
Benefits paid	(4,037)	**(3,745)**
Acquisitions through business combinations	175	**43,446**
Other	(320)	**2,563**
Balance at end of period	110,600	**159,259**

(ii) Asset Ceiling

The asset ceiling is analyzed as follows:

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Balance at beginning of period	—	**—**
Acquisitions through business combinations	—	**6,646**
Changes in the asset ceiling	—	**(449)**
Balance at end of period	—	**6,197**

(iii) Details of Plan Assets

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

Transition Date (as of January 1, 2015)

	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	—	2,941	2,941
Equity instruments			
Domestic	25,632	2,672	28,305
Overseas	2,968	4,041	7,009
Total equity instruments	28,601	6,713	35,315
Debt instruments			
Domestic	6,942	4,306	11,248
Overseas	10,767	7,414	18,182
Total debt instruments	17,710	11,721	29,431
Life insurance—General accounts	—	26,392	26,392
Other	912	8,073	8,985
Total	47,223	55,841	103,065

Previous Year (as of December 31, 2015)

	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	—	606	606
Equity instruments			
Domestic	32,464	5,415	37,879
Overseas	4,687	3,742	8,429
Total equity instruments	37,151	9,158	46,309
Debt instruments			
Domestic	1,021	5,143	6,165
Overseas	9,461	7,653	17,114
Total debt instruments	10,483	12,796	23,279
Life insurance—General accounts	—	30,894	30,894
Other	1,428	8,081	9,510
Total	49,063	61,536	110,600

Current Year (as of December 31, 2016)

	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	**—**	**1,880**	**1,880**
Equity instruments			
Domestic	**32,481**	**4,635**	**37,116**
Overseas	**5,720**	**20,725**	**26,446**
Total equity instruments	**38,202**	**25,361**	**63,563**
Debt instruments			
Domestic	**727**	**5,267**	**5,995**
Overseas	**13,154**	**37,069**	**50,224**
Total debt instruments	**13,882**	**42,336**	**56,219**
Life insurance—General accounts	**—**	**26,789**	**26,789**
Other	**1,878**	**8,928**	**10,807**
Total	**53,963**	**105,296**	**159,259**

(iv) Significant Actuarial Assumptions

Significant actuarial assumptions are analyzed as follows:

	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Discount rate	1.26%	1.04%	**1.07%**

A rise of 0.5% in the discount rate will lead to a decrease in defined benefit obligation of ¥10,232 million at the end of the current year (a decrease of ¥7,079 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 pension 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 Corporate Pension Act.

For example, the Group makes certain contributions to the plan every month in accordance with the terms of the Group's plans. The contribution is calculated based on the future estimates of the 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 cases 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 ¥7,405 million for the year from January 1, 2017 to December 31, 2017. The weighted average duration of the defined benefit obligation is 16.58 years (previous year: 14.42 years).

(3) Other Post-retirement Benefit Plans

Pension cost for the defined contribution plans is ¥2,152 million (previous year: ¥2,041 million).

(4) Employee Benefit Expenses

Employee benefit expenses recognized in the consolidated statement of profit or loss are ¥170,579 million (previous year: ¥172,895 million).

Employee benefit expenses 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. Other Liabilities

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

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Accrued alcohol tax	110,361	110,044	**113,944**
Accrued consumption tax	26,633	17,866	**17,395**
Accrued bonus	4,693	4,925	**4,313**
Other	8,697	13,721	**10,183**
Total	150,385	146,558	**145,837**
Other current liabilities	147,420	143,770	**142,828**
Other non-current liabilities	2,964	2,787	**3,009**
Total	150,385	146,558	**145,837**

21. Equity and Other Equity Interest

(1) Issued Capital and Reserves

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

	Thousands of shares	
	Shares authorized	Shares issued
Transition date (as of January 1, 2015)	972,305	483,585
Increase (Decrease)	—	—
Previous year (as of December 31, 2015)	972,305	483,585
Increase (Decrease)	—	—
Current year (as of December 31, 2016)	**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 amounts 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:

	Thousands of shares		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Held by the Company	20,984	25,676	**25,453**
Held by subsidiaries and associates	9	9	**9**

22. Dividends

Previous Year (ended December 31, 2015)
(1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on March 26, 2015	Ordinary shares	10,639	23.00	Dec. 31, 2014	Mar. 27, 2015
Board of Directors meeting held on August 5, 2015	Ordinary shares	10,989	24.00	Jun. 30, 2015	Sep. 1, 2015

(2) Dividends That Will Be Effective in the Following Year of the Reference Date

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on March 24, 2016)	Ordinary shares	Retained earnings	11,905	26.00	Dec. 31, 2015	Mar. 25, 2016

Current Year (ended December 31, 2016)
(1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on March 24, 2016	Ordinary shares	**11,905**	**26.00**	Dec. 31, 2015	Mar. 25, 2016
Board of Directors meeting held on August 3, 2016	Ordinary shares	**11,911**	**26.00**	Jun. 30, 2016	Sep. 1, 2016

(2) Dividends That Will Be Effective in the Following Year of the Reference Date

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on March 28, 2017	Ordinary shares	Retained earnings	**12,827**	**28.00**	Dec. 31, 2016	Mar. 29, 2017

23. Share-based Payments

The Company has implemented share option plans and the Performance-Linked Stock Compensation Plan.

(1) Details of Share Option Plans

The Company has share option plans. Options are granted based on the resolution by the Board of Directors in accordance with the terms approved at the general meeting of shareholders.

The details of each plan are as follows:

Date of resolution	March 30, 2005	March 30, 2006
Title and number of the grantees	45 members including Directors, Audit & Supervisory Board Members and executive officers	48 members including Directors, Audit & Supervisory Board Members and executive officers
Type and number of shares granted	Ordinary Shares: 600,000 shares	Ordinary Shares: 620,000 shares
Date of grant	March 30, 2005	March 30, 2006
Vesting conditions	N/A	N/A
Vesting period	N/A	N/A
Exercise price (Yen)	1,374	1,688
Exercise period	Between March 30, 2007 and March 29, 2015	Between March 30, 2008 and March 29, 2016

All of the above share-based payments had been vested before the transition date, and IFRS 2 “Share-based Payment” was not applied. Changes in the numbers of outstanding share options are as follows:

	Shares	
Date of resolution	March 30, 2005	March 30, 2006
Transition date (as of January 1, 2015)	194,500	447,900
Granted	—	—
Expired	56,300	—
Exercised	138,200	159,800
Previous year (as of December 31, 2015)	—	288,100
of which exercisable	—	288,100
Granted	—	—
Expired	—	59,500
Exercised	—	228,600
Current year (as of December 31, 2016)	—	—
of which exercisable	—	—

Average share price on exercise for share options that were exercised during the previous year is as follows:

Date of resolution	March 30, 2005	March 30, 2006
Average share price on exercise (Yen)	3,682	3,719

Average share price on exercise for share options that were exercised during the current year is as follows:

Date of resolution	March 30, 2005	March 30, 2006
Average share price on exercise (Yen)	—	3,655

There were no outstanding share options at the end of the period.

(2) Details of the Performance-linked Stock Compensation Plan

In order to increase motivation to work toward sustainable growth and enhancing the corporate value of the Group over the midterm to long term, the Company introduced a Performance-Linked Stock Compensation Plan (“the Plan”) in the year ended December 31, 2016. 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 upon 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.

The number of points to be granted is calculated based on the Share Distribution Regulations. The regulations stipulate to refer to the rank 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 Board of Directors shall make a resolution regarding the granting of points as well as approve the financial results at the board meeting held in the following year of the vesting period. 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.

The Company plans to contribute cash up to ¥220 million at a maximum to a trust (“the Trust”) between December 2016 and June 2018. The Trust will be funded with the cash contribution in order to acquire shares of the Company. Shares of the Company will be distributed by the Trust to each director when he/she completes the beneficiary determination procedures as prescribed on his/her 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.

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 ¥56 million as share-based payment expense in selling, general and administrative expenses in the current year, of which ¥44 million related to equity-settled share-based payments were recognized in capital surplus and ¥11 million related to cash-settled share-based payments were recognized in other non-current liabilities.

Share points were preliminarily granted at the board meeting held in February 2017 as cash contribution has not yet been made to the Trust. Therefore, information about the number of share points and the weighted average fair value of the share points is omitted.

24. Revenue

“Revenue” is analyzed as follows:

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Sales of goods	1,660,257	**1,676,467**
Rendering of services	29,270	**30,433**
Total	1,689,527	**1,706,901**

25. Selling, General and Administrative Expenses

"Selling, general and administrative expenses" is analyzed as follows:

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Sales commissions	96,052	**106,991**
Advertising	50,549	**48,092**
Transportation	61,355	**59,621**
Employee benefits	118,286	**117,039**
Depreciation and amortization	30,548	**31,836**
Research and development	10,399	**9,550**
Other	78,803	**87,110**
Total	445,996	**460,241**

26. Other Operating Income and Expense

"Other operating income" and "Other operating expense" are analyzed as follows:

(1) Other Operating Income

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Gains on sales of property, plant and equipment	1,097	**6,096**
Other	2,417	**1,907**
Total	3,514	**8,004**

(2) Other Operating Expense

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Losses on disposals of property, plant and equipment	4,863	**4,771**
Impairment losses	27,099	**6,336**
Other	15,616	**8,493**
Total	47,580	**19,600**

27. Finance Income and Finance Costs

"Finance income" and "Finance costs" are analyzed as follows:

(1) Finance Income

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Interest received		
Financial assets measured at amortized cost	586	**331**
Dividends received		
Financial assets measured at fair value through other comprehensive income	2,112	**2.505**
Gains on change in fair value of derivatives		
Financial assets measured at fair value through profit or loss	312	**251**
Other	—	**18**
Total	3,011	**3,106**

(2) Finance Costs

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Interest paid		
Financial liabilities measured at amortized cost	3,875	**3,763**
Foreign exchange loss	751	**706**
Other	469	**(403)**
Total	5,095	**4,066**

28. Income Taxes

(1) Deferred Tax Assets and Deferred Tax Liabilities

"Deferred tax assets" and "Deferred tax liabilities" are mainly composed of the following:

	Millions of yen				
	Transition date (as of Jan. 1, 2015)	Recognized in profit or loss	Recognized in OCI	Other*	Previous year (as of Dec. 31, 2015)
Deferred tax assets					
Allowance for credit losses	2,566	(638)	—	(1)	1,926
Retirement benefits	7,391	(1,980)	(1,636)	220	3,995
Property, plant and equipment and intangible assets	36,905	(1,506)	—	32	35,431
Unused tax losses	1,803	2,811	—	3	4,618
Income tax payable—enterprise tax	2,129	5	—	(18)	2,116
Accrued bonus	1,829	70	—	1	1,901
Other	14,324	696	(386)	(242)	14,392
Total of DTA	66,950	(540)	(2,023)	(4)	64,382
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(43,809)	4,825	—	(866)	(39,850)
Equity instruments	(20,915)	—	1,942	(7,397)	(26,371)
Retained earnings of subsidiaries and associates	(8,781)	(627)	(1,340)	—	(10,748)
Other	(4,428)	(564)	163	2,104	(2,724)
Total of DTL	(77,934)	3,633	765	(6,159)	(79,694)
Net amount of DTA and DTL	(10,983)	3,092	(1,258)	(6,163)	(15,312)

* 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.

	Millions of yen				
	Previous year (as of Dec. 31, 2015)	**Recognized in profit or loss**	**Recognized in OCI**	**Other***	**Current year (as of Dec. 31, 2016)**
Deferred tax assets					
Allowance for credit losses	1,926	**(125)**	**—**	**858**	**2,659**
Retirement benefits	3,995	**(986)**	**2,691**	**325**	**6,025**
Property, plant and equipment and intangible assets	35,431	**(8)**	**—**	**6,773**	**42,196**
Unused tax losses	4,618	**(548)**	**—**	**(179)**	**3,890**
Income tax payable—enterprise tax	2,116	**984**	**—**	**(29)**	**3,071**
Accrued bonus	1,901	**(143)**	**—**	**(529)**	**1,228**
Other	14,392	**823**	**(309)**	**(101)**	**14,806**
Total of DTA	64,382	**(3)**	**2,382**	**7,116**	**73,878**
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(39,850)	**(314)**	**—**	**(24,751)**	**(64,916)**
Equity instruments	(26,371)	**—**	**6,011**	**413**	**(19,946)**
Retained earnings of subsidiaries and associates	(10,748)	**(11,966)**	**6,985**	**—**	**(15,730)**
Other	(2,724)	**(1,900)**	**(121)**	**983**	**(3,762)**
Total of DTL	(79,694)	**(14,181)**	**12,875**	**(23,354)**	**(104,355)**
Net amount of DTA and DTL	(15,312)	**(14,185)**	**15,258**	**(16,237)**	**(30,477)**

* 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		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Deductible temporary differences	174,956	237,339	**263,845**
Unused tax losses			
Expires within 1 year	8,667	239	**627**
Expires between 1 and 5 years	5,275	10,177	**15,028**
Expires after 5 years	3,156	10,983	**3,033**
Total	17,098	21,401	**18,689**
Unused tax credits			
Expires within 1 year	—	5	**4**
Expires between 1 and 5 years	2,368	2,389	**15**
Expires after 5 years	—	618	**494**
Total	2,368	3,012	**513**

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 ¥417,158 million (transition date: ¥225,030 million, previous year: ¥268,311 million).

(2) Tax Expense

“Tax expense” is analyzed as follows:

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Current tax expense		
Current year	46,055	**51,953**
Previous year	—	**(3,186)**
Total of current tax expense	46,055	**48,767**
Deferred tax expense		
Recognition and reversal of temporary differences	(4,016)	**15,613**
Recognition of previously unrecognized tax losses	—	**(1,708)**
Revision of recoverability of deferred tax assets	165	**(496)**
Change in tax rate	758	**776**
Total deferred tax expense	(3,092)	**14,185**
Total	42,962	**62,952**

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

	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Effective statutory tax rate	35.6%	**33.1%**
Tax rate effect of foreign tax rates	1.3	**0.2**
Tax effect of non-taxable or non-deductible items for tax purposes	(0.5)	**0.8**
Tax effect of share of profit (loss) of entities accounted for using equity method	(5.3)	**(0.4)**
Sales of investments accounted for using equity method	—	**1.7**
Tax effect from change in tax rate	0.6	**0.5**
Impairment of goodwill and other items	5.2	**1.3**
Retained earnings of subsidiaries and associates	0.5	**8.0**
Income tax for previous years	—	**(2.1)**
Recognition of tax losses not recognized in the past	—	**(1.1)**
Gain on remeasurements related to business combinations	(1.6)	**—**
Other	0.6	**0.1**
Average effective tax rate	36.5%	**41.9%**

Income tax, inhabitant tax and business tax are main components of income taxes imposed on the Group, and the effective statutory tax rate based on those taxes is 35.6% for the previous year and 33.1% for the current year. Foreign subsidiaries are subject to income taxes in the tax jurisdiction that they are located.

29. Earnings per Share

(1) Basic Earnings per Share and Diluted Earnings per Share

	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Basic earnings per share (Yen)	164.82	**194.75**
Diluted earnings per share (Yen)	164.75	**194.75**

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

	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Profit attributable to owners of parent (Millions of yen)	75,770	**89,221**
Weighted average number of ordinary shares outstanding (Shares)	459,725,310	**458,122,963**
Effect of dilution (Shares):		
Warrant	194,412	**16,663**
Adjusted weighted average number of ordinary shares outstanding (Shares)	459,919,722	**458,136,626**
Description of equity instruments not included in calculation of diluted earnings per share because they were not dilutive for the year	—	**—**

30. Other Comprehensive Income

Other comprehensive income and related tax effects are analyzed as follows:

	Millions of yen					
	Previous year (ended December 31, 2015)			**Current year (ended December 31, 2016)**		
	Before tax	Tax effects	After tax	**Before tax**	**Tax effects**	**After tax**
Items that will not be reclassified to profit or loss						
Changes in fair value of financial instruments measured at fair value through other comprehensive income						
Increase and decrease	(2,575)	1,502	(1,073)	**(9,115)**	**6,104**	**(3,010)**
Changes	(2,575)	1,502	(1,073)	**(9,115)**	**6,104**	**(3,010)**
Remeasurements of defined benefit plans						
Increase and decrease	4,419	(1,426)	2,992	**(9,180)**	**2,846**	**(6,333)**
Changes	4,419	(1,426)	2,992	**(9,180)**	**2,846**	**(6,333)**
Share of other comprehensive income of entities accounted for using equity method						
Increase and decrease	(4)	—	(4)	**30**	**—**	**30**
Changes	(4)	—	(4)	**30**	**—**	**30**
Items that might be reclassified to profit or loss						
Cash flow hedges						
Increase and decrease	(359)	131	(227)	**(11,411)**	**3,747**	**(7,664)**
Reclassification to profit or loss	45	(16)	29	**53**	**(17)**	**35**
Changes	(313)	115	(197)	**(11,358)**	**3,729**	**(7,628)**
Translation difference on foreign operations						
Increase and decrease	(29,759)	—	(29,759)	**10,130**	**7**	**10,137**
Reclassification to profit or loss	—	—	—	**—**	**—**	**—**
Changes	(29,759)	—	(29,759)	**10,130**	**7**	**10,137**
Share of other comprehensive income of entities accounted for using equity method						
Increase and decrease	7,863	(1,340)	6,523	**(30,339)**	**8,631**	**(21,707)**
Reclassification to profit or loss	8	—	8	**4,677**	**(1,654)**	**3,023**
Changes	7,872	(1,340)	6,532	**(25,661)**	**6,977**	**(18,683)**
Total other comprehensive income	(20,360)	(1,148)	(21,509)	**(45,154)**	**19,665**	**(25,488)**

31. Financial Instruments

(1) Capital Management

The Group sets objectives on capital management as providing shareholders with returns as well as providing other stakeholders with benefits and maintaining an optimal capital structure to reduce the capital cost. It enables the Group to continue its business as a going concern.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, make a redemption of capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as interest-bearing liabilities less cash and cash equivalents. Equity is total equity attributable to owners of parent.

The gearing ratios are as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Interest-bearing liabilities	500,265	478,624	**632,691**
Less: Cash and cash equivalents	(62,236)	(43,290)	**(48,459)**
Net debt	438,028	435,333	**584,231**
Equity attributable to owners of parent	774,534	789,420	**836,354**
Gearing ratio	56.6%	55.1%	**69.9%**

There are no capital adequacy requirements imposed by external organizations on the Group.

(2) Risk Management

The Group is exposed to a variety of financial risks such as market risk including currency risk, price rate risk and interest rate risk, credit risk and liquidity risk. The Group's risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative transactions to hedge certain risk exposures.

The Company and its major subsidiaries consider direct and indirect finance, or short-term and long-term finance balances in terms of financing costs and risk diversification to respond to changes in the operating environment, and fund required capital using commercial paper, bonds and borrowings. The Group implements a cash management system among the Company and major subsidiaries in Japan in order to efficiently utilize the funds and to reduce interest-bearing liabilities at the Group level. The Company invests in only highly secured financial instruments when any surplus cash exists as a result.

The Group uses derivative transactions as a method to mitigate foreign currency risk, price risk of raw materials and interest rate risk and also to minimize financing costs, within the outstanding balances of assets and liabilities denominated in foreign currencies, bonds and borrowings. Derivative transactions are generally entered into only with highly rated financial institutions.

The Finance Section of the Company manages derivative transactions in accordance with the Group's policy. Each derivative contract is approved in accordance with the Company's authorization criteria. The Finance Section also reviews the situation of derivative transactions such as contract provisions and outstanding balances, and reports to the General Manager of the Finance Section and the Chief Financial Officer in a timely manner.

Derivative transactions at subsidiaries are also entered into based on the Group's authorization criteria. The Company monitors these derivatives by obtaining reports from those subsidiaries on a regular basis.

(i) Market Risk

a. Foreign Currency Risk

The Group operates internationally and is exposed to foreign currency risk mainly associated with the US dollar and euro. Foreign currency risk arises from forecast transactions such as purchases, sales, financing and repayments, as well as assets and liabilities which have already been recognized.

The Group uses foreign currency exchange contracts and currency swaps to hedge exposures to foreign currency risk. Hedge accounting is applied to transactions which qualify for hedge accounting.

Receivables and payables in foreign currencies are exposed to the fluctuation of foreign currency rates, however the risk is offset by foreign exchange rate contracts and its effect is limited.

Exposure to Foreign Currency Risk

The Group's exposure to foreign currency risk is described below. These amounts do not include amounts associated with foreign currency risk which is hedged by derivative transactions.

	Millions of yen	
	Transition date (as of January 1, 2015)	
	US dollar	Euro
Net exposure	(5,487)	155

	Millions of yen	
	Previous year (as of December 31, 2015)	
	US dollar	Euro
Net exposure	(5,185)	(1,122)

	Millions of yen	
	Current year (as of December 31, 2016)	
	US dollar	Euro
Net exposure	**(6,648)**	**1,040**

Sensitivity Analysis
Assuming that the Japanese yen appreciates by 1% against the US dollar and euro, it will affect profit before tax of the Group as follows. The effect will be reversed in cases of depreciation of 1% given that all other variables remain constant.

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
US dollar	51	**66**
Euro	11	**(10)**

b. Price Risk
The Group is exposed to price risk of equity instruments measured at fair value on the consolidated statement of financial position. The Group assesses their fair values and the financial conditions of the issuers as well as reviews the outstanding balance on an ongoing basis to manage price risk arising from investments in equity instruments. The Group does not hold equity instruments for short-term trading purposes, and does not 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 ¥5,831 million (previous year: ¥7,412 million) as a result of changes in fair value.

Prices of major raw materials used for the Group's products fluctuate in relation to factors such as climate and natural disasters. The Group uses commodity swap transactions to mitigate price risk associated with the raw materials.

c. Interest Rate Risk
The Group is exposed to interest rate risk for some finances with variable interest rates. The interest rate risk arises mainly from long-term borrowings.

The Group uses interest rate swaps which practically fix the interest rate in order to mitigate the interest rate risk. Hedge accounting is applied to 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 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, 2015)	**Current year (ended December 31, 2016)**
Profit before tax	30	**48**

(ii) Credit Risk
The Group is exposed to credit risk associated with trade receivables (notes and accounts receivable), other receivables (non-trade receivables) and other financial assets (such as loans to customers).

The Group monitors the financial situation of major customers on a regular basis in accordance with the Group's accounting regulations for accounting treatments and receivable management, and also controls due dates and outstanding balances for each customer on a daily basis. The Group also identifies credit-impaired receivables and acts in a timely manner to collect them.

The Group enters into derivative transactions generally only with highly rated financial institutions in order to reduce credit risk.

The Group classifies receivables based on customers' credit risk features and measures loss allowance.

Loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses. Loss allowance for receivables other than trade receivables are measured at an amount equal to 12-month expected credit losses in principle, except for receivables, for example overdue, whose credit risk has significantly increased after the initial recognition. Loss allowance for those receivables are measured at an amount equal to lifetime expected credit losses.

Loss allowance is measured as follows:
- Trade Receivables
  The simplified approach is applied. Trade receivables are categorized according to customers' credit risk features, and loss allowance is measured based on the historical credit loss ratio and expected future economic conditions for each category.
- Receivables other than Trade Receivables
  The general approach is applied. Loss allowance for receivables whose credit risk is considered not significantly increased is measured based on the historical credit loss ratio of similar receivables and expected future economic conditions. Loss allowance for receivables whose credit risk is considered significantly increased and credit-impaired financial instruments is measured as the difference between the present value of expected future cash flow discounted by the initial interest rate 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
Transition date (as of January 1, 2015)	15,253	91	352,299
Previous year (as of December 31, 2015)	11,843	158	361,447
Current year (as of December 31, 2016)	**13,491**	**240**	**384,529**

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 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	Financial assets to which the simplified approach is applied
Transition date (as of January 1, 2015)	26	88	2,289
Increase	25	159	1,176
Utilization	—	(66)	(289)
Reversal	(26)	(40)	(1,791)
Other	—	(0)	(145)
Previous year (as of December 31, 2015)	25	140	1,239
Increase	**1**	**102**	**665**
Utilization	**—**	**(0)**	**(307)**
Reversal	**(25)**	**(10)**	**(1,174)**
Other	**0**	**(12)**	**277**
Current year (as of December 31, 2016)	**1**	**219**	**700**

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
Transition date (as of January 1, 2015)	8,517	5,831
Previous year (as of December 31, 2015)	9,842	4,991
Current year (as of December 31, 2016)	**9,443**	**6,490**

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
Transition date (as of January 1, 2015)	257	4,376
Increase	298	73
Utilization	—	(444)
Reversal	(257)	(115)
Other	—	339
Previous year (as of December 31, 2015)	298	4,230
Increase	**233**	**124**
Utilization	**—**	**(2)**
Reversal	**(298)**	**(119)**
Other	**—**	**(781)**
Current year (as of December 31, 2016)	**233**	**3,451**

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 current year and the previous year.

Maximum Exposure to Credit Risk

The maximum exposure to 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		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Guarantees	3,442	3,431	**2,713**

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 amounts of collateral and other credit enhancement held as a guarantee for the financial assets are ¥5,918 million at the end of the current year (¥4,799 million as of January 1, 2015 (transition date), ¥4,502 million as of December 31, 2015 (previous year)).

The collateral held as guarantee is mainly composed of deposit money.

(iii) Liquidity Risk

The Group raises funds through borrowings, commercial paper and bonds. The Group is exposed to liquidity risk, such as an adverse financing environment, that might lead the Group to default in repayment in a timely manner.

The Company and its primary subsidiaries have implemented a joint cash management system. The Company centrally manages liquidity risk for the participants.

The Group prepares and updates financing plans based on the reports provided by each entity. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenants, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements—for example, currency restrictions.

Surplus funds in excess of the necessary headroom in working capital are operated within the cash management system at the Group level. The Group selects financial instruments with appropriate maturities and sufficient liquidity that would provide sufficient head- room as determined by the abovementioned forecasts, and invests surplus funds in financial instruments such as current deposits, fixed deposits, money market deposits and marketable securities.

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:

Transition Date (as of January 1, 2015)

	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	274,956	274,956	274,956	—	—	—	—	—
Bonds and borrowings	434,292	434,725	280,879	32,596	43,801	26,338	37,888	13,221
Derivatives	1,486	1,486	1,351	—	115	19	—	—

Previous Year (as of December 31, 2015)

	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	273,092	273,092	273,092	—	—	—	—	—
Bonds and borrowings	414,441	414,929	249,239	44,780	27,724	38,517	33,853	20,815
Derivatives	800	800	597	190	13	—	—	—

Current Year (as of December 31, 2016)

	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	**332,639**	**332,639**	**332,639**	**—**	**—**	**—**	**—**	**—**
Bonds and borrowings	**570,360**	**570,708**	**281,889**	**65,948**	**76,557**	**71,872**	**58,689**	**15,750**
Derivatives	**695**	**695**	**678**	**14**	**2**	**—**	**—**	**—**

(3) Fair Value of Financial Instruments

The Group uses observable data in the market as much as possible in fair value measurements. Fair value measurements are categorized into the following levels based on the level of the input.

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices, either directly or indirectly observable
Level 3: inputs that are not based on observable market data

A fair value measurement is reclassified to a different level of the fair value hierarchy on the date when the triggering event or change in circumstances occurred.

Fair values of financial instruments measured at amortized cost are analyzed as follows:

	Millions of yen					
	Transition date (as of January 1, 2015)		Previous year (as of December 31, 2015)		**Current year (as of December 31, 2016)**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	2,507	2,489	3,704	3,562	**2,337**	**2,274**
Non-current borrowings	51,787	52,719	55,179	56,164	**252,736**	**255,336**
Bonds issued	132,567	134,308	147,511	148,927	**117,651**	**118,727**
Finance lease liabilities	29,310	28,675	28,414	26,672	**25,795**	**25,838**

The above table includes outstanding balances expected to be reimbursed or recovered within 1 year.

Financial instruments whose carrying amount is a reasonable approximation of fair value are not included in the above table.

The fair value of non-current loans receivable is measured at an amount of principal and interest expected to receive discounted by an expected interest rate that will be applied to a similar new loan at the time.

The fair value of non-current borrowings is measured at an amount of principal and interest expected to be paid discounted by an expected interest rate that will be applied to a similar new loan at the time.

The fair value of bonds is based on the price on bond markets, if available.

The fair value of finance lease liabilities is measured at the present value of the total amount of principal and interest discounted by an expected interest rate which will be applied to a similar new lease transaction at the time.

In the above measurement of fair value, bonds are classified as Level 2 and other items as Level 3. The fair value of Level 2 bonds is estimated using statistical prices announced by the Japan Securities Dealers Association. The fair value of Level 3 financial instruments is measured by discounting contractual cash flows at market interest rates, and the difference from the carrying amount is due to the difference between market interest rates and contractual interest rates.

Financial assets and liabilities measured at fair value are as follows:

Transition Date (as of January 1, 2015)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	621	—	621
Derivatives not designated as hedging instruments	—	1,651	—	1,651
Equity instruments	126,485	99	36,881	163,466
Others	301	771	—	1,073
Total assets	126,787	3,144	36,881	166,813
Liabilities				
Derivatives designated as hedging instruments	—	1,048	—	1,048
Derivatives not designated as hedging instruments	—	438	—	438
Total liabilities	—	1,486	—	1,486

Previous Year (as of December 31, 2015)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	24	—	24
Derivatives not designated as hedging instruments	—	2,340	—	2,340
Equity instruments	148,240	87	76,302	224,630
Others	191	755	—	947
Total assets	148,432	3,207	76,302	227,942
Liabilities				
Derivatives designated as hedging instruments	—	255	—	255
Derivatives not designated as hedging instruments	—	545	—	545
Total liabilities	—	800	—	800

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

Current Year (as of December 31, 2016)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	**—**	**587**	**—**	**587**
Derivatives not designated as hedging instruments	**—**	**1,897**	**—**	**1,897**
Equity instruments	**116,625**	**71**	**69,588**	**186,284**
Others	**151**	**682**	**—**	**833**
Total assets	**116,777**	**3,238**	**69,588**	**189,603**
Liabilities				
Derivatives designated as hedging instruments	**—**	**695**	**—**	**695**
Derivative not designated as hedging instruments	**—**	**—**	**—**	**—**
Total liabilities	**—**	**695**	**—**	**695**

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 reporting date. 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 currency 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. 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 companies analysis method or the discounted cash flow method, using inputs that are reasonably available and that many market participants consider reasonable.

Financial instruments categorized into Level 3 are analyzed as follows:

Previous Year (ended December 31, 2015)

	Millions of yen	
	Equity instruments measured at fair value through other comprehensive income	Derivatives
Balance at beginning of period	36,881	—
Gains (losses) recognized in profit or loss	—	—
Gains (losses) recognized in other comprehensive income	(23,363)	—
Purchases	74	—
Sales	(966)	—
Settlements	—	—
Effect of changes in scope of consolidation	63,853	—
Transfers into/out of Level 3	(135)	—
Other	(41)	—
Balance at end of period	76,302	—
Of gains (losses) recognized in profit or loss: Gains (losses) for assets held at end of period	—	—

Current Year (ended December 31, 2016)

	Millions of yen	
	Equity instruments measured at fair value through other comprehensive income	Derivatives
Balance at beginning of period	**76,302**	—
Gains (losses) recognized in profit or loss	**—**	—
Gains (losses) recognized in other comprehensive income	**(6,400)**	—
Purchases	**398**	—
Sales	**(672)**	—
Settlements	**—**	—
Transfers into/out of Level 3	**—**	—
Other	**(40)**	—
Balance at end of period	**69,588**	—
Of gains (losses) recognized in profit or loss: Gains (losses) for assets held at end of period	**—**	—

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 fair value are reported to the Chief Financial Officer, and then the Officer reviews them and reports to the Board of Directors as necessary.

The principal unobservable input used in calculating the fair value of equity instruments classified as Level 3 is the price book-value ratio in the comparable companies analysis method, which is distributed in a range from 0.8 times to 2.0 times (from 0.8 times to 1.7 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 uses internal estimates in fair value measurement. Various analysis 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.

As to financial instruments categorized into Level 3, significant changes in fair value are not expected in cases that an unobservable input is replaced by a reasonable alternative assumption.

(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" in the consolidated statement of financial position.

Transition Date (as of January 1, 2015)

Hedge type	Hedging instrument	Notional amount (Millions of yen)	Carrying amount (fair value) Assets (Millions of yen)	Carrying amount (fair value) Liabilities (Millions of yen)
Cash flow hedge	Foreign currency exchange contract	26,305	621	913
	Interest rate swap	11,000	—	134
Total		37,305	621	1,048

The average rates applied to the foreign currency exchange contracts are ¥107.49 per US dollar and ¥136.71 per euro. The average interest rate applied to the interest swaps is 0.87%.

Previous Year (as of December 31, 2015)

Hedge type	Hedging instrument	Notional amount (Millions of yen)	Carrying amount (fair value) Assets (Millions of yen)	Carrying amount (fair value) Liabilities (Millions of yen)
Cash flow hedge	Foreign currency exchange contract	16,278	24	171
	Interest rate swap	12,115	—	84
Total		28,393	24	255

The average rates applied to the foreign currency exchange contracts are ¥120.83 per US dollar and ¥134.00 per euro. The average interest rate applied to the interest swaps is 0.87%.

Current Year (as of December 31, 2016)

Hedge type	Hedging instrument	Notional amount (Millions of yen)	Carrying amount (fair value) Assets (Millions of yen)	Carrying amount (fair value) Liabilities (Millions of yen)
Cash flow hedge	Foreign currency exchange contract	**296,180**	**577**	**583**
	Currency swap	**1,274**	**—**	**60**
	Commodity swap	**555**	**10**	**—**
	Interest rate swap	**14,105**	**—**	**52**
Total		**312,116**	**587**	**695**

The average rates applied to the foreign currency exchange contracts are ¥104.78 per US dollar and ¥120.39 per euro. The average interest rate applied to the interest swaps is 1.11%.

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 currency exchange contract, currency swap, commodity swap and interest swap would hedge cash flow fluctuations are approximately 2 years, 9 months, 2 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 hedging instruments is as follows:

	Millions of yen					
	Transition date (as of January 1, 2015)		Previous year (as of December 31, 2015)		**Current year (as of December 31, 2016)**	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Foreign currency exchange contract	1,651	12	2,319	6	**288**	**—**
Currency swap	—	—	—	—	**1,510**	**—**
Commodity swap	—	425	20	538	**98**	**—**
Total	1,651	438	2,340	545	**1,897**	**—**

Reserve of cash flow hedges is as follows:
There is no reserve of cash flow hedges arising from hedging relationships for which their hedge accounting is terminated.

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Foreign currency exchange contract	(218)	(82)	**(148)**
Currency swap	—	—	**(48)**
Commodity swap	—	—	**8**
Interest rate swap	(86)	(56)	**(30)**
Total	(305)	(138)	**(219)**

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 of derivatives designated as hedging instruments in cash flow hedges is as follows:

Previous Year (ended December 31, 2015)

	Millions of yen		
Risk type	Gains (losses) recognized in other comprehensive income*	Amount reclassified from other equity interest to profit or loss*	Line item in profit or loss on reclassification
Currency risk	(363)	—	
Interest rate risk	4	45	Interest paid
Total	(359)	45	

* The amounts are gross values before tax.

Current Year (ended December 31, 2016)

	Millions of yen		
Risk type	Gains (losses) recognized in other comprehensive income*	Amount reclassified from other equity interest to profit or loss*	Line item in profit or loss on reclassification
Currency risk	**(11,408)**	**—**	
Price risk	**10**	**—**	
Interest rate risk	**(12)**	**53**	**Interest paid**
Total	**(11,411)**	**53**	

* The amounts are gross values before tax.

There is no reclassification due to termination of hedge accounting. Reserve of cash flow hedges accumulated in other equity interest is reclassified and included in the cost of an asset such as inventory if the hedged item is a forecast transaction to acquire the asset.

The ineffective portion recognized in profit or loss is not significant.

32. Significant Non-cash Transactions

Previous Year (ended December 31, 2015)

Because the share of voting rights held in China Foods Investment Corp. ("CFI"), which used to be an equity-method affiliate of the Company, increased due to the purchase of treasury share by CFI from ITOCHU Corporation (the former parent company of CFI), CFI was excluded from the scope of the equity-method investment and included in the scope of consolidation during the current fiscal year. The increase in assets and liabilities due to the inclusion in the scope of consolidation are described in "35. Business Combination."

Total assets include cash and cash equivalents of ¥21,476 million, which is included in "Increase (decrease) in cash and cash equivalents resulted from change in scope of consolidation" in consolidated statement of cash flows.

Current Year (ended December 31, 2016)
There are no significant non-cash transactions.

33. Changes in Ownership Interest in Subsidiaries

Previous Year (ended December 31, 2015)
The Group acquired shares in ENOTECA CO., LTD. and 4 other companies and Mountain Goat Beer Pty Ltd as well as additional shares in Lotte Asahi Liquor Co., Ltd. which was formerly an equity-accounted investee which resulted in its addition to the scope of consolidation. The assets and liabilities of the investees on commencement of consolidation as well as the relationship between the cost of shares and net consideration are analyzed as follows:

	Millions of yen
Current assets	17,900
Non-current assets	7,608
Goodwill	18,808
Current liabilities	(7,763)
Non-current liabilities	(5,903)
Non-controlling interests	(1,949)
Cost of shares	28,701
Carrying amount of equity-accounted investments just before obtaining control	(2,169)
Gain on step acquisitions	(1,743)
Cash and cash equivalents	(3,531)
Net consideration for acquisition	21,257

Current Year (ended December 31, 2016)
The Group acquired shares in Birra Peroni S.r.l. and 28 other companies which resulted in their addition to the scope of consolidation. The assets and liabilities of investees on commencement of consolidation as well as the relationship between the cost of shares and net consideration are analyzed as follows:

	Millions of yen
Current assets	**32,164**
Non-current assets	**187,298**
Goodwill	**143,680**
Current liabilities	**(41,708)**
Non-current liabilities	**(24,259)**
Non-controlling interests	**(155)**
Cost of shares, etc.	**297,020**
Cash and cash equivalents of acquired companies	**(6,127)**
Net cash used for acquisition of acquired companies	**290,893**

(Note) Goodwill, acquired assets and liabilities assumed in the business combination are still under review to verify the identifiable assets and liabilities as of the reporting date. Therefore, purchase price allocation is incomplete and the initial accounting is still provisional.

34. Related-Party Transactions

(1) Transactions and Outstanding Balances with Related Parties
There is 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, 2015)	**Current year (ended December 31, 2016)**
Short-term employee benefits	350	**465**

The Performance-Linked Stock Compensation Plan is newly introduced for Directors excluding Outside Directors in the current year ended December 31, 2016.

In the current year ended December 31, 2016, the Company recognized ¥56 million (estimated amount) as share-based payment expense, but it is not included in the above. Since the Trust had not yet been created, information about the number of points could not be determined.

35. Business Combination

(1) Business Combination

Previous Year (ended December 31, 2015)

(i) Outline of the transaction

a. Name and business of the acquiree

China Foods Investment Corp.
Management of Ting Hsin (Cayman Islands) Holding Corp. and its group companies

b. Purpose of the transaction

A change in investment structure in Ting Hsin (Cayman Islands) Holding Corp. resulted in China Foods Investment Corp. ("CFI") acquiring its own shares formerly held by ITOCHU Corporation, which had been the parent company of CFI, on March 3, 2015.

c. Acquisition date of the business combination

March 3, 2015

d. Legal form of the business combination

CFI repurchased a sufficient number of its own shares with consideration in cash for the Group to obtain control.

e. Description of obtaining control over the acquiree and proportion of voting rights acquired

The Company acquired 100.0% of the voting rights, and is thereby considered as the acquirer.
— Before the acquisition 25.9%
— After the acquisition 100.0%

(ii) Effect on the Group

Revenue and profit generated since the acquisition date is minor. Assuming the business combination was conducted at the beginning of the period, revenue and profit for the period would be ¥1,689,527 million and ¥102,518 million, respectively. The amounts are unaudited by the independent auditor.

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

	Millions of yen
Cash and cash equivalents	21,476
Trade and other receivables	438
Other	0
Total current assets	21,915
Other financial assets	63,853
Other	0
Total non-current assets	63,853
Total assets	85,769
Total current liabilities	(23,147)
Total non-current liabilities	(7,387)
Total liabilities	(30,535)
Fair value of CFI's shares held by the Company prior to the business combination	56,662
Goodwill	1,428

As a result of remeasuring the equity interest in CFI held by the Group prior to obtaining control at the acquisition-date fair value, the Group recognized a gain on step acquisition of ¥3,650 million. This gain is presented as "Gain on remeasurements related to business combinations" in the consolidated statement of profit or loss.

Goodwill of ¥1,428 million, which was calculated as the difference between acquisition cost and the fair value of the net asset of CFI, was recognized. However, the Company recorded an impairment loss on the entire amount of the goodwill for the year ended December 31, 2015, since the excess earning power of the acquisition had not been expected in the future.

Current Year (ended December 31, 2016)

(i) Outline of the transaction

a. Name and business of the acquiree

Company name	Business
Birra Peroni S.r.l.	Manufacture and sales of beer
Royal Grolsch NV	Manufacture and sales of beer
Meantime Brewing Company Ltd.	Manufacture and sales of beer
Asahi UK Ltd (formerly Miller Brands (UK) Ltd.)	Import and sales of beer

Also another 25 entities that are primarily engaged in manufacturing, sales and distribution of beer *b. Purpose of the transaction*

The Group has set out its Long-Term Vision to articulate foresight of the Group and its business in the future. The Group aims at enhancement of corporate value under the Medium-Term Management Policy which has been developed to realize the Long-Term Vision.

With regard to the Long-Term Vision, the Group as a comprehensive beverage and food business group with the alcohol beverages business at its core, has set a goal to become a domestic industry leader focused on high added value and establish a distinct position as a global player that leverages strengths originating in Japan. In addition, as one of the strategic imperatives under the new Medium-Term Management Policy, the Group envisions strengthening its earning power by positioning the domestic profit base as the cornerstone of earnings and the overseas business as its growth engine.

The Company has been working to expand its overseas growth platform, mainly in Asia and Oceania, for some time, and has successfully created a capable network in Southeast Asia, China and Oceania. In an environment with slower economic growth in emerging countries and further global consolidation, the Company intends to respond to various risks and opportunities and further accelerate its growth by leveraging strengths developed in Japan. As part of these strategies, the Company acquired the *Peroni*, *Grolsch* and *Meantime* brands, as well as the Italian, Dutch and British companies of SABMiller plc that manufacture and distribute these brands. *Grolsch* and *Peroni* are two of the best-known premium beer brands in the world with over 400 years and 150 years of history, respectively, and both are well recognized inter alia in Europe. *Meantime* is a pioneer brand in craft beer in the UK and is rapidly growing in popularity amongst the younger generation in urban areas such as London.

Through these acquisitions, the Company aims to expand its growth platform in Europe and become a global player with a distinct position, leveraging the distribution networks of the target businesses to maximize synergies through increasing the presence of its flagship *Asahi Super Dry* brand.

c. Acquisition date of the business combination

October 11, 2016

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
Birra Peroni S.r.l.	100%
Royal Grolsch NV	100%
Meantime Brewing Company Ltd.	100%
Asahi UK Ltd (formerly Miller Brands (UK) Ltd.)	100%

Proportion of voting rights in the other 25 entities are mainly 100%.

(ii) Effect on the Group

Revenue and profit generated by Birra Peroni S.r.l. and the other 28 entities since the acquisition date amounted to ¥26,384 million and ¥858 million, respectively. Assuming the business combination was conducted at the beginning of the period, revenue and profit for the period would be ¥1,800,773 million and ¥94,519 million, respectively. The amounts are unaudited by the independent auditor.

(iii) Consideration transferred and its details

The consideration transferred was ¥297,020 million, all of which was paid in cash.

(iv) Acquisition-related costs

Acquisition-related costs amounted to ¥3,626 million and are included in “Selling, general and administrative expenses.”

(v) Acquired receivables

The gross contractual amount of trade and other receivables acquired was ¥24,151 million in aggregate, and ¥16,120 million at fair value on the acquisition date.

(vi) Acquisition-date fair value of assets and liabilities, non-controlling interests and goodwill

	Millions of yen
Cash and cash equivalents	6,127
Trade and other receivables	16,120
Other	9,916
Total current assets	32,164
Property, plant and equipment	56,613
Intangible assets	123,135
Other	7,550
Total non-current assets	187,298
Total assets	219,463
Trade and other payables	(33,829)
Other	(7,986)
Total current liabilities	(41,815)
Total non-current liabilities	(24,153)
Total liabilities	(65,968)
Non-controlling interests	(155)
Consideration transferred	(297,020)
Goodwill	143,680

Non-controlling interests are measured at the proportionate share of the fair value of identifiable net assets in the acquiree.

The initial accounting is still provisional because some of the items including the amount of goodwill incurred, assets acquired and liabilities assumed are still under review and therefore the allocation is incomplete at the end of the period.

Goodwill is primarily composed of synergies with the Group's businesses and excess profitability that are expected to occur from the acquisition, which do not individually fulfill the criteria for recognition.

(2) Transactions under Common Control

Current Year (ended December 31, 2016)

The Company resolved to reorganize the domestic Soft Drinks Business and Food Business at the Board of Directors meeting held on June 3, 2015, and implemented the business restructuring on January 1, 2016.

(i) Purpose of the business reorganization

It was implemented as part of strengthening our domestic businesses, which aims at making decisions more promptly by clarifying the areas of responsibility, responding swiftly to changes in the business environment and maximizing synergies within the businesses.

(ii) Outline of the business reorganization

Reorganization of the domestic soft drinks business

a. Name of the entity involved in the transaction

Calpis Co., Ltd.

b. Name and description of businesses involved and legal form of the business combination

Calpis Foods Service Co., Ltd., a wholly owned subsidiary of Calpis Co., Ltd. that engages in the sale of dairy products, acquired the domestic soft drink manufacturing business and the dairy product business, including milk purchasing, of Calpis Co., Ltd. in an absorption-type split.

Asahi Calpis Wellness Co., Ltd., a wholly owned subsidiary of the Company, succeeded the functional foods business (mail-order business and functional raw materials) and the animal feed business of Calpis Co., Ltd. in an absorption-type split.

After the business transfer above, Calpis Co., Ltd. was absorbed in a merger with Asahi Soft Drinks Co., Ltd. as the surviving company.

Calpis Foods Service Co., Ltd. changed its name to Calpis Co., Ltd.

c. Date of the business combination

January 1, 2016

d. Name of the entities after the business combination

Asahi Soft Drinks Co., Ltd.
Asahi Calpis Wellness Co., Ltd.
Calpis Co., Ltd. (formerly Calpis Foods Service Co., Ltd.)

e. Other items regarding the outline of the business combination

The Group made the transaction to enhance its business competitiveness by integrating the strengths of each of the entities involved, such as brands, product lines, technologies, sales networks and human resources, aiming to become a company growing in the domestic soft drinks industry with high-quality, customer-oriented product lines.

Reorganization of the domestic food business

a. Name and description of businesses involved and legal form of business combination

Asahi Group Foods, Ltd., a wholly owned subsidiary of the Company, succeeded all the business, excluding the operations relating to the manufacturing and the control of the production management (including the purchase operation of merchandise), of Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. in an absorption-type split.

b. Date of the business combination

January 1, 2016

c. Name of the company after the business combination

Asahi Group Foods, Ltd.

d. Other items regarding the outline of the business combination

The reorganization was implemented with the goal of creating a management structure that increases the speed of decision-making and responds more rapidly to change by clearly defining business, as well as maximizing synergies within businesses.

36. Interest in Other Entities

(1) Interest in Subsidiaries

Subsidiaries included in the consolidated financial statements are as follows:

Previous Year (ended December 31, 2015)

Name	Location	Proportion of ownership interest (%)
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	100.00
Masuda Co., Ltd.	Kita-ku, Osaka	100.00 (100.00)
NADAMAN CO., LTD	Shinjuku-ku, Tokyo	51.14 (51.14)
The Nikka Whisky Distilling Co., Ltd.	Minato-ku, Tokyo	100.00 (100.00)
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanashi	100.00 (100.00)
Satsumatsukasa Shuzo Co., Ltd.	Aira City, Kagoshima	85.00 (85.00)
ENOTECA CO., LTD.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	100.00
Calpis Co., Ltd.	Shibuya-ku, Tokyo	100.00
LB Co., Ltd.	Hasuda City, Saitama	100.00
Asahi Calpis Beverage Co., Ltd.	Taito-ku, Tokyo	100.00 (100.00)
Asahi Group Foods, Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Food & Healthcare Co., Ltd.	Sumida-ku, Tokyo	100.00
Wakodo Co., Ltd.	Chiyoda-ku, Tokyo	100.00
Amano Jitsugyo Co., Ltd.	Fukuyama City, Hiroshima	100.00
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	100.00
Yantai Beer Tsingtao Asahi Co., Ltd.	Shandong, China	40.00 (40.00)
Beijing Beer Asahi Co., Ltd.	Beijing, China	90.00
China Foods Investment Corp.	Minato-ku, Tokyo	100.00
AI Beverage Holding Co., Ltd.	Sumida-ku, Tokyo	100.00
Asahi Holdings (Australia) Pty Ltd	Victoria, Australia	100.00
Schweppes Australia Pty Limited	Victoria, Australia	100.00
Independent Liquor (NZ) Limited	Papakura, New Zealand	100.00 (100.00)
Asahi Group Holdings Southeast Asia Pte. Ltd.	Singapore	100.00
Permanis Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
PT Tirta Sukses Perkasa	Jakarta, Indonesia	80.00 (80.00)
Asahi Loi Hein Company Limited	Yangon, Myanmar	51.00 (51.00)
Asahi Logistics Co., Ltd.	Minato-ku, Tokyo	100.00
Asahi Professional Management Co., Ltd.	Sumida-ku, Tokyo	100.00
Other 92 Subsidiaries	—	—

(Notes) 1. Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.
2. The Group does not own a majority of voting rights in Yantai Beer Tsingtao Asahi Co., Ltd., but it is consolidated because voting rights including voting rights held by associates of the Group account for a majority and it is judged to be under de facto control.

Current Year (ended December 31, 2016)

Name	Location	Proportion of ownership interest (%)
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	**100.00**
Masuda Co., Ltd.	Kita-ku, Osaka	**100.00** **(100.00)**
NADAMAN CO., LTD	Shinjuku-ku, Tokyo	**100.00** **(100.00)**
The Nikka Whisky Distilling Co., Ltd.	Minato-ku, Tokyo	**100.00** **(100.00)**
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanashi	**100.00** **(100.00)**
Satsumatsukasa Shuzo Co., Ltd.	Aira City, Kagoshima	**85.00** **(85.00)**
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**
LB Co., Ltd.	Hasuda City, Saitama	**100.00**
Asahi Soft Drink Sales Co., Ltd.	Taito-ku, Tokyo	**100.00** **(100.00)**
Asahi Group Foods, Ltd.	Shibuya-ku, Tokyo	**100.00** **(100.00)**
Asahi Food & Healthcare Co., Ltd.	Sumida-ku, Tokyo	**100.00**
Wakodo Co., Ltd.	Chiyoda-ku, Tokyo	**100.00**
Amano Jitsugyo Co., Ltd.	Fukuyama City, Hiroshima	**100.00**
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	**100.00**
Yantai Beer Tsingtao Asahi Co., Ltd.	Shandong, China	**40.00** **(40.00)**
Beijing Beer Asahi Co., Ltd.	Beijing, China	**90.00**
China Foods Investment Corp.	Minato-ku, Tokyo	**100.00**
AI Beverage Holding Co., Ltd.	Sumida-ku, Tokyo	**100.00**
Asahi Holdings (Australia) Pty Ltd	Victoria, Australia	**100.00**
Schweppes Australia Pty Limited	Victoria, Australia	**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)**
PT Tirta Sukses Perkasa	Jakarta, Indonesia	**80.00** **(80.00)**
Asahi Loi Hein Company Limited	Yangon, Myanmar	**51.00** **(51.00)**
Asahi Europe Ltd	Woking, United Kingdom	**100.00**
Asahi Logistics Co., Ltd.	Minato-ku, Tokyo	**100.00**
Asahi Professional Management Co., Ltd.	Sumida-ku, Tokyo	**100.00**
Other 106 Subsidiaries	—	**—**

(Notes) 1. Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.
2. The Group does not own a majority of voting rights in Yantai Beer Tsingtao Asahi Co., Ltd., but it is consolidated because voting rights including voting rights held by associates of the Group account for a majority and it is judged to be under de facto control.
3. The company names of Asahi Calpis Beverage Co., Ltd., Calpis Foods Service Co., Ltd and Permanis Sdn. Bhd. were changed to Asahi Soft Drink Sales Co., Ltd., Calpis Co., Ltd. and Etika Beverages Sdn. Bhd. respectively, in 2016.

(2) Interest in Associates
(i) Associates that Are Material to the Group
Associates that are material to the Group are as follows:

Name	Location	Proportion of ownership interest (%)	Relationship	Fair value (Millions of yen)
Tsingtao Brewery Co., Ltd.	Shandong, China	19.99%	Interlocking directorates	122,328

(Note) The ownership interest in Tsingtao Brewery Co., Ltd. is less than 20%, but it is considered as an associate as the Group has significant influence through its participation in Tsingtao Brewery Co., Ltd.'s management (Board of Directors).

Summarized financial information for the material associate is as follows:
Tsingtao Brewery Co., Ltd.

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Assets			
Current assets	219,663	243,528	**209,883**
Non-current assets	288,957	318,566	**268,127**
Total assets	508,621	562,094	**478,010**
Liabilities			
Current liabilities	191,289	203,832	**165,823**
Non-current liabilities	43,686	48,860	**43,775**
Total liabilities	234,976	252,692	**209,598**
Equity	273,644	309,402	**268,412**

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Revenue	529,072	**450,162**
Profit	29,322	**30,687**
Other comprehensive income	19,168	**(66,949)**
Total comprehensive income	48,490	**(36,261)**
Dividend received from the associate (19.99%)	2,455	**1,604**

Reconciliation of the summarized financial information and the carrying amount of the interest in the associate is as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
Equity	273,644	309,402	**268,412**
Interest in the associate	55,280	62,605	**51,885**
Goodwill	38,779	38,869	**38,592**
Carrying amount of interest in the associate	94,060	101,474	**90,478**

(Note) With regard to Tsingtao Brewery Co., Ltd., it is impracticable to access their financial statements in a timely manner although their reporting date is the same as that of the Group, due to regulatory constraints in the jurisdictions where it is located or listed or in the light of relationships with other shareholders. As a result, the consolidated financial statements are prepared based on financial information for the period ended three months before the Group's reporting date with adjustments for the effects of important transactions and events which occurred before the Group's reporting date.

(ii) Associates that Are Not Material to the Group

Carrying amount of interest in associates that are not individually material to the Group is as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	**Current year (as of December 31, 2016)**
	131,098	89,089	**50,919**

Share of profit and share of other comprehensive income of associates that are not individually material are as follows:

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Profit	2,242	**(2,412)**
Other comprehensive income	3,951	**(15,037)**
Total comprehensive income	6,194	**(17,450)**

37. Commitments

There are no significant commitments regarding acquisition of assets.

38. Contingencies

There are no significant contingencies.

39. Events after Reporting

There are no significant events after the reporting period.

40. Additional Information

On December 13, 2016, the Group concluded a share purchase agreement (hereinafter referred to as “the Agreement”) with Anheuser-Busch InBev SA/NV (hereinafter referred to as “AB InBev”) to acquire businesses in the Czech Republic, Slovakia, Poland, Hungary and Romania and other related assets (hereinafter referred to as the “target businesses”) previously owned by SABMiller plc (hereinafter referred to as “SABMiller”), which has been subsequently acquired by AB InBev. The estimated purchase price is 7,300 million euro. In regard to the acquisition of the target businesses, a financing commitment agreement has been concluded to cover the entire acquisition cost.

Under the agreement, the Company will acquire businesses and operations in 5 countries in Central and Eastern Europe that were owned by SABMiller prior to its combination with AB InBev, as well as intellectual property rights relating to the brands, such as *Pilsner Urquell*. The target businesses maintain the top market shares in the Czech Republic (the world’s highest per capita beer-drinking country), Poland, Hungary and Romania, resulting in significant profitability on the background of their strong business platform.

41. Disclosures regarding the Transition to IFRS

These are the Group’s first consolidated financial statements in accordance with IFRS. The accounting policies set out in “5. Significant Accounting Policies” have been applied in preparing the consolidated financial statements for the current year (ended December 31, 2016) and the previous year (ended December 31, 2015), and the consolidated statement of financial position as of the transition date (January 1, 2015).

Exemptions in accordance with IFRS 1

An entity that adopts IFRS for the first time is required to apply the requirements under IFRS retrospectively. However, IFRS 1 “First-time Adoption of International Financial Reporting Standards” allows certain exemptions. The exemptions used by the Group are as follows:

(a) Business Combinations

The Group elected not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred prior to the transition date. These business combinations are accounted for under the previous GAAP (Japanese GAAP). As a result, goodwill arising from business combinations prior to the transition date is recognized at its carrying amount under Japanese GAAP.

Such goodwill was tested for impairment at the transition date, irrespective of whether or not there was any indication that the goodwill may be impaired.

(b) Deemed Cost

The Group used fair value at the transition date as deemed cost for certain items of property, plant and equipment.

(c) Cumulative Translation Difference on Foreign Operations

The Group deemed cumulative translation difference on foreign operations to be zero at the transition date.

(d) Share-based Payment

The Group did not apply IFRS 2 “Share-based Payment” to equity instruments vested prior to the transition date.

(e) Designation of Financial Instruments Recognized prior to the Transition Date

Classification under IFRS 9 is based on facts and circumstances as of the transition date, and equity instruments are designated as equity instruments measured at fair value through other comprehensive income.

Reconciliation from Japanese GAAP to IFRS

Reconciliation that is required to be disclosed on first-time adoption of IFRS is shown in the schedule below. The figures under Japanese GAAP at the transition date reflect effects of application of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012), “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015), “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013).

Reconciliation of Equity as of January 1, 2015 (Transition Date)

Presentation under Japanese GAAP	Japanese GAAP (Millions of yen)	Effect of transition (Millions of yen)	IFRS (Millions of yen)	Notes	Presentation under IFRS
Assets					Assets
Current assets					Current assets
Cash and deposits	65,064	(2,827)	62,236	(A)	Cash and cash equivalents
Notes and accounts receivable—trade	353,704	11,535	365,239	(B) (a)	Trade and other receivables
Merchandise and finished goods (including work in progress)	82,117	40,090	122,207	(C) (a)	Inventories
Raw materials and supplies	42,431	(42,431)		(C)	
Deferred tax assets	13,012	(13,012)		(D) (b)	
		10,279	10,279		Income tax receivables
		5,299	5,299	(A) (E)	Other financial assets
Other	53,042	(34,049)	18,992	(B)	Other current assets
Allowance for doubtful accounts	(5,529)	5,529		(B)	
Total current assets	603,842	(19,587)	584,254		Total current assets
Non-current assets					Non-current assets
Property, plant and equipment	605,415	(64,347)	541,067	(c)	Property, plant and equipment
Intangible assets					
Goodwill	163,936	76,109	240,046	(d)	Goodwill and intangible assets
Other intangible assets	99,930	(99,930)			
Investments and other assets					
Investment securities	375,044	(375,044)		(F)	
Long-term loans receivable	2,335	(2,335)			
Long-term prepaid expenses	12,490	(12,490)			
Net defined benefit assets	19,412	—	19,412		Net defined benefit assets
Deferred tax assets	8,470	21,713	30,184	(D) (b)	Deferred tax assets
Other non-current assets	16,116	(16,116)			
		173,364	173,364	(E)	Other financial assets
		12,590	12,590		Other non-current assets
		225,158	225,158	(F)	Investments accounted for using equity method
Allowance for doubtful accounts	(3,124)	3,124			
Total non-current assets	1,300,027	(58,201)	1,241,825		Total non-current assets
Total assets	1,903,869	(77,789)	1,826,080		Total assets

Presentation under Japanese GAAP	Millions of yen Japanese GAAP	 Effect of transition	 IFRS	Notes	Presentation under IFRS
					Liabilities and equity
Liabilities					Liabilities
Current liabilities					Current liabilities
Notes and accounts payable—trade	130,402	144,554	274,956	(G)	Trade and other payables
Short-term loans payable	173,938	106,918	280,856		Bonds and borrowings
Current portion of long-term loans payable	10,941	(10,941)			
Current portion of bonds payable	20,000	(20,000)			
Lease obligations	8,486	(8,486)			
Accrued alcohol tax	110,361	(110,361)			
Consumption tax payable	26,617	(26,617)			
Income taxes payable	27,396	33	27,430		Income tax payables
Accounts payable—other	73,097	(73,097)		(G)	
Accrued expenses	71,137	(71,137)		(G)	
Deposits received	18,255	(18,255)			
Commercial paper	76,000	(76,000)			
Provision for bonuses	4,685	(4,685)			
Other	6,054	(6,054)			
		28,066	28,066	(E)	Other financial liabilities
		147,420	147,420		Other current liabilities
Total current liabilities	757,374	1,356	758,731		Total current liabilities
Non-current liabilities					Non-current liabilities
Bonds payable	113,000	40,435	153,435		Bonds and borrowings
Long-term loans payable	40,846	(40,846)			
Lease obligations	14,810	(14,810)			
Net defined benefit liability	23,872	201	24,073		Net defined benefit liabilities
Provision for directors' retirement benefits	302	(302)			
Asset retirement obligations	430	(430)			
Deferred tax liabilities	48,611	(7,443)	41,168	(D) (b)	Deferred tax liabilities
Other	38,198	(38,198)			
		55,753	55,753	(E)	Other financial liabilities
		2,964	2,964		Other non-current liabilities
Total non-current liabilities	280,071	(2,676)	277,395		Total non-current liabilities
Total liabilities	1,037,446	(1,319)	1,036,126		Total liabilities
Net assets					Equity
Shareholders' equity					
Capital stock	182,531	—	182,531		Issued capital
Capital surplus	120,895	—	120,895		Share premium
Retained earnings	470,061	23,068	493,129	(f)	Retained earnings
Treasury shares	(58,176)	—	(58,176)		Treasury shares
Total shareholders' equity	715,311	(715,311)			
Accumulated other comprehensive income	135,693	(99,538)	36,154	(e)	Other components of equity
		774,534	774,534		Total equity attributable to owners of parent
Minority interests	15,419	0	15,419		Non-controlling interests
Total net assets	866,423	(76,469)	789,953		Total equity
Total liabilities and net assets	1,903,869	(77,789)	1,826,080		Total liabilities and equity

Notes to the Reconciliations as of January 1, 2015 (Transition Date)

(1) Reclassification of Presented Items

(A) Cash and Cash Equivalents

Fixed deposits with maturities exceeding three months were reclassified from "Cash and deposits" under Japanese GAAP to "Other financial assets" under IFRS.

(B) Trade and Other Receivables

"Notes and accounts receivable—trade" and "Allowance for doubtful accounts" which are presented separately and other receivables included in "Other" under Japanese GAAP are presented as "Trade and other receivables" under IFRS.

(C) Inventories
“Merchandise and finished goods (including work in progress)” and “Raw materials and supplies” which are presented separately under Japanese GAAP are presented as “Inventories” under IFRS.

(D) Deferred Tax Assets and Deferred Tax Liabilities
“Deferred tax assets” and “Deferred tax liabilities” which are presented separately under current assets and current liabilities under Japanese GAAP are presented under non-current assets and non-current liabilities under IFRS.

(E) Other Financial Assets and Other Financial Liabilities
“Other financial assets” and “Other financial liabilities” are presented separately based on the presentation requirements of IFRS.

(F) Investments accounted for using Equity Method
“Investments accounted for using equity method” which is included in “Investment securities” under Japanese GAAP is presented separately under IFRS.

(G) Trade and Other Payables
“Notes and accounts payable—trade,” “Accounts payable—other,” “Accrued expenses” and other payables which are presented separately under Japanese GAAP are presented as “Trade and other payables” under IFRS.

(2) Differences in Recognition and Measurement

(a) Trade Receivables and Inventories
The Group recognizes revenue upon delivery of goods to customers under IFRS whereas revenue from certain types of sales of goods had been previously recognized upon shipment under Japanese GAAP. The Group recognizes expenses when it purchases goods to be kept mainly for advertisement or sales promotion whereas it had recognized those kinds of goods as inventories under Japanese GAAP. Adjustments due to those differences have been reflected in retained earnings.

(b) Deferred Tax Assets and Deferred Tax Liabilities
Deferred tax assets increased after reconsidering future taxable income which temporary deductible differences will be utilized for in accordance with IFRS. The tax effect as well as those arising from differences in accounting between Japanese GAAP and IFRS has been recognized in retained earnings.

(c) Property, Plant and Equipment
The Group recognizes certain items as property, plant and equipment which had been recognized as expenses when purchased because they are individually immaterial under Japanese GAAP, and it resulted in an increase in property, plant and equipment under IFRS. The useful lives were reconsidered upon transition to IFRS and it resulted in a decrease in accumulated depreciation of property, plant and equipment. The effect has been recognized in retained earnings. As to certain items of property, plant and equipment, the Group elected to use the fair value at the transition date as their deemed cost, and it resulted in a decrease in their value. The carrying amount of these items of property, plant and equipment under Japanese GAAP was ¥166,468 million, and their fair value was ¥88,391 million.

(d) Goodwill
The Group recognized impairment losses as a result of impairment testing for goodwill at the transition date and deducted them from retained earnings. Impairment losses amounted to ¥15,397 million for the soft drink business in Malaysia and ¥14,833 million for the dairy product business in Malaysia, respectively, due to future cash flows that were initially expected could no longer be expected under Overseas segment which the Malaysian businesses belong to.

The recoverable amounts were based on their value in use and amounted to ¥15,748 million and ¥16,788 million, respectively. The value in use is calculated by discounting the estimated cash flows to present value, which are based on business plans and growth rates that reflect previous experience and external information and have been approved by management. Growth rates are determined with reference to factors such as inflation rates in the markets which the cash-generating units belong to. Discount rates are determined with reference to the pre-tax weighted average cost of capital for the cash-generating units. The average discount rates used in the calculation of value in use are 14.0% and 14.8% for the soft drink business and the dairy product business in Malaysia, respectively.

(e) Other Components of Equity
Cumulative translation difference on foreign operations presented in accumulated other comprehensive income under Japanese GAAP at the transition date has been fully reclassified to retained earnings since the Group has applied the exemption on transition to IFRS. Also, the Group has recognized actuarial differences arising from defined benefit plans in other comprehensive income and immediately reclassified all of them to retained earnings under IFRS, whereas actuarial differences had been subsequently reclassified to profit or loss over a certain period of time beginning from the following year in which they arise under Japanese GAAP.

(f) Retained Earnings

	Millions of yen
	Amount
Reconciliation for trade receivables and inventories (refer to (a))	(2,981)
Reconciliation for deferred tax assets and deferred tax liabilities (refer to (b))	27,834
Reconciliation for property, plant and equipment (refer to (c))	(71,217)
Reconciliation for goodwill (refer to (d))	(30,231)
Reconciliation for other components of equity (refer to(e))	98,686
Other	977
Total	23,068

Reconciliation of Equity as of December 31, 2015

Presentation under Japanese GAAP	Japanese GAAP	Effect of transition	IFRS	Notes	Presentation under IFRS
	Millions of yen				
Assets					Assets
Current assets					Current assets
Cash and deposits	48,210	(4,919)	43,290	(A)	Cash and cash equivalents
Notes and accounts receivable—trade	362,240	9,803	372,043	(B) (a)	Trade and other receivables
Merchandise and finished goods (including work in progress)	91,200	38,294	129,494	(C) (a)	Inventories
Raw materials and supplies	41,114	(41,114)		(C)	
Deferred tax assets	15,048	(15,048)		(D) (b)	
		4,525	4,525		Income tax receivables
		6,360	6,360	(A) (E)	Other financial assets
Other	47,546	(25,714)	21,832	(B)	Other current assets
Allowance for doubtful accounts	(4,861)	4,861		(B)	
Total current assets	600,498	(22,951)	577,547		Total current assets
Non-current assets					Non-current assets
Property, plant and equipment	582,098	(63,522)	518,576	(c)	Property, plant and equipment
Intangible assets					
Goodwill	145,104	78,380	223,485	(d)	Goodwill and intangible assets
Other intangible assets	90,444	(90,444)			
Investments and other assets					
Investment securities	422,469	(422,469)		(F)	
Long-term loans receivable	2,458	(2,458)			
Long-term prepaid expenses	11,905	(11,905)			
Net defined benefit assets	24,574	780	25,354		Net defined benefit assets
Deferred tax assets	8,183	13,749	21,932	(D) (b)	Deferred tax assets
Other non-current assets	16,388	(16,388)			
		236,110	236,110	(E)	Other financial assets
		11,103	11,103		Other non-current assets
		190,563	190,563	(F) (e)	Investments accounted for using equity method
Allowance for doubtful accounts	(2,571)	2,571			
Total non-current assets	1,301,056	(73,930)	1,227,126		Total non-current assets
Total assets	1,901,554	(96,881)	1,804,673		Total assets

Presentation under Japanese GAAP	Millions of yen Japanese GAAP	 Effect of transition	 IFRS	Notes	Presentation under IFRS
					Liabilities and equity
Liabilities					Liabilities
Current liabilities					Current liabilities
Notes and accounts payable—trade	126,800	146,292	273,092	(G)	Trade and other payables
Short-term loans payable	148,750	100,459	249,209		Bonds and borrowings
Current portion of long-term loans payable	7,489	(7,489)			
Current portion of bonds payable	30,000	(30,000)			
Lease obligations	7,567	(7,567)			
Accrued alcohol tax	110,044	(110,044)			
Accrued consumption taxes	17,857	(17,857)			
Income taxes payable	23,460	16	23,476		Income tax payables
Accounts payable—other	69,521	(69,521)		(G)	
Accrued expenses	76,655	(76,655)		(G)	
Deposits received	18,076	(18,076)			
Commercial paper	63,000	(63,000)			
Provision for bonuses	4,917	(4,917)			
Other	11,053	(11,053)			
		27,038	27,038	(E)	Other financial liabilities
		143,770	143,770		Other current liabilities
Total current liabilities	715,193	1,395	716,588		Total current liabilities
Non-current liabilities					Non-current liabilities
Bonds payable	118,000	47,231	165,231		Bonds and borrowings
Long-term loans payable	47,690	(47,690)			
Lease obligations	11,590	(11,590)			
Net defined benefit liability	23,377	13	23,391		Net defined benefit liabilities
Provision for directors' retirement benefits	237	(237)			
Asset retirement obligations	441	(441)			
Deferred tax liabilities	54,445	(17,199)	37,245	(D) (b)	Deferred tax liabilities
Other	38,748	(38,748)			
		55,746	55,746	(E)	Other financial liabilities
		2,787	2,787		Other non-current liabilities
Total non-current liabilities	294,531	(10,129)	284,402		Total non-current liabilities
Total liabilities	1,009,725	(8,734)	1,000,991		Total liabilities
Net assets					Equity
Shareholders' equity					
Capital stock	182,531	—	182,531		Issued capital
Capital surplus	120,524	—	120,524		Share premium
Retained earnings	524,859	24,225	549,084	(g)	Retained earnings
Treasury shares	(77,377)	—	(77,377)		Treasury shares
Total shareholders' equity	750,537	(750,537)			
Accumulated other comprehensive income	127,134	(112,477)	14,657	(f)	Other components of equity
		789,420	789,420		Total equity attributable to owners of parent
Minority interests	14,157	104	14,261		Non-controlling interests
Total net assets	891,829	(88,147)	803,682		Total equity
Total liabilities and net assets	1,901,554	(96,881)	1,804,673		Total liabilities and equity

Notes to the Reconciliations as of December 31, 2015

(1) Reclassification of Presented Items

(A) Cash and Cash Equivalents

Fixed deposits with maturities exceeding three months were reclassified from "Cash and deposits" under Japanese GAAP to "Other financial assets" under IFRS.

(B) Trade and Other Receivables

"Notes and accounts payable—trade" and "Allowance for doubtful accounts" which are presented separately and other receivables included in "Other" under Japanese GAAP are presented as "Trade and other receivables" under IFRS.

(C) Inventories

"Merchandise and finished goods (including work in progress)" and "Raw materials and supplies" which are presented separately under Japanese GAAP are presented as "Inventories" under IFRS.

(D) Deferred Tax Assets and Deferred Tax Liabilities
“Deferred tax assets” and “Deferred tax liabilities” which are presented separately under current assets and current liabilities under Japanese GAAP are presented under non-current assets and non-current liabilities under IFRS.

(E) Other Financial Assets and Other Financial Liabilities
“Other financial assets” and “Other financial liabilities” are presented separately based on the presentation requirements of IFRS.

(F) Investments accounted for using Equity Method
“Investments accounted for using equity method” which is included in “Investment securities” under Japanese GAAP is presented separately under IFRS.

(G) Trade and Other Payables
“Notes and accounts payable—trade,” “Accounts payable—other,” “Accrued expenses” and other payables which are presented separately under Japanese GAAP are presented as “Trade and other payables” under IFRS.

(2) Differences in Recognition and Measurement

(a) Trade Receivables and Inventories
The Group recognizes revenue upon delivery of goods to customers under IFRS whereas revenue from certain types of sales of goods had been previously recognized upon shipment under Japanese GAAP. The Group recognizes expenses when it purchases goods to be kept mainly for advertisement or sales promotion whereas it had recognized those kinds of goods as inventories under Japanese GAAP. Adjustments due to those differences have been reflected in retained earnings.

(b) Deferred Tax Assets and Deferred Tax Liabilities
Deferred tax assets increased after reconsidering future taxable income which temporary deductible differences will be utilized for in accordance with IFRS. The tax effect as well as those arising from differences in accounting between Japanese GAAP and IFRS has been recognized in retained earnings.

(c) Property, Plant and Equipment
The Group recognizes certain items as property, plant and equipment which had been recognized as expenses when purchased because they are individually immaterial under Japanese GAAP, and it resulted in an increase in property, plant and equipment under IFRS. The useful lives were reconsidered upon transition to IFRS and it resulted in a decrease in accumulated depreciation of property, plant and equipment. The effect has been recognized in retained earnings. As to certain items of property, plant and equipment, the Group elected to use the fair value at the transition date as their deemed cost, and it resulted in a decrease in their value. The carrying amount of these items of property, plant and equipment under Japanese GAAP was ¥166,468 million, and their fair value was ¥88,391 million.

(d) Goodwill
The Group recognized impairment losses as a result of impairment testing for goodwill at the transition date and deducted them from retained earnings. Impairment losses amounted to ¥30,231 million for a business in the Overseas segment which related good- will had been allocated to, due to future cash flows that were initially expected could no longer be expected (Please refer to (2) (d) of “Notes to the Reconciliations as of January 1, 2015 (Transition Date)” for details). Goodwill had been amortized over the estimated useful lives under Japanese GAAP, but will no longer be amortized under IFRS on and after the transition date. The effect has been recognized in retained earnings.

(e) Investments accounted for using Equity Method
Goodwill included in investments accounted for using the equity method had been amortized over the estimated useful lives under Japanese GAAP, but will no longer be amortized under IFRS on and after the transition date. The effect has been recognized in such investments.

(f) Other Components of Equity
Cumulative translation difference on foreign operations presented in accumulated other comprehensive income under Japanese GAAP at the transition date has been fully reclassified to retained earnings since the Group has applied the exemption on transition to IFRS. Also, the Group has recognized actuarial differences arising from defined benefit plans in other comprehensive income and immediately reclassified all of them to retained earnings under IFRS, whereas actuarial differences had been subsequently reclassified to profit or loss over a certain period of time beginning from the following year in which they arise under Japanese GAAP.

(g) Retained Earnings

	Millions of yen
	Amount
Reconciliation for trade receivables and inventories (refer to (a))	(2,934)
Reconciliation for deferred tax assets and deferred tax liabilities (refer to (b))	23,260
Reconciliation for property, plant and equipment (refer to (c))	(73,919)
Reconciliation for goodwill (refer to (d))	(25,430)
Reconciliation for investments accounted for using equity method (refer to (e))	3,542
Reconciliation for other components of equity (refer to (f))	101,622
Other	(1,916)
Total	24,225

Reconciliation of Comprehensive Income for the Year ended December 31, 2015

Presentation under Japanese GAAP	Japanese GAAP (Millions of yen)	Effect of transition (Millions of yen)	IFRS (Millions of yen)	Notes	Presentation under IFRS
Net sales	1,857,418	(167,890)	1,689,527	(a) (c)	Revenue
Cost of sales	(1,100,519)	(2,320)	(1,102,839)	(A) (a) (b)	Cost of sales
Gross profit	756,899	(170,211)	586,688		Gross profit
Selling, general and administrative expenses	(621,779)	175,783	(445,996)	(A) (b) (c)	Selling, general and administrative expenses
		3,514	3,514	(A)	Other operating income
		(47,580)	(47,580)	(A)	Other operating expense
Operating income	135,119	(38,493)	96,626		Operating profit
Non-operating income					
Interest income	583	(583)			
Dividend income	2,112	(2,112)			
Share of profit of entities accounted for using equity method	14,167	(14,167)			
Other	2,526	(2,526)			
Total non-operating income	19,389	(19,389)			
Non-operating expenses					
Interest expenses	(3,615)	3,615			
Other	(4,947)	4,947			
Total non-operating expenses	(8,562)	8,562			
Ordinary income	145,946	(145,946)			
Extraordinary income	7,961	(7,961)			
Extraordinary losses	(41,157)	41,157			
		3,011	3,011	(A)	Finance income
		(5,095)	(5,095)	(A)	Finance costs
		17,627	17,627	(A)	Share of profit (loss) of entities accounted for using equity method
		5,394	5,394		Gain on remeasurements related to business combinations
Income before income taxes and minority interests	112,750	4,812	117,563		Profit before tax
Income taxes					
Current	(42,532)	(430)	(42,962)		Income tax expense
Deferred	4,920	(4,920)			
Income before minority interests	75,138	(538)	74,600		Profit

Presentation under Japanese GAAP	Japanese GAAP (Millions of yen)	Effect of transition (Millions of yen)	IFRS (Millions of yen)	Notes	Presentation under IFRS
Other comprehensive income					Other comprehensive income
					Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	16,950	(18,023)	(1,073)		Changes in fair value of financial instruments measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	618	2,374	2,992	(b)	Remeasurements of defined benefit plans
Share of other comprehensive income of affiliated companies accounted for using equity method	7,382	(7,386)	(4)		Share of other comprehensive income of entities accounted for using equity method
					Items that might be reclassified to profit or loss
Deferred gains or losses on hedges	136	(334)	(197)		Cash flow hedges
Foreign currency translation adjustment	(35,093)	5,334	(29,759)		Translation difference on foreign operations
		6,532	6,532		Share of other comprehensive income of entities accounted for using equity method
Total other comprehensive income	(10,005)	(11,503)	(21,509)		Total other comprehensive income
Comprehensive income	65,133	(12,042)	53,090		Total comprehensive income

Notes to the Reconciliations of Comprehensive Income for the Year ended December 31, 2015

(1) Reclassification of Presented Items

(A) Cost of sales, other operating income (expense), selling, general and administrative expenses, share of profit (loss) of entities accounted for using equity method, finance income, and finance costs

Items presented as non-operating income, non-operating expenses, extraordinary income, and extraordinary losses under Japanese GAAP are presented as finance income and finance costs for finance-related items, and as cost of sales, other operating income (expense), selling, general and administrative expenses, and share of profit (loss) of entities accounted for using equity method for the other items under IFRS.

(2) Differences in Recognition and Measurement

(a) Revenue and cost of sales

Net sales are recognized primarily upon shipment under Japanese GAAP, whereas revenue is recognized primarily upon delivery of goods. In addition, certain rebates and some other items were presented in selling, general and administrative expenses under Japanese GAAP, whereas they are deducted from revenue under IFRS.

(b) Cost of sales, selling, general and administrative expenses, and remeasurements of defined benefit plans

Under Japanese GAAP, actuarial gains and losses on defined benefit plans are amortized over a certain period of time, beginning from the year following the year they are incurred. However, all actuarial gains and losses are recognized in other comprehensive income and immediately reclassified to retained earnings under IFRS.

(c) Selling, general and administrative expenses

Under Japanese GAAP, certain rebates and some other items were presented as selling, general and administrative expenses, whereas they are deducted from revenue under IFRS. In addition, goodwill was amortized over the estimated useful lives under Japanese GAAP, but is not amortized under IFRS.

Reconciliation of Cash Flows for the Year ended December 31, 2015

There are no material differences between the consolidated statements of cash flows that were disclosed in accordance with Japanese GAAP and that in accordance with IFRS.

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Index to the Unaudited Quarterly Condensed Consolidated Financial Statements

1. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position (as of December 31, 2016 and June 30, 2017)

	Notes	Millions of yen Previous Year (as of December 31, 2016)	**The Second Quarter of the year ending Dec. 31, 2017 (as of June 30, 2017)**
Assets			
Current assets			
Cash and cash equivalents		48,459	**83,793**
Trade and other receivables		397,340	**395,243**
Inventories		136,460	**169,662**
Income tax receivables		14,161	**20,862**
Other financial assets		3,428	**5,383**
Other current assets		31,934	**35,616**
Subtotal		631,784	**710,562**
Assets held for sale	6	3,241	**—**
Total current assets		635,026	**710,562**
Non-current assets			
Property, plant and equipment	7	570,771	**700,325**
Goodwill and intangible assets	8	491,538	**1,376,881**
Investments accounted for using equity method		141,398	**144,296**
Other financial assets		198,586	**196,873**
Deferred tax assets		18,825	**17,842**
Net defined benefit assets		18,942	**19,610**
Other non-current assets		11,293	**16,482**
Total non-current assets		1,451,355	**2,472,312**
Total assets		2,086,381	**3,182,874**

	Notes	Millions of yen Previous Year (as of December 31, 2016)	**The Second Quarter of the year ending Dec. 31, 2017 (as of June 30, 2017)**
Liabilities and equity			
Current liabilities			
Trade and other payables		332,639	**404,884**
Bonds and borrowings	9 12	281,870	**902,151**
Income tax payables		34,957	**36,306**
Other financial liabilities		26,352	**27,224**
Other current liabilities		142,828	**158,374**
Subtotal		818,649	**1,528,941**
Liabilities directly related to assets held for sale	6	907	**—**
Total current liabilities		819,556	**1,528,941**
Non-current liabilities			
Bonds and borrowings	12	288,490	**550,513**
Net defined benefit liabilities		25,789	**27,030**
Deferred tax liabilities		49,302	**51,036**
Other financial liabilities		54,127	**53,126**
Other non-current liabilities		3,009	**4,332**
Total non-current liabilities		420,719	**686,039**
Total liabilities		1,240,276	**2,214,981**
Equity			
Issued capital		182,531	**182,531**
Share premium		118,668	**118,695**
Retained earnings		589,935	**622,875**
Treasury shares		(76,709)	**(76,725)**
Other components of equity		21,927	**110,934**
Total equity attributable to owners of parent		836,354	**958,311**
Non-controlling interests		9,750	**9,581**
Total equity		846,105	**967,892**
Total liabilities and equity		2,086,381	**3,182,874**

(2) Condensed Consolidated Statement of Profit or Loss (ended June 30, 2016 and 2017)

For the six months ended June 30

	Notes	Millions of yen For the six months ended June 30, 2016	**For the six months ended June 30, 2017**
Revenue		778,867	**937,375**
Cost of sales		(500,863)	**(587,114)**
Gross profit		278,003	**350,260**
Selling, general and administrative expenses		(223,433)	**(275,727)**
Other operating income		2,876	**915**
Other operating expense		(4,676)	**(4,712)**
Operating profit		52,769	**70,735**
Finance income		1,932	**1,720**
Finance costs		(3,066)	**(5,007)**
Share of profit (loss) of entities accounted for using equity method		(3,963)	**(3,749)**
Profit before tax		47,673	**63,698**
Income tax expense		(17,330)	**(20,461)**
Profit		30,342	**43,236**
Profit attributable to:			
Owners of parent		30,747	**43,303**
Non-controlling interests		(405)	**(66)**
Total		30,342	**43,236**
Basic earnings per share (Yen)	11	67.12	**94.52**
Diluted earnings per share (Yen)	11	67.11	**94.52**

For the three months ended June 30

	Notes	Millions of yen For the three months ended June 30, 2016	**For the three months ended June 30, 2017**
Revenue		432,920	**558,198**
Cost of sales		(274,777)	**(341,833)**
Gross profit		158,142	**216,365**
Selling, general and administrative expenses		(116,064)	**(156,825)**
Other operating income		420	**230**
Other operating expense		(2,630)	**(2,677)**
Operating profit		39,868	**57,092**
Finance income		1,498	**1,398**
Finance costs		(1,003)	**(2,394)**
Share of profit (loss) of entities accounted for using equity method		2,283	**1,702**
Profit before tax		42,647	**57,800**
Income tax expense		(14,366)	**(17,288)**
Profit		28,280	**40,511**
Profit attributable to:			
Owners of parent		28,597	**40,512**
Non-controlling interests		(317)	**(1)**
Total		28,280	**40,511**
Basic earnings per share (Yen)	11	62.42	**88.43**
Diluted earnings per share (Yen)	11	62.42	**88.43**

(3) Condensed Consolidated Statement of Comprehensive Income (ended June 30, 2016 and 2017)

For the six months ended June 30

	Millions of yen	
	For the six months ended June 30, 2016	**For the six months ended June 30, 2017**
Profit	30,342	**43,236**
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	(18,904)	**3,708**
Remeasurements of defined benefit plans	—	**18**
Items that might be reclassified to profit or loss		
Cash flow hedges	(8,936)	**(12,254)**
Translation difference on foreign operations	(26,315)	**83,221**
Share of other comprehensive income of entities accounted for using equity method	(10,322)	**4,500**
Total other comprehensive income	(64,479)	**79,194**
Total comprehensive income	(34,136)	**122,431**
Total comprehensive income attributable to:		
Owners of parent	(32,344)	**122,719**
Non-controlling interests	(1,791)	**(288)**

For the three months ended June 30

	Millions of yen	
	For the three months ended June 30, 2016	**For the three months ended June 30, 2017**
Profit	28,280	**40,511**
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	(5,799)	**3,724**
Remeasurements of defined benefit plans	—	**18**
Items that might be reclassified to profit or loss		
Cash flow hedges	(9,129)	**283**
Translation difference on foreign operations	(20,258)	**90,050**
Share of other comprehensive income of entities accounted for using equity method	(7,363)	**(1,864)**
Total other comprehensive income	(42,550)	**92,213**
Total comprehensive income	(14,269)	**132,724**
Total comprehensive income attributable to:		
Owners of parent	(12,989)	**132,723**
Non-controlling interests	(1,280)	**0**

(4) Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2016

		Millions of yen											
		Equity attributable to owners of parent											
						Other components of equity							
	Notes	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	Translation difference on foreign operations	Total other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2016		182,531	120,524	549,084	(77,377)	36,596	—	(138)	(21,800)	14,657	789,420	14,261	803,682
Comprehensive income													
Profit				30,747						—	30,747	(405)	30,342
Other comprehensive income						(18,861)		(8,936)	(35,294)	(63,092)	(63,092)	(1,386)	(64,479)
Total comprehensive income		—	—	30,747	—	(18,861)	—	(8,936)	(35,294)	(63,092)	(32,344)	(1,791)	(34,136)
Transfer to non-financial assets								214		214	214		214
Transactions with owners													
Dividends	10			(11,905)						—	(11,905)	(516)	(12,422)
Purchase of treasury shares					(8)					—	(8)		(8)
Disposal of treasury shares			(303)		689					—	386		386
Changes through business combinations										—	—		—
Share-based payment transaction										—	—		—
Transfer from other components of equity to retained earnings				1,016		(1,016)				(1,016)	—		—
Other increase (decrease)										—	—	11	11
Total contributions by owners and distribution to owners		—	(303)	(10,888)	680	(1,016)	—	—	—	(1,016)	(11,527)	(504)	(12,032)
Acquisition of non-controlling interests without change in control										—	—		—
Total changes in the ownership interest in subsidiaries		—	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners		—	(303)	(10,888)	680	(1,016)	—	—	—	(1,016)	(11,527)	(504)	(12,032)
Balance as of June 30, 2016		182,531	120,221	568,943	(76,696)	16,718	—	(8,860)	(57,095)	(49,236)	745,762	11,965	757,727

For the six months ended June 30, 2017

		Millions of yen											
		Equity attributable to owners of parent											
						Other components of equity							
	Notes	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	Translation difference on foreign operations	Total other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2017		**182,531**	**118,668**	**589,935**	**(76,709)**	**51,881**	—	**(219)**	**(29,734)**	**21,927**	**836,354**	**9,750**	**846,105**
Comprehensive income													
Profit				**43,303**						—	**43,303**	**(66)**	**42,236**
Other comprehensive income						**3,708**	**18**	**(12,223)**	**87,912**	**79,416**	**79,416**	**(221)**	**79,194**
Total comprehensive income		—	—	**43,303**	—	**3,708**	**18**	**(12,223)**	**87,912**	**79,416**	**122,719**	**(288)**	**122,431**
Transfer to non-financial assets								**12,054**		**12,054**	**12,054**		**12,054**
Transactions with owners													
Dividends	10			**(12,827)**						—	**(12,827)**	**(405)**	**(13,232)**
Purchase of treasury shares					**(16)**					—	**(16)**		**(16)**
Disposal of treasury shares			**0**		**0**					—	**0**		**0**
Changes through business combinations	14									—	—	**300**	**300**
Share-based payment transaction			**24**							—	**24**		**24**
Transfer from other components of equity to retained earnings				**2,463**		**(2,444)**	**(18)**			**(2,463)**	—		—
Other increase (decrease)										—	—	**266**	**266**
Total contributions by owners and distribution to owners		—	**24**	**(10,364)**	**(16)**	**(2,444)**	**(18)**	—	—	**(2,463)**	**(12,819)**	**161**	**(12,658)**
Acquisition of non-controlling interests without change in control			**2**							—	**2**	**(42)**	**(39)**
Total changes in the ownership interest in subsidiaries		—	**2**	—	—	—	—	—	—	—	**2**	**(42)**	**(39)**
Total transactions with owners		—	**27**	**(10,364)**	**(16)**	**(2,444)**	**(18)**	—	—	**(2,463)**	**(12,816)**	**118**	**(12,698)**
Balance as of June 30, 2017		**182,531**	**118,695**	**622,875**	**(76,725)**	**53,144**	—	**(388)**	**58,178**	**110,934**	**958,311**	**9,581**	**967,892**

(5) Condensed Consolidated Statement of Cash Flows

	Notes	Millions of yen For the six months ended June 30, 2016	**For the six months ended June 30, 2017**
Cash flows from (used in) operating activities			
Profit before tax		47,673	**63,698**
Depreciation and amortization expenses		33,939	**42,162**
Interest and dividend income		(1,932)	**(1,711)**
Interest expenses		1,767	**2,810**
Share of loss (profit) of entities accounted for using equity method		3,963	**3,749**
Losses (gains) on sales and disposals of property, plant and equipment		(646)	**747**
Decrease (increase) in trade receivables		47,272	**32,976**
Decrease (increase) in inventories		(17,534)	**(18,253)**
Increase (decrease) in trade payables		(19,221)	**(7,781)**
Increase (decrease) in accrued alcohol tax		(1,280)	**(294)**
Increase (decrease) in net defined benefit assets and liabilities		(761)	**(62)**
Other		(6,793)	**13,151**
Subtotal		86,445	**131,192**
Interest and dividends received		3,023	**2,897**
Interest paid		(1,698)	**(2,010)**
Income taxes paid		(25,510)	**(43,280)**
Net cash flows from (used in) operating activities		62,260	**88,798**
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(23,914)	**(27,222)**
Proceeds from sales of property, plant and equipment		3,025	**1,991**
Purchase of intangible assets		(3,722)	**(3,193)**
Purchase of investment securities		(843)	**(1,193)**
Proceeds from sales of financial assets		2,288	**6,498**
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	13	—	**(896,609)**
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation		—	**2,656**
Other		1,345	**(3,315)**
Net cash flows from (used in) investing activities		(21,820)	**(920,388)**
Cash flows from (used in) financing activities			
Increase (decrease) in short-term borrowings		(14,632)	**622,805**
Payments of finance lease liabilities		(5,330)	**(4,902)**
Proceeds from long-term borrowings		5,794	**7,688**
Repayments of long-term borrowings		(4,216)	**(27,251)**
Proceeds from issuance of bonds		—	**278,903**
Purchase of treasury shares		(8)	**(16)**
Dividends paid	10	(11,905)	**(12,827)**
Proceeds from share issuance to non-controlling shareholders		—	**261**
Other		(16)	**42**
Net cash flows from (used in) financing activities		(30,316)	**864,704**
Effect of exchange rate changes on cash and cash equivalents		(1,935)	**2,219**
Net increase (decrease) in cash and cash equivalents		8,188	**35,333**
Cash and cash equivalents at beginning of period		43,290	**48,459**
Cash and cash equivalents at end of period		51,479	**83,793**

Notes to the Condensed 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.

The Group's condensed consolidated financial statements for the six months ended June 30, 2017 were authorized for issue by Akiyoshi Koji, President and Representative Director, and Kenji Hamada, Chief Financial Officer, on August 10, 2017.

2. Basis of Preparation

The Company's condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" (IAS 34) and do not include all of the information required for full annual consolidated financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

The preparation of 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. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed by management on an ongoing basis. The effects of revisions to these estimates and assumptions are recognized in the period in which the estimates and assumptions are revised and in the future period. The estimates and underlying assumptions that have significant effects on the amounts recognized in the Group's condensed consolidated financial statements are same as those of previous fiscal year, in principle.

The Group's condensed consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. Amounts presented in the Company's condensed consolidated financial statements are rounded down to the nearest million yen.

3. Significant Accounting Policies

The significant accounting policies applied in the preparation of the condensed consolidated financial statements are the same as the accounting policies applied in the year ended December 31, 2016.

4. Seasonality of Operations

The Group's results show seasonal variations since demand for our core alcohol beverages and soft drinks are particularly higher in the summer season.

5. 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 (happoshu), distilled spirits (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 the performance of each operating segment based on the results of measure of segment profit or loss.

(2) Segment Results

For the six months ended June 30, 2016

	Millions of yen							
	Alcohol Beverages	Soft Drinks	Food	Overseas	Other	Segment total	Adjustments	Consolidated
Revenue:								
External customers	430,854	166,146	52,291	108,533	21,041	778,867	—	778,867
Intersegment	12,735	3,176	818	1,266	27,607	45,605	(45,605)	—
Total revenue	443,590	169,322	53,110	109,800	48,648	824,472	(45,605)	778,867
Segment profit	43,694	10,426	5,909	2,098	269	62,398	(9,628)	52,769

Adjustments to the segment profit of ¥(9,628) million include overhead costs of ¥(9,517) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥(110) million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company.

For the six months ended June 30, 2017

	Millions of yen							
	Alcohol Beverages	Soft Drinks	Food	Overseas	Other	Segment total	Adjustments	Consolidated
Revenue:								
External customers	**431,089**	**174,494**	**54,346**	**254,884**	**22,559**	**937,375**	**—**	**937,375**
Intersegment	**13,605**	**3,789**	**849**	**1,179**	**28,641**	**48,066**	**(48,066)**	**—**
Total revenue	**444,694**	**178,284**	**55,196**	**256,063**	**51,201**	**985,441**	**(48,066)**	**937,375**
Segment profit	**44,668**	**14,870**	**5,646**	**15,356**	**261**	**80,803**	**(10,067)**	**70,735**

Adjustments to the segment profit of ¥(10,067) million include overhead costs of ¥(9,613) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥(454) million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company.

For the three months ended June 30, 2016

	Millions of yen							
	Alcohol Beverages	Soft Drinks	Food	Overseas	Other	Segment total	Adjustments	Consolidated
Revenue:								
External customers	247,154	96,848	27,256	50,757	10,904	432,920	—	432,920
Intersegment	7,359	1,949	448	644	15,890	26,292	(26,292)	—
Total revenue	254,514	98,797	27,704	51,402	26,794	459,212	(26,292)	432,920
Segment profit	29,705	11,129	2,925	488	756	45,005	(5,137)	39,868

Adjustments to the segment profit of ¥(5,137) million include overhead costs of ¥(5,150) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥(12) million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company.

For the three months ended June 30, 2017

	Millions of yen							
	Alcohol Beverages	Soft Drinks	Food	Overseas	Other	Segment total	Adjustments	Consolidated
Revenue:								
External customers	**246,768**	**100,767**	**27,772**	**171,070**	**11,820**	**558,198**	**—**	**558,198**
Intersegment	**7,500**	**2,365**	**443**	**831**	**16,162**	**27,303**	**(27,303)**	**—**
Total revenue	**254,268**	**103,132**	**28,215**	**171,902**	**27,982**	**585,502**	**(27,303)**	**558,198**
Segment profit	**30,518**	**12,394**	**2,415**	**16,085**	**1,201**	**62,615**	**(5,522)**	**57,092**

Adjustments to the segment profit of ¥(5,522) million include overhead costs of ¥(5,136) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥(386) million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company.

(Significant Increase in Assets due to Subsidiary Acquisition)
Assets of the "Overseas" segment have increased to ¥1,988,572 million by ¥1,034,801 million in the six months ended June 30, 2017 from the end of the previous year, mainly because the Company has acquired businesses and operations in Central and Eastern Europe belonging to the "Overseas" segment.

6. Disposal Groups Held for Sale

The disposal groups held for sale as of the end of the previous year are composed of assets and liabilities held by 3 consolidated subsidiaries belonging to the "Overseas" segment. The Group has completed the sale of shares in those subsidiaries respectively in January and February 2017.

7. Property, Plant and Equipment

Property, plant and equipment have increased ¥129,554 million in the six months ended June 30, 2017, mainly because the Company has acquired businesses and operations in Central and Eastern Europe belonging to the "Overseas" segment (refer to "14. Business Combination" for details).

8. Goodwill and Intangible Assets

Goodwill and intangible assets have increased ¥885,342 million in the six months ended June 30, 2017, mainly because the Company has acquired businesses and operations in Central and Eastern Europe belonging to the "Overseas" segment (refer to "14. Business Combination" for details).

9. Bonds and Borrowings (including Other Financial Liabilities)

(1) Bonds
The bonds totaling ¥280,000 million have been issued in the six months ended June 30, 2017. The details of the issued bonds are as follows:

Issuer	Type	Issue date	Issuance amount (Millions of yen)	Maturity date (Interest rate)
The Company	The 9th Issue of Unsecured Corporate Bond	June 13, 2017	100,000	June 12, 2020 (0.080%)
The Company	The 10th Issue of Unsecured Corporate Bond	June 13, 2017	130,000	June 13, 2022 (0.170%)
The Company	The 11th Issue of Unsecured Corporate Bond	June 13, 2017	20,000	June 13, 2024 (0.230%)
The Company	The 12th Issue of Unsecured Corporate Bond	June 13, 2017	30,000	June 11, 2027 (0.330%)
Total	—	—	280,000	

(2) Borrowings
Short-term borrowings have increased ¥543,332 million in the six months ended June 30, 2017, mainly because the Company has acquired businesses and operations in Central and Eastern Europe belonging to the "Overseas" segment.

10. Dividends

For the six months ended June 30, 2016
(1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on March 24, 2016	Ordinary shares	11,905	26.00	Dec. 31, 2015	Mar. 25, 2016

(2) Dividends that will be effective in the following six months of the reference date

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Board of Directors meeting held on August 3, 2016	Ordinary shares	Retained earnings	11,911	26.00	Jun. 30, 2016	Sep. 1, 2016

For the six months ended June 30, 2017
(1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Annual General Meeting of Shareholders held on March 28, 2017	Ordinary shares	**12,827**	**28.00**	Dec. 31, 2016	Mar. 29, 2017

(2) Dividends that will be effective in the following six months of the reference date

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Board of Directors meeting held on August 3, 2017	Ordinary shares	Retained earnings	**13,743**	**30.00**	Jun. 30, 2017	Sep. 1, 2017

11. Earnings per Share

For the six months ended June 30
(1) Basic Earnings per Share and Diluted Earnings per Share

	For the six months ended June 30, 2016	**For the six months ended June 30, 2017**
Basic earnings per share (Yen)	67.12	**94.52**
Diluted earnings per share (Yen)	67.11	**94.52**

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

	For the six months ended June 30, 2016	**For the six months ended June 30, 2017**
Profit attributable to owners of parent (Millions of yen)	30,747	**43,303**
Weighted average number of ordinary shares outstanding (Shares)	458,111,877	**458,130,380**
Effect of dilution (Shares):		
Warrant	33,430	**—**
Stock Distribution Trust for Directors	—	**11,816**
Adjusted weighted average number of ordinary shares outstanding (Shares)	458,145,307	**458,142,196**
Description of equity instruments not included in calculation of diluted earnings per share because they were not dilutive for the year	—	**—**

For the three months ended June 30
(1) Basic Earnings per Share and Diluted Earnings per Share

	For the three months ended June 30, 2016	**For the three months ended June 30, 2017**
Basic earnings per share (Yen)	62.42	**88.43**
Diluted earnings per share (Yen)	62.42	**88.43**

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

	For the three months ended June 30, 2016	**For the three months ended June 30, 2017**
Profit attributable to owners of parent (Millions of yen)	28,597	**40,512**
Weighted average number of ordinary shares outstanding (Shares)	458,136,140	**458,129,350**
Effect of dilution (Shares):		
Warrant	—	**—**
Stock Distribution Trust for Directors	—	**11,816**
Adjusted weighted average number of ordinary shares outstanding (Shares)	458,136,140	**458,141,166**
Description of equity instruments not included in calculation of diluted earnings per share because they were not dilutive for the year	—	**—**

12. Financial Instruments

The Group uses observable data in the market as much as possible in fair value measurements. Fair value measurements are categorized into the following levels based on the level of the input.

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices, either directly or indirectly observable

Level 3: inputs that are not based on observable market data

A fair value measurement is reclassified to a different level of the fair value hierarchy on the date when the triggering event or change in circumstances occurred.

Fair values of financial instruments measured at amortized cost are analyzed as follows:

	Millions of yen			
	Previous Year (as of December 31, 2016)		**For the six months ended June 30, 2017**	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	2,337	2,274	**2,451**	**2,365**
Non-current borrowings	252,736	255,336	**232,299**	**233,385**
Bonds issued	117,651	118,727	**396,610**	**398,369**
Finance lease liabilities	25,795	25,838	**23,773**	**24,455**

The above table includes outstanding balances expected to be reimbursed or recovered within 1 year.

Financial instruments whose carrying amount is a reasonable approximation of fair value are not included in the above table.

The fair value of non-current loans receivable is measured at an amount of principal and interest expected to receive discounted by an expected interest rate that will be applied to a similar new loan at the time.

The fair value of non-current borrowings is measured at an amount of principal and interest expected to be paid discounted by an expected interest rate that will be applied to a similar new loan at the time.

The fair value of bonds is based on the price on bond markets, if available.

The fair value of finance lease liabilities is measured at the present value of the total amount of principal and interest discounted by an expected interest rate which will be applied to a similar new lease transaction at the time.

In the above measurement of fair value, bonds are classified as Level 2 and other items as Level 3. The fair value of Level 2 bonds is estimated using statistical prices announced by the Japan Securities Dealers Association. The fair value of Level 3 financial instruments is measured by discounting contractual cash flows at market interest rates, and the difference from the carrying amount is due to the difference between market interest rates and contractual interest rates.

Financial assets and liabilities measured at fair value are as follows:

Previous Year (as of December 31, 2016)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	587	—	587
Derivatives not designated as hedging instruments	—	1,897	—	1,897
Equity instruments	116,625	71	69,588	186,284
Others	151	682	—	833
Total assets	116,777	3,238	69,588	189,603
Liabilities				
Derivatives designated as hedging instruments	—	695	—	695
Derivatives not designated as hedging instruments	—	—	—	—
Total liabilities	—	695	—	695

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

For the six months ended June 30, 2017

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	**—**	**540**	**—**	**540**
Derivatives not designated as hedging instruments	**—**	**1,092**	**—**	**1,092**
Equity instruments	**116,101**	**78**	**69,686**	**185,866**
Others	**145**	**646**	**—**	**792**
Total assets	**116,247**	**2,357**	**69,686**	**188,290**
Liabilities				
Derivatives designated as hedging instruments	**—**	**440**	**—**	**440**
Derivatives not designated as hedging instruments	**—**	**748**	**—**	**748**
Total liabilities	**—**	**1,189**	**—**	**1,189**

There were no material transfers between Levels 1 and 2 during the six months ended June 30, 2017.

The fair value of financial instruments traded in active markets is the quoted market prices at the reporting date. 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 currency 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. 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 companies analysis method or the discounted cash flow method, using inputs that are reasonably available and that many market participants consider reasonable.

The principal unobservable input used in calculating the fair value of equity instruments classified as Level 3 is the price book-value ratio in the comparable companies analysis method, which is distributed in a range from 0.8 times to 2.0 times (from 0.8 times to 2.0 times in the previous year).

Financial instruments categorized into Level 3 are analyzed as follows:

For the six months ended June 30, 2016

	Millions of yen	
	Equity instruments measured at fair value through other comprehensive income	Derivatives
Balance at beginning of period	76,302	—
Gains (losses) recognized in profit or loss	—	—
Gains (losses) recognized in other comprehensive income	(9,176)	—
Purchases	—	—
Sales	(15)	—
Settlements	—	—
Transfers into/out of Level 3	—	—
Other	0	—
Balance at end of period	67,110	—
Of gains (losses) recognized in profit or loss: Gains (losses) for assets held at end of period	—	—

For the six months ended June 30, 2017

	Millions of yen	
	Equity instruments measured at fair value through other comprehensive income	Derivatives
Balance at beginning of period	**69,588**	**—**
Gains (losses) recognized in profit or loss	**—**	**—**
Gains (losses) recognized in other comprehensive income	**577**	**—**
Purchases	**3**	**—**
Sales	**(506)**	**—**
Settlements	**—**	**—**
Transfers into/out of Level 3	**(25)**	**—**
Other	**48**	**—**
Balance at end of period	**69,686**	**—**
Of gains (losses) recognized in profit or loss: Gains (losses) for assets held at end of period	**—**	**—**

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 fair value are reported to the Chief Financial Officer, and then the Officer reviews them and reports to the Board of Directors as necessary.

13. Changes in Ownership Interest in Subsidiaries

For the six months ended June 30, 2016
Not available.

For the six months ended June 30, 2017
The Group acquired shares in Plzeňský Prazdroj, a.s. and 15 other companies which resulted in their addition to the scope of consolidation. The assets and liabilities of investees on commencement of consolidation as well as the relationship between the cost of shares and net consideration are analyzed as follows:

	Millions of yen
Current assets	**58,316**
Non-current assets	**142,378**
Goodwill	**807,444**
Current liabilities	**(95,163)**
Non-current liabilities	**(8,545)**
Non-controlling interests	**(300)**
Cost of shares, etc.	**904,131**
Cash and cash equivalents of acquired companies	**(7,521)**
Net cash used for acquisition of acquired companies	**896,609**

(Note) The amount of goodwill incurred, acquired assets and liabilities assumed in the business combination are still under review to verify the identifiable assets and liabilities at the end of the six months ended June 30, 2017. Therefore, purchase price allocation is incomplete and the initial accounting is still provisional.

14. Business Combination

(1) Business Combination

For the six months ended June 30, 2017

(i) Outline of the transaction

a. Name and business of the acquiree

Company name	Business
Plzeňský Prazdroj, a.s.	Manufacture and sales of beer
Pivovary Topvar a.s.	Manufacture and sales of beer
Kompania Piwowarska S.A.	Manufacture and sales of beer
Ursus Breweries SA	Manufacture and sales of beer
Dreher Sörgyárak Zrt.	Manufacture and sales of beer

Also another 11 entities that are primarily engaged in manufacturing, sales and distribution of beer

b. Purpose of the transaction

Under its newly updated "Long-Term Vision," the Group, as a comprehensive beverage and food business group with the alcohol beverages business at its core, aims to become a domestic industry leader focused on high added value and establish a distinct position as a global player that leverages strengths originating in Japan.

In addition, as one of the strategic imperatives under the new Medium-Term Management Policy to achieve Long-Term Vision, the Company envisions strengthening its earning power by positioning its domestic profit base as the cornerstone of its earnings and the overseas business as its growth engine.

As part of the strategies outlined above, the Company acquired a strong business platform in Western Europe in October 2016, comprising Italian, Dutch, UK and other related assets from SABMiller plc ("SAB"), including global premium brands such as Peroni and Grolsch, prior to its combination with Anheuser-Busch InBev SA/NV ("AB InBev").

Under the transaction, the Company will acquire businesses and operations in 5 countries in Central and Eastern Europe that were owned by SAB prior to its combination with AB InBev, as well as intellectual property rights* relating to its prominent brands, including "Pilsner Urquell." The target business is highly compatible with our existing business in Western Europe and will strengthen our business platform, allowing the Company to grow sustainably across Europe.

The target business includes global brands such as "Pilsner Urquell," the original Pilsner beer, which maintains the top market shares in the Czech Republic (the world's highest per capita beer drinking country), Poland, Hungary and Romania, resulting in high profitability on the background of its strong business platform.

Through the acquisition of these businesses and brands, together with "Super Dry," "Peroni," and "Grolsch," the Company aims to establish a unique position as a global player, mainly focusing on a leading premium brand portfolio to achieve sustainable growth.

The Company's strategy is to enhance the earning power of its overseas business by maximizing synergies with its existing business in Europe, the second largest business platform next to its domestic operations, along with merging the brand power and cost competitiveness it has cultivated in Japan.

* Target shares and assets: All of the issued share capital of the companies engaged in AB InBev's businesses and operations that were owned by SAB, prior to its combination with AB InBev, in 5 countries in Central and Eastern Europe relating to the Pilsner Urquell, Kozel, Tyskie and other brands, together with intellectual property rights associated with Pilsner Urquell, Kozel and Tyskie brands (excluding intellectual property rights associated with Pilsner Urquell, Tyskie and Lech in the US and Puerto Rico; Miller brands in the 5 countries in Central and Eastern Europe; and Redd's brand except in the 5 countries in Central and Eastern Europe, etc.) and other related assets

c. Acquisition date of the business combination

March 31, 2017

d. Legal form of the business combination

The Group purchased shares with cash consideration.

e. Description of obtaining control over the acquiree and proportion of voting rights acquired

Company name	Proportion of voting rights
Plzeňský Prazdroj, a.s.	100.00%
Pivovary Topvar a.s.	100.00%
Kompania Piwowarska S.A.	100.00%
Ursus Breweries SA	98.68%
Dreher Sörgyárak Zrt.	99.78%

Proportion of voting rights in the other 11 entities are 100%.

(ii) Effect on the Group

Revenue and operating profit generated by Plzeňský Prazdroj, a.s. and the other 15 entities since the acquisition date amounted to ¥81,673 million and ¥16,750 million, respectively. Assuming the business combination was conducted at the beginning of the period, revenue and operating profit for the six months ended June 30, 2017 would be ¥987,044 million and ¥81,478 million, respectively. The amounts are unaudited by the independent auditor.

(iii) Consideration transferred and its details

The consideration transferred was ¥904,131 million, all of which was paid in cash.

(iv) Acquisition-related costs

Acquisition-related costs amounted to ¥2,739 million and are included in “Selling, general and administrative expenses.”

(v) Acquired receivables

The gross contractual amount of trade and other receivables acquired was ¥30,804 million in aggregate, and ¥28,871 million at fair value on the acquisition date.

(vi) Acquisition-date fair value of assets and liabilities, non-controlling interests and goodwill

	Millions of yen
Cash and cash equivalents	7,521
Trade and other receivables	28,871
Other	21,923
Total current assets	58,316
Property, plant and equipment	122,688
Intangible assets	11,355
Other	8,335
Total non-current assets	142,378
Total assets	200,695
Trade and other payables	(68,460)
Other	(26,703)
Total current liabilities	(95,163)
Total non-current liabilities	(8,545)
Total liabilities	(103,709)
Non-controlling interests	(300)
Consideration transferred	(904,131)
Goodwill	807,444

Non-controlling interests are measured at the proportionate share of the fair value of identifiable net assets in the acquiree.

The amount of goodwill incurred, acquired assets and liabilities assumed in the business combination are still under review to verify the identifiable assets and liabilities at the end of the six months ended June 30, 2017. Therefore, purchase price allocation is incomplete and the initial accounting is still provisional.

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

(2) Transactions under Common Control

For the six months ended June 30, 2016

The Company resolved to reorganize the domestic Soft Drinks Business and Food Business at the Board of Directors meeting held on June 3, 2015, and implemented the business restructuring on January 1, 2016.

(i) Purpose of the business reorganization

It was implemented as part of strengthening our domestic businesses, which aims at making decisions more promptly by clarifying the areas of responsibility, responding swiftly to changes in the business environment and maximizing synergies within the businesses.

(ii) Outline of the business reorganization

Reorganization of the domestic soft drinks business

a. Name of the entity involved in the transaction

Calpis Co., Ltd.

b. Name and description of businesses involved and legal form of the business combination

Calpis Foods Service Co., Ltd., a wholly owned subsidiary of Calpis Co., Ltd. that engages in the sale of dairy products, acquired the domestic soft drink manufacturing business and the dairy product business, including milk purchasing, of Calpis Co., Ltd. in an absorption-type split.

Asahi Calpis Wellness Co., Ltd., a wholly owned subsidiary of the Company, succeeded the functional foods business (mail-order business and functional raw materials) and the animal feed business of Calpis Co., Ltd. in an absorption-type split.

After the business transfer above, Calpis Co., Ltd. was absorbed in a merger with Asahi Soft Drinks Co., Ltd. as the surviving company.

Calpis Foods Service Co., Ltd. changed its name to Calpis Co., Ltd.

c. Date of the business combination

January 1, 2016

d. Name of the entities after the business combination

Asahi Soft Drinks Co., Ltd.
Asahi Calpis Wellness Co., Ltd.
Calpis Co., Ltd. (formerly Calpis Foods Service Co., Ltd.)

e. Other items regarding the outline of the business combination

The Group made the transaction to enhance its business competitiveness by integrating the strengths of each of the entities involved, such as brands, product lines, technologies, sales networks and human resources, aiming to become a company growing in the domestic soft drinks industry with high-quality, customer-oriented product lines.

Reorganization of the domestic food business

a. Name and description of businesses involved and legal form of business combination

Asahi Group Foods, Ltd., a wholly owned subsidiary of the Company, succeeded all the business, excluding the operations relating to the manufacturing and the control of the production management (including the purchase operation of merchandise), of Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. in an absorption-type split.

b. Date of the business combination

January 1, 2016

c. Name of the company after the business combination

Asahi Group Foods, Ltd.

d. Other items regarding the outline of the business combination

The reorganization was implemented with the goal of creating a management structure that increases the speed of decision-making and responds more rapidly to change by clearly defining business, as well as maximizing synergies within businesses.

15. Events after Reporting

There are no significant events after the reporting period.

2. Others

The interim dividends for the shareholders listed on the Shareholder Registry on June 30, 2017 have been resolved on Board of Directors meeting held on August 3, 2017.

(1) Total dividends: ¥13,743,855,480
(2) Dividends per share: ¥30.00
(3) Effective date and payment date: September 1, 2017

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