FINANCIAL SECTION 2015

CONTENTS

CONSOLIDATED BALANCE SHEETS

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
As of December 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
Assets	**2015**	2014	2013	**2015**
Current assets:				
Cash and deposits (Notes 3 and 5)	**¥ 48,211**	¥ 65,064	¥ 42,201	**$ 399,726**
Notes and accounts receivable (Note 5)	**362,241**	353,704	317,106	**3,003,408**
Allowance for doubtful accounts (Note 5)	**(4,862)**	(5,529)	(3,118)	**(40,312)**
Inventories (Note 4)	**132,315**	124,549	118,303	**1,097,048**
Deferred tax assets (Note 11)	**15,048**	13,013	15,505	**124,766**
Other	**47,546**	53,041	44,893	**394,213**
Total current assets	**600,499**	603,842	534,890	**4,978,849**
Property, plant and equipment (Note 14):				
Land	**193,891**	202,052	206,111	**1,607,586**
Buildings and structures	**433,345**	433,018	432,483	**3,592,944**
Machinery and equipment	**704,804**	697,344	700,004	**5,843,661**
Leased assets	**40,947**	45,010	45,823	**339,499**
Others	**222**	180	196	**1,842**
Construction in progress	**9,339**	20,618	19,437	**77,431**
	1,382,548	1,398,222	1,404,054	**11,462,963**
Less: Accumulated depreciation	**(800,450)**	(792,807)	(819,834)	**(6,636,680)**
Net property, plant and equipment	**582,098**	605,415	584,220	**4,826,283**
Intangible assets:				
Goodwill (Note 14)	**145,104**	195,860	196,203	**1,203,084**
Other intangible assets (Note 14)	**90,445**	99,931	93,822	**749,896**
Total intangible assets	**235,549**	295,791	290,025	**1,952,980**
Investments and other assets:				
Investment securities (Notes 5 and 6)	**237,270**	152,001	124,179	**1,967,250**
Investments in unconsolidated subsidiaries and affiliated companies (Notes 5, 6 and 20)	**187,735**	225,692	209,503	**1,556,546**
Long-term loans receivable (Note 5)	**2,459**	2,336	6,963	**20,388**
Net defined benefit asset (Note 10)	**24,574**	19,252	—	**203,748**
Deferred tax assets (Note 11)	**8,183**	9,448	9,120	**67,847**
Other non-current assets	**23,188**	22,833	32,656	**192,256**
Total investments and other assets	**483,409**	431,562	382,421	**4,008,035**
Total assets	**¥1,901,555**	¥1,936,610	¥1,791,556	**$15,766,147**

See accompanying notes.

Liabilities and net assets	Millions of yen 2015	2014	2013	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:				
Short-term loans payable (Notes 5 and 9)	¥ 148,750	¥ 173,938	¥ 128,972	$ 1,233,314
Commercial papers (Notes 5 and 9)	63,000	76,000	67,000	522,345
Current portion of long-term debts (Notes 5 and 9)	37,489	30,941	25,363	310,828
Notes and accounts payable (Note 5):				
Trade	126,602	130,199	118,407	1,049,681
Other	69,720	73,300	68,700	578,062
Accrued alcohol tax	110,045	110,361	110,371	912,404
Accrued consumption taxes	17,857	26,618	10,345	148,056
Deposits received (Note 5)	18,076	18,256	18,087	149,871
Income taxes payable (Note 11)	23,460	27,397	32,151	194,511
Accrued expenses	76,655	71,138	66,765	635,561
Lease obligations (Note 5)	7,567	8,487	8,532	62,739
Provision for bonuses	4,918	4,685	4,284	40,776
Other	11,055	6,054	7,103	91,659
Total current liabilities	715,194	757,374	666,080	5,929,807
Non-current liabilities:				
Long-term debts (Notes 5 and 9)	165,691	153,846	182,388	1,373,775
Employees' severance and retirement benefits (Note 10)	—	—	22,581	—
Provision for directors' retirement benefits	238	302	192	1,973
Net defined benefit liability (Note 10)	23,378	26,526	—	193,831
Deferred tax liabilities (Note 11)	54,445	48,611	37,746	451,414
Lease obligations (Note 5)	11,590	14,810	14,714	96,095
Other	39,190	38,629	40,373	324,932
Total non-current liabilities	294,532	282,724	297,994	2,442,020
Total liabilities	1,009,726	1,040,098	964,074	8,371,827
Commitments and contingent liabilities (Note 13)				
Net assets (Note 12)**:**				
Shareholders' equity (Note 15)**:**				
Capital stock:				
Authorized—972,305,309 shares				
Issued—483,585,862 shares	182,531	182,531	182,531	1,513,399
Capital surplus	120,524	143,339	152,538	999,287
Retained earnings	524,859	477,427	428,662	4,351,704
Treasury stock	(77,376)	(58,176)	(40,032)	(641,539)
Total shareholders' equity	750,538	745,121	723,699	6,222,851
Accumulated other comprehensive income:				
Valuation difference on available-for-sale securities	45,800	28,850	20,981	379,736
Deferred gains (losses) on hedges	(82)	(218)	224	(680)
Foreign currency translation adjustment	81,258	107,832	74,391	673,725
Remeasurements of defined benefit plans (Note 10)	157	(492)	—	1,301
Total accumulated other comprehensive income	127,133	135,972	95,596	1,054,082
Minority interests	14,158	15,419	8,187	117,387
Total net assets	891,829	896,512	827,482	7,394,320
Total liabilities and net assets	¥1,901,555	¥1,936,610	¥1,791,556	$15,766,147

CONSOLIDATED STATEMENTS OF INCOME

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	**2015**
Net sales (Note 18)	**¥1,857,418**	¥1,785,479	¥1,714,237	**$15,400,199**
Costs and expenses (Note 18):				
Cost of sales (Note 7)	**679,283**	650,200	613,695	**5,632,062**
Alcohol tax	**421,236**	423,239	419,159	**3,492,546**
Selling, general and administrative expenses (Note 7)	**621,779**	583,734	563,916	**5,155,286**
	1,722,298	1,657,173	1,596,770	**14,279,894**
Operating income (Note 18)	**135,120**	128,306	117,467	**1,120,305**
Other income (expenses):				
Interest and dividend income	**2,696**	2,294	1,990	**22,353**
Foreign exchange gains	**—**	1,405	747	**—**
Interest expenses	**(3,615)**	(3,686)	(3,596)	**(29,973)**
Share of profit of entities accounted for using equity method	**14,167**	8,026	8,823	**117,461**
Gain on sales of investment securities—net (Note 6)	**853**	583	983	**7,072**
Loss on sales of investments in subsidiaries and affiliated companies	**—**	—	(40)	**—**
Gain (loss) on sales and disposal of property, plant and equipment—net	**(4,070)**	12,077	(3,007)	**(33,745)**
Loss on valuation of investment securities (Note 6)	**(2,620)**	(23)	(13)	**(21,723)**
Impairment loss (Notes 14 and 18)	**(21,336)**	(23,701)	(7,473)	**(176,901)**
Settlement received	**—**	16,994	—	**—**
Gain on step acquisitions	**5,933**	—	—	**49,192**
Gain on transfer of business	**—**	—	1,564	**—**
Business integration expenses	**(8,050)**	(5,687)	(3,389)	**(66,744)**
Other—net	**(6,328)**	(7,452)	(3,585)	**(52,466)**
	(22,370)	830	(6,996)	**(185,474)**
Income before income taxes and minority interests	**112,750**	129,136	110,471	**934,831**
Income taxes (Note 11):				
Current	**42,532**	52,018	48,538	**352,641**
Deferred	**(4,921)**	7,934	89	**(40,801)**
	37,611	59,952	48,627	**311,840**
Income before minority interests	**75,139**	69,184	61,844	**622,991**
Minority interests in net loss (income) of consolidated subsidiaries	**1,289**	(66)	(95)	**10,688**
Net income	**¥ 76,428**	¥ 69,118	¥ 61,749	**$ 633,679**

	Yen			U.S. dollars (Note 1)
	2015	2014	2013	**2015**
Amounts per share of common stock (Note 1):				
Net income	**¥166.25**	¥148.92	¥135.73	**$1.38**
Diluted net income	**166.18**	148.80	126.26	**1.38**
Cash dividends applicable to the year	**50.00**	45.00	43.00	**0.41**

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	**2015**
Income before minority interests	**¥ 75,139**	¥ 69,184	¥ 61,844	**$ 622,991**
Other comprehensive income (Note 19)**:**				
Valuation difference on available-for-sale securities	**16,950**	7,869	17,721	**140,536**
Deferred gains (losses) on hedges	**137**	(443)	229	**1,136**
Foreign currency translation adjustment	**(35,094)**	21,162	19,583	**(290,971)**
Remeasurements of defined benefit plans, net of tax	**619**	—	—	**5,132**
Share of other comprehensive income of affiliated companies accounted for using equity method	**7,382**	13,633	23,348	**61,205**
Total other comprehensive income	**(10,006)**	42,221	60,881	**(82,962)**
Comprehensive income (Note 19)	**¥ 65,133**	¥111,405	¥122,725	**$ 540,029**
Comprehensive income attributable to:				
Owners of the parent	**¥ 67,869**	¥109,985	¥122,111	**$ 562,715**
Minority interests	**(2,736)**	1,420	614	**(22,686)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (Note 15)

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2015, 2014 and 2013

	Millions of yen											
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income (loss)	Minority interests	Total net assets
Balance at January 1, 2013	¥ 182,531	¥ 150,641	¥ 383,177	¥ (27,764)	¥ 688,585	¥ 3,260	¥ (5)	¥ 31,979	¥ —	¥ 35,234	¥ 3,060	¥ 726,879
Net income			61,749		61,749							61,749
Dividends of surplus			(16,264)		(16,264)							(16,264)
Purchases of treasury stock				(30,029)	(30,029)							(30,029)
Disposal of treasury stock		1,897		17,761	19,658							19,658
Net changes of items other than shareholders' equity						17,721	229	42,412		60,362	5,127	65,489
Balance at December 31, 2013	182,531	152,538	428,662	(40,032)	723,699	20,981	224	74,391	—	95,596	8,187	827,482
Balance at January 1, 2014	182,531	152,538	428,662	(40,032)	723,699	20,981	224	74,391	—	95,596	8,187	827,482
Net income			69,118		69,118							69,118
Dividends of surplus			(20,353)		(20,353)							(20,353)
Purchases of treasury stock				(50,378)	(50,378)							(50,378)
Disposal of treasury stock		(9,199)		32,234	23,035							23,035
Net changes of items other than shareholders' equity						7,869	(442)	33,441	(492)	40,376	7,232	47,608
Balance at December 31, 2014	182,531	143,339	477,427	(58,176)	745,121	28,850	(218)	107,832	(492)	135,972	15,419	896,512
Balance at January 1, 2015	**182,531**	**143,339**	**477,427**	**(58,176)**	**745,121**	**28,850**	**(218)**	**107,832**	**(492)**	**135,972**	**15,419**	**896,512**
Cumulative effects of changes in accounting policies (Note 2)		**(22,444)**	**(7,366)**		**(29,810)**			**(277)**		**(277)**		**(30,087)**
Restated balance	**182,531**	**120,895**	**470,061**	**(58,176)**	**715,311**	**28,850**	**(218)**	**107,555**	**(492)**	**135,695**	**15,419**	**866,425**
Net income			**76,428**		**76,428**							**76,428**
Dividends of surplus			**(21,630)**		**(21,630)**							**(21,630)**
Purchases of treasury stock				**(20,032)**	**(20,032)**							**(20,032)**
Disposal of treasury stock		**(371)**		**832**	**461**							**461**
Net changes of items other than shareholders' equity						**16,950**	**136**	**(26,297)**	**649**	**(8,562)**	**(1,261)**	**(9,823)**
Balance at December 31, 2015	**¥182,531**	**¥120,524**	**¥524,859**	**¥(77,376)**	**¥750,538**	**¥45,800**	**¥ (82)**	**¥ 81,258**	**¥ 157**	**¥127,133**	**¥14,158**	**¥891,829**

	Thousands of U.S. dollars (Note 1)											
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income (loss)	Minority interests	Total net assets
Balance at January 1, 2015	**$1,513,399**	**$1,188,450**	**$3,958,436**	**$(482,348)**	**$6,177,937**	**$239,200**	**$(1,807)**	**$894,055**	**$(4,079)**	**$1,127,369**	**$127,843**	**$7,433,149**
Cumulative effects of changes in accounting policies (Note 2)		**(186,087)**	**(61,073)**		**(247,160)**			**(2,297)**		**(2,297)**		**(249,457)**
Restated balance	**1,513,399**	**1,002,363**	**3,897,363**	**(482,348)**	**5,930,777**	**239,200**	**(1,807)**	**891,758**	**(4,079)**	**1,125,072**	**127,843**	**7,183,692**
Net income			**633,679**		**633,679**							**633,679**
Dividends of surplus			**(179,338)**		**(179,338)**							**(179,338)**
Purchases of treasury stock				**(166,089)**	**(166,089)**							**(166,089)**
Disposal of treasury stock		**(3,076)**		**6,898**	**3,822**							**3,822**
Net changes of items other than shareholders' equity						**140,536**	**1,127**	**(218,033)**	**5,380**	**(70,990)**	**(10,456)**	**(81,446)**
Balance at December 31, 2015	**$1,513,399**	**$ 999,287**	**$4,351,704**	**$(641,539)**	**$6,222,851**	**$379,736**	**$ (680)**	**$ 673,725**	**$ 1,301**	**$1,054,082**	**$117,387**	**$7,394,320**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	**2015**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥112,750**	¥129,136	¥110,471	**$ 934,831**
Depreciation and amortization	**60,682**	59,050	62,581	**503,126**
Amortization of goodwill	**10,565**	14,247	12,461	**87,596**
Impairment loss	**21,336**	23,701	7,473	**176,901**
Increase (decrease) in employees' severance and retirement benefits	**—**	—	(2,481)	**—**
Increase (decrease) in net defined benefit asset and liability	**(5,308)**	(3,908)	—	**(44,010)**
Increase (decrease) in allowance for doubtful accounts	**(1,148)**	(30)	418	**(9,518)**
Interest and dividend income	**(2,696)**	(2,294)	(1,990)	**(22,353)**
Interest expenses	**3,615**	3,686	3,596	**29,973**
Foreign exchange losses (gains)	**2,466**	(415)	(445)	**20,446**
Share of (profit) loss of entities accounted for using equity method	**(14,167)**	(8,026)	(8,823)	**(117,461)**
Loss (gain) on sales of investment securities	**(853)**	(583)	(983)	**(7,072)**
Loss (gain) on valuation of investment securities	**2,620**	23	13	**21,723**
Loss (gain) on sales of investments in subsidiaries and affiliated companies	**—**	—	40	**—**
Loss (gain) on sales and disposal of property, plant and equipment—net	**4,070**	(12,077)	3,007	**33,745**
Loss (gain) on step acquisitions	**(5,933)**	—	—	**(49,192)**
Settlement received	**—**	(16,994)	—	**—**
Decrease (increase) in notes and accounts receivable—trade	**(12,775)**	(26,223)	3,236	**(105,920)**
Decrease (increase) in inventories	**(4,721)**	(838)	(3,090)	**(39,143)**
Increase (decrease) in notes and accounts payable—trade	**(3,031)**	5,748	(1,052)	**(25,131)**
Increase (decrease) in alcohol tax payable	**(174)**	(81)	(2,277)	**(1,443)**
Increase (decrease) in consumption taxes payable	**(8,787)**	15,302	532	**(72,855)**
Bonuses paid to directors and corporate auditors	**(370)**	(349)	(313)	**(3,068)**
Other, net	**18,087**	7,772	3,567	**149,964**
Subtotal	**176,228**	186,847	185,941	**1,461,139**
Interest and dividend income received	**8,799**	8,329	5,607	**72,954**
Interest expenses paid	**(3,644)**	(3,677)	(3,846)	**(30,213)**
Settlement package received	**—**	20,306	—	**—**
Income taxes paid	**(68,617)**	(65,022)	(30,450)	**(568,916)**
Net cash provided by operating activities	**112,766**	146,783	157,252	**934,964**
Cash flows from investing activities:				
Payments into time deposits	**(1,831)**	(1,220)	(810)	**(15,181)**
Proceeds from withdrawal of time deposits	**1,912**	336	29	**15,853**
Purchase of property, plant and equipment	**(46,504)**	(55,205)	(43,603)	**(385,573)**
Proceeds from sales of property, plant and equipment	**5,240**	22,440	1,844	**43,446**
Purchase of intangible assets	**(5,005)**	(8,831)	(5,359)	**(41,497)**
Purchase of investment securities	**(3,822)**	(18,148)	(12,549)	**(31,689)**
Proceeds from sales of investment securities	**2,280**	3,406	3,977	**18,904**
Purchase of subsidiaries' stocks and others resulting in change in scope of consolidation (Note 3)	**(21,257)**	(28,564)	(2,991)	**(176,246)**
Payments for sales of investments in subsidiaries resulting from change in scope of consolidation	**—**	—	(198)	**—**
Payments for transfer of business	**—**	(2,409)	—	**—**
Payments for loans receivable	**(1,543)**	(385)	(1,262)	**(12,793)**
Collection of loans receivable	**1,194**	1,153	1,447	**9,899**
Other, net	**(6,248)**	(4,757)	(6,230)	**(51,804)**
Net cash used in investing activities	**(75,584)**	(92,184)	(65,705)	**(626,681)**
Cash flows from financing activities:				
Increase (decrease) in short-term loans payable	**(36,328)**	48,384	(32,452)	**(301,202)**
Repayments of lease obligations	**(9,199)**	(9,367)	(8,949)	**(76,271)**
Proceeds from long-term loans payable	**13,829**	16,044	13,089	**114,659**
Repayments of long-term loans payable	**(14,113)**	(9,170)	(15,654)	**(117,014)**
Proceeds from issuance of bonds	**35,000**	35,000	—	**290,192**
Redemption of bonds	**(20,000)**	(48,405)	—	**(165,824)**
Purchase of treasury stock	**(20,032)**	(50,379)	(30,029)	**(166,089)**
Cash dividends paid	**(21,629)**	(20,353)	(16,265)	**(179,330)**
Cash dividends paid to minority shareholders	**(479)**	(377)	(251)	**(3,971)**
Proceeds from stock issuance to minority shareholders	**—**	2,335	4,767	**—**
Other, net	**(94)**	446	806	**(780)**
Net cash used in financing activities	**(73,045)**	(35,842)	(84,938)	**(605,630)**
Effect of exchange rate changes on cash and cash equivalents	**(4,558)**	2,362	187	**(37,791)**
Net increase (decrease) in cash and cash equivalents	**(40,421)**	21,119	6,796	**(335,138)**
Cash and cash equivalents at beginning of period	**62,235**	41,116	34,320	**516,002**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation (Note 3)	**21,477**	—	—	**178,070**
Cash and cash equivalents at end of period (Note 3)	**¥ 43,291**	¥ 62,235	¥ 41,116	**$ 358,934**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries

1. Basis of Preparation of the Consolidated Financial Statements

The accompanying consolidated financial statements of Asahi Group Holdings, Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese-language consolidated financial statements is not presented in the accompanying consolidated financial statements.

Unification of accounting policies applied to foreign subsidiaries and affiliated companies for the consolidated financial statements

The accounting standard for unification of accounting policies applied to foreign subsidiaries and affiliated companies for the consolidated financial statements requires: (1) the accounting policies and procedures applied to a parent company and its foreign subsidiaries and affiliated companies for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements and (2) financial statements prepared by foreign subsidiaries and affiliated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America may tentatively be used for the consolidation process, however (3) the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

1) Amortization of goodwill
2) Scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity
3) Expensing capitalized development costs of R&D
4) Cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and
5) Exclusion of minority interests from net income, if contained

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2015, which was ¥120.61 to U.S.$1.00. The translations should not be construed as representations of what the Japanese yen amounts have been, could have been, or could in the future be when converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (collectively, the "Companies") (41 domestic and 77 overseas subsidiaries for 2015, 36 domestic and 70 overseas subsidiaries for 2014 and 32 domestic and 53 overseas subsidiaries for 2013).

All significant intercompany transactions and account balances are eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill

Goodwill is amortized over 5 to 20 years on a straight-line basis.

However, immaterial goodwill is charged entirely in loss during the fiscal year of occurrence.

Equity method

Investments in certain unconsolidated subsidiaries and affiliated companies are accounted for using the equity method and, accordingly, stated at cost adjusted for equity in undistributed earnings and losses from the date of acquisition.

Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses.

Securities

Other debt and marketable equity securities classified as available-for-sale securities are stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using the moving-average method.

Non-marketable securities classified as available-for-sale securities are carried at cost, which is determined by the moving-average method.

Inventories

Inventories are measured at the lower of cost or net realizable value. The Company and its consolidated subsidiaries measure the cost of merchandise, finished goods and work in process by the weighted-average method, and the cost of raw materials and supplies by the moving-average method.

Property, plant and equipment (excluding leased assets)

Depreciation is computed mainly using the straight-line method. The estimated useful lives of the assets are based on the same standards as those specified in the Corporation Tax Act.

Intangible assets (excluding leased assets)

Amortization is computed using the straight-line method.

The estimated useful lives of the assets are based mainly on the same standards as those specified in the Corporation Tax Act.

Software for internal use is amortized using the straight-line method over a useful life of 5 years. Trademark rights are mainly amortized over twenty 20 years using the straight-line method.

Leased assets

Finance leased assets that are not deemed to transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the period of the lease, with zero residual value.

Income taxes

The Companies recognized deferred tax assets and liabilities for temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

Retirement benefits

Method of attributing projected retirement benefits to periods of service

In calculating retirement benefit obligations, the benefit formula basis is mainly applied for attribution of projected benefits to the periods of service.

Method of amortization of actuarial gains and losses and prior service costs

Actuarial gains and losses are amortized using the straight-line method over the determined number of years (mainly 10 years) within the average remaining years of service at the time of occurrence, beginning from the year following the year of occurrence.

Prior service cost is amortized using the straight-line method over the determined number of years (mainly 10 years) within the average remaining years of service at the time of occurrence.

Unrecognized actuarial gains and losses and unrecognized prior service costs are recognized in remeasurements of defined benefit plans, after adjusting for tax effects, under accumulated other comprehensive income of net assets.

Allowance for employees' bonuses

An allowance for employees' bonuses is provided at the estimated amount applicable to the year.

Allowance for retirement benefits for directors

Certain consolidated subsidiaries accrue 100% of obligations based on their internal rules required under the assumption that all directors retired at the balance sheet date in order to reserve for payments of retirement benefits to directors.

Translation of foreign currency accounts and financial statements

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet dates, and differences arising from the translation are included in the consolidated statements of income as a gain or loss.

The financial statements of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates prevailing on the balance sheet dates for assets and liabilities, and at historical exchange rates for shareholders' equity. All revenue and expense accounts are translated at average exchange rates for the fiscal year.

Derivative financial instruments

The accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where interest rate swap contracts are used as hedges and meet certain specific criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

In addition, foreign currency-dominated transactions, for which foreign exchange contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the swap contracts qualify for specific hedge accounting.

Amounts per share of common stock

Net income per share is computed based upon the average number of shares of common stock outstanding during the year.

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

The computation of diluted net income per share of common stock reflects the maximum possible dilution that could occur if securities or other contracts to issue were exercised or converted into common stock or resulted in the issuance of common stock.

Changes in accounting policies

Application of the Accounting Standard for Retirement Benefits

To comply with the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015) which are effective from the current year, the Companies have changed the calculation methods of retirement benefit obligations and current service costs and also the attribution method of expected benefits to periods of service from the straight-line basis to the benefit formula basis with reference to the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on the Accounting Standard for Retirement Benefits. In addition, the Companies have changed the method of determining the discount rate from using a single discount rate that represents a duration based on the estimated average remaining working periods of employees to using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payments.

The resulting adjustments of the changes in the calculation methods for retirement benefit obligations and current service costs were recognized in retained earnings as of the beginning of the current year according to the Accounting Standard for Retirement Benefits and the Guidance on the Accounting Standard for Retirement Benefits which is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. As a result, net defined benefit asset increased by ¥160 million ($1,327 thousand), net defined benefit liability decreased by ¥2,653 million ($21,997 thousand) and retained earnings increased by ¥1,836 million ($15,223 thousand) as at the beginning of the current year. These changes have immaterial effects on operating income and income before income taxes and minority interests for the current year.

Application of Accounting Standard for Business Combinations, etc.

Earlier application of the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) is permitted from the beginning of the current year. The Company has elected to early adopt these accounting standards (except for the provisions of Paragraph 39 of the Accounting Standard for Consolidated Financial Statements). In accordance with these new accounting standards, changes in the Company's interests in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions, i.e. changes in capital surplus, and acquisition-related costs are recognized as expenses in the current year in which the costs are incurred. Furthermore, provisional amounts in a business combination should be retrospectively adjusted as if the initial accounting for the business combination had reflected the new information at the acquisition date.

In the consolidated statements of cash flows of the current year, cash flows from acquisition or disposal of the shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs of the shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of the shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities."

The cumulative effects of the retrospective application of the changes in accounting policies were added to or deducted from capital surplus and retained earnings as of the beginning of the current year in accordance with the transitional treatment prescribed in Paragraph 58-2 (3) of the Accounting Standard for Business Combinations, Paragraph 44-5 (3) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (3) of the Accounting Standard for Business Divestitures.

As a result, goodwill, capital surplus, retained earnings and foreign currency translation adjustment decreased by ¥31,923 million ($264,680 thousand), ¥22,444 million ($186,087 thousand), ¥9,202 million ($76,295 thousand) and ¥277 million ($2,297 thousand), respectively, at the beginning of the current year. Meanwhile, operating income increased by ¥1,801 million ($14,932 thousand), and income before income taxes and minority interests increased by ¥2,225 million ($18,448 thousand). In addition, capital surplus, retained earnings and foreign currency translation adjustment in the consolidated statements of changes in net assets decreased by ¥22,444 million ($186,087 thousand), ¥9,202 million ($76,295 thousand), and ¥277 million ($2,297 thousand), respectively, as of the beginning of the current year, as a result of the cumulative effect.

Change in presentation

Consolidated statements of cash flows

In previous years, "Foreign exchange losses (gains)" was included in "Other, net" under "Cash flows from operating activities."

From the year ended December 31, 2015, this item is newly presented as a separate item due to its increased materiality.

As a result, ¥(415) million and ¥(445) million of "Other, net" under "Cash Flows from Operating Activities" were reclassified as "Foreign exchange losses (gains)" in the years ended December 31, 2014 and 2013, respectively, to reflect the change in presentation.

3. Cash Flow Information

A. Reconciliation of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of December 31, 2015, 2014 and 2013 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Cash and deposits	**¥48,211**	¥65,064	¥42,201	**$399,726**
Less: Deposits with maturities exceeding three months	**(4,920)**	(2,829)	(1,085)	**(40,792)**
Cash and cash equivalents	**¥43,291**	¥62,235	¥41,116	**$358,934**

B. Assets and liabilities of newly consolidated subsidiaries through acquisition of shares

Assets and liabilities of acquired companies and their subsidiaries and net cash outflow for such acquisitions, which are included in "Purchase of subsidiaries, stocks and others resulting in change in scope of consolidation" for the years ended December 31, 2015 and 2014 were as follows:

For the year ended December 31, 2015
- ENOTECA CO., LTD. and 4 subsidiaries
- Mountain Goat Beer Pty Ltd
- Lotte Asahi Liquor Co., Ltd.

For the year ended December 31, 2014
- Etika Dairies Sdn. Bhd. and 15 subsidiaries

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Current assets	**¥17,901**	¥ 8,652	**$148,421**
Non-current assets	**7,608**	10,375	**63,079**
Goodwill	**18,808**	20,778	**155,943**
Current liabilities	**(7,763)**	(7,521)	**(64,364)**
Non-current liabilities	**(5,904)**	(5,349)	**(48,951)**
Minority interests	**(1,949)**	—	**(16,160)**
Acquisition cost of shares	**28,701**	26,935	**237,965**
Previously held equity interest before obtaining control	**(1,631)**	—	**(13,523)**
Gain on step acquisitions	**(2,281)**	—	**(18,912)**
Cash and cash equivalents of acquired companies	**(3,532)**	(667)	**(29,284)**
Net cash used for acquisition of acquired companies	**¥21,257**	¥26,268	**$176,246**

Assets and liabilities of newly consolidated subsidiaries through acquisition of shares for the year ended December 31, 2014, other than noted above, have been omitted due to immateriality.

Assets and liabilities of newly consolidated subsidiaries through acquisition of shares for the year ended December 31, 2013, has been omitted because it is not material.

C. Significant non-cash transaction

(1) For the 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, increased due to CFI purchasing shares of its treasury stock from ITOCHU Corporation (the former parent company of CFI), CFI was excluded from the scope of equity-method affiliates and included in the scope of consolidation during the current fiscal year. The increase in assets and liabilities due to the inclusion of CFI in the scope of consolidation are as follows:

Amount of assets
Total assets ¥64,877 million ($537,907 thousand)
Amount of liabilities
Total liabilities ¥23,147 million ($191,916 thousand)

Total assets include cash and cash equivalents of ¥21,477 million ($178,070 thousand), which is included in "Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation."

(2) For the year ended December 31, 2014

Due to the request for the conversion of zero coupon convertible bonds due 2023 and 2028 (bonds with stock acquisition rights, *tenkan-shasaigata shinkabu yoyakuken-tsuki shasai*), convertible bonds and treasury stock decreased by ¥22,483 million and ¥20,387 million, respectively, and capital surplus increased by ¥2,096 million for the fiscal year ended December 31, 2014.

In addition, because of appropriation treasury stock by request to exercise stock acquisition rights, treasury stock and capital surplus decreased by ¥10,899 million for the fiscal year ended December 31, 2014.

4. Inventories

Inventories at December 31, 2015, 2014 and 2013 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Finished goods	**¥ 39,248**	¥ 35,253	¥ 34,399	**$ 325,412**
Merchandise	**21,952**	14,325	12,837	**182,008**
Work in process	**30,001**	32,539	34,327	**248,744**
Raw materials	**31,790**	33,765	29,221	**263,577**
Supplies	**9,324**	8,667	7,519	**77,307**
Total	**¥132,315**	¥124,549	¥118,303	**$1,097,048**

5. Financial Instruments

The information related to financial instruments for the years ended December 31, 2015, 2014 and 2013 is as follows:

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Companies raise funds through commercial papers and bond issuances, borrowings from financial institutions and through other methods with the objective of balancing direct and indirect financing with long- and short-term financing needs while considering financing costs and risk diversification in the changing business environment.

The Companies have adopted a cash management system (CMS) utilized between the Company and its consolidated subsidiaries for effective use of funds and with the objective of reducing interest-bearing liabilities incurred by the Companies. Surplus funds that tentatively arise from the Companies' financing activities are only invested in financial instruments with low risk.

Derivative transactions are undertaken only for the purpose of hedging risks outlined below, as a matter of policy, and are not undertaken for speculative purposes.

(b) Details of financial instruments and the related risks

Notes and accounts receivable and long-term loans receivable of each consolidated subsidiary are exposed to the credit risks of customers. Foreign currency-denominated notes and accounts receivable are also exposed to foreign exchange risk.

Investment securities held by the Companies are shares issued by business partners and bonds, and are exposed to the credit risks of those partners and to market price fluctuation risk. Some investment securities are foreign currency-denominated investment securities which are also exposed to foreign exchange risk.

Notes and accounts payable of each consolidated subsidiary are mainly to be settled within one year. Foreign currency-denominated notes and accounts payable are exposed to foreign exchange risk.

Commercial papers, bank loans and bonds issued by the Company are exposed to liquidity risk that the Company would not be able to reimburse such debts due to deterioration in the financial market. A certain amount of borrowing is undertaken by using floating interest rates which are exposed to interest rate fluctuation risk, however, this risk is hedged through the adoption of interest rate swap contracts. Foreign currency-denominated long-term debts are also exposed to foreign exchange risk.

Derivative transactions include foreign exchange contracts to hedge against foreign exchange fluctuation risks related to foreign currency-based receivables and payables, interest rate swap transactions to hedge against interest rate risks on borrowings, and commodity swaps to hedge against price fluctuation risks when consolidated subsidiaries procure raw materials.

Refer to Note 8 "Derivative Financial Instruments" for information about hedging instruments and hedged items, the hedging policy and the method of evaluating hedging effectiveness for the hedge accounting methods adopted by the Companies.

(c) Policies and processes for risk management

(i) Management of credit risk (risk associated with no fulfillment of contracts by counterparties)

With respect to notes and accounts receivable and long-term loans receivables, in order to control the credit risk of customers, each business and sales management division within each consolidated subsidiary conducts periodic monitoring of parties to key transactions to assess the risk in accordance with the internal credit policy. In addition, each consolidated subsidiary regularly monitors the status of occurrence and collections of bad debts, and manages them in collaboration with their respective sales departments.

Derivative transactions are conducted with selected financial institutions with high credit ratings in order to reduce credit risk.

(ii) Management of market risk (risks associated with fluctuations in foreign currency exchange rates, interest rates, etc.)

For the purpose of reducing foreign exchange fluctuation risk on future foreign currency-based cash flows ascertained by each currency, the Company and its principal consolidated subsidiaries mainly use foreign exchange contracts. The also engage in interest rate swaps to hedge against interest rate fluctuation risk relating to borrowings and commodity swaps to hedge against risks of fluctuations in raw material prices.

Investment securities are periodically assessed by each consolidated subsidiary with respect to market value and the financial status of the issuing entities (business partners), and the merits and demerits of holding such securities are continually reviewed, taking into consideration the relationship with the respective business partners.

Derivative transactions are undertaken by the Finance Section based on a system that limits transactions and amounts. The performance of transactions is periodically reported to the Director and Corporate Officer in compliance with the Company's authorization rules. Management of derivative transactions at consolidated subsidiaries is undertaken in the same manner.

(iii) Management of liquidity risk associated with procurement (risk of inability to make payments on due dates)

The Company and its principal consolidated subsidiaries have adopted CMS and liquidity risk management at participating companies is therefore undertaken by the Company.

The Company manages the liquidity risk process where its Finance Section formulates and updates cash flow plans in a timely manner based on the reports from consolidated subsidiaries and operational departments and through a policy to control liquidity in hand for effective procurement.

(2) Fair value of financial instruments

Book value, fair value and the difference between them for the financial assets and liabilities as of December 31, 2015, 2014 and 2013 were as follows:

	Millions of yen		
	2015		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 48,211	¥ 48,211	¥ —
(2) Notes and accounts receivable—trade:	362,241		
Allowance for doubtful accounts*[1]	(1,944)		
Notes and accounts receivable, net	360,297	360,297	—
(3) Investment securities:			
(i) Shares of subsidiaries and associates	98,886	142,530	43,644
(ii) Available-for-sale securities	147,794	147,794	—
(4) Long-term loans receivable*[2]:	6,147		
Allowance for doubtful accounts*[1]	(2,443)		
Long-term loans receivable (net)	3,704	3,563	(141)
Total assets	¥658,892	¥702,395	¥43,503
(1) Short-term loans payable	¥148,750	¥148,750	¥ —
(2) Commercial papers	63,000	63,000	—
(3) Notes and accounts payable—trade	196,322	196,322	—
(4) Deposits received	18,076	18,076	—
(5) Long-term loans payable*[3]	203,180	205,092	1,912
(6) Lease obligations*[4]	19,158	19,532	374
Total liabilities	¥648,486	¥650,772	¥ 2,286
Derivatives*[5]	¥ (38)	¥ (38)	¥ —

	Millions of yen		
	2014		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 65,064	¥ 65,064	¥ —
(2) Notes and accounts receivable—trade:	353,704		
Allowance for doubtful accounts*[1]	(3,555)		
Notes and accounts receivable, net	350,149	350,149	—
(3) Investment securities:			
(i) Shares of subsidiaries and associates	94,060	226,135	132,075
(ii) Available-for-sale securities	125,281	125,281	—
(4) Long-term loans receivable*[2]:	5,601		
Allowance for doubtful accounts*[1]	3,093)		
Long-term loans receivable (net)	2,508	2,489	(19)
Total assets	¥637,062	¥769,118	¥132,056
(1) Short-term loans payable	¥173,938	¥173,938	¥ —
(2) Commercial papers	76,000	76,000	—
(3) Notes and accounts payable—trade	203,500	203,500	—
(4) Deposits received	18,256	18,256	—
(5) Long-term loans payable*[3]	184,787	187,028	2,241
(6) Lease obligations*[4]	23,297	23,889	592
Total liabilities	¥679,778	¥682,611	¥ 2,833
Derivatives*[5]	¥ 57	¥ 57	¥ —

	Millions of yen		
	2013		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 42,201	¥ 42,201	¥ —
(2) Notes and accounts receivable—trade:	317,106		
Allowance for doubtful accounts*1	(2,788)		
Notes and accounts receivable, net	314,318	314,318	—
(3) Investment securities:			
(i) Shares of subsidiaries and associates	86,682	235,570	148,888
(ii) Available-for-sale securities	104,766	104,766	—
(4) Long-term loans receivable*2:	7,646		
Allowance for doubtful accounts*1	(3,779)		
Long-term loans receivable (net)	3,867	4,006	139
Total assets	¥551,834	¥700,861	¥149,027
(1) Short-term loans payable	¥128,972	¥128,972	¥ —
(2) Commercial papers	67,000	67,000	—
(3) Notes and accounts payable—trade	187,108	187,108	—
(4) Deposits received	18,087	18,087	—
(5) Long-term loans payable*3	207,751	231,525	23,774
(6) Lease obligations*4	23,246	24,020	774
Total liabilities	¥632,164	¥656,712	¥ 24,548
Derivatives*5	¥ 542	¥ 542	¥ —

	Thousands of U.S. dollars		
	2015		
	Book value	Fair value	Difference
(1) Cash and deposits	**$ 399,726**	**$ 399,726**	**$ —**
(2) Notes and accounts receivable—trade:	**3,003,408**		
Allowance for doubtful accounts*1	**(16,118)**		
Notes and accounts receivable, net	**2,987,290**	**2,987,290**	**—**
(3) Investment securities:			
(i) Shares of subsidiaries and associates	**819,882**	**1,181,743**	**361,861**
(ii) Available-for-sale securities	**1,225,388**	**1,225,388**	**—**
(4) Long-term loans receivable*2:	**50,966**		
Allowance for doubtful accounts*1	**(20,255)**		
Long-term loans receivable (net)	**30,711**	**29,541**	**(1,170)**
Total assets	**$5,462,997**	**$5,823,688**	**$360,691**
(1) Short-term loans payable	**$1,233,314**	**$1,233,314**	**$ —**
(2) Commercial papers	**522,345**	**522,345**	**—**
(3) Notes and accounts payable—trade	**1,627,743**	**1,627,743**	**—**
(4) Deposits received	**149,871**	**149,871**	**—**
(5) Long-term loans payable*3	**1,684,603**	**1,700,456**	**15,853**
(6) Lease obligations*4	**158,842**	**161,943**	**3,101**
Total liabilities	**$5,376,718**	**$5,395,672**	**$ 18,954**
Derivatives*5	**$ (315)**	**$ (315)**	**$ —**

*1 The amounts of allowance for doubtful accounts for notes and accounts receivable—trade and long-term loans receivable are deducted respectively.
*2 Current portion of long-term loans receivable is included in "Long-term loans receivable."
*3 Current portion of long-term loans payable is included in "Long-term loans payable."
*4 Current portion of lease obligations is included in "Lease obligations."
*5 Receivables and payables incurred in derivative transactions are presented on a net basis.

(a) Valuation methodology for the fair value of financial instruments and information on marketable securities and derivatives

Assets

(1) Cash and deposits and (2) Notes and accounts receivable—trade

Cash and deposits and notes and accounts receivable—trade are presented at book value which approximates fair value because of the short maturity.

(3) Investment securities

The fair values of listed stocks are based on quoted market prices.

(4) Long-term loans receivable

The fair value of long-term loans receivable is calculated based on the present value of the total of principal and interest discounted by the interest rate that would be applied if similar new loans were entered into.

Liabilities

(1) Short-term loans payable, (2) Commercial papers, (3) Notes and accounts payable—trade and (4) Deposits received

Short-term loans payable, commercial papers, notes and accounts payable—trade and deposits received are presented at book value which approximates fair value because of the short maturity.

(5) Long-term loans payable

The fair value of long-term loans payable is calculated based on the present value of the total of principal and interest discounted by the interest rate that would be applied if similar new loans were entered into.

The fair value of long-term loans payable subject to the special accounting method for interest rate swaps, which qualified as hedge accounting and met specific criteria, is measured at the present value by discounting the expected repayments of principal and interest together with the interest rate swaps in the remaining period using an assumed interest rate on an equivalent new loan.

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

(6) Lease obligations

The fair value of lease obligations is based on the present value of the total of principal and interest discounted by the interest rate that would be applied if similar new lease transactions were entered into.

Derivatives

Market value offered by correspondent financial institutions is used as fair value. However, as the interest rate swaps, which qualified as hedge accounting and met the specific criteria, are accounted for as an integral part of long-term loans payable, the fair value of the interest rate swaps are included in that of the hedged item, long-term loans payable.

(b) The book values of financial instruments whose fair value was extremely difficult to estimate were as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Shares of subsidiaries and associates:				
Stocks of unlisted companies	**¥ 86,314**	¥128,983	¥120,566	**$ 715,645**
Available-for sale securities:				
Stocks of unlisted companies	**89,277**	26,392	19,076	**740,212**
Others	**198**	327	337	**1,642**
Total	**¥175,789**	¥155,702	¥139,979	**$1,457,499**

The stocks of unlisted companies and others are not included in (3) “Investment securities” in the table above because their market prices are not available and their future cash flows cannot be estimated. Accordingly, it is extremely difficult to estimate their fair values.

(c) Expected repayments of monetary assets and securities with maturities after the fiscal year-end were as follows:

	Millions of yen				
	2015				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and deposits	**¥ 48,211**	**¥—**	**¥—**	**¥—**	**¥ 48,211**
Notes and accounts receivable—trade	**362,241**	**—**	**—**	**—**	**362,241**
Total	**¥410,452**	**¥—**	**¥—**	**¥—**	**¥410,452**

	Millions of yen				
	2014				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and deposits	¥ 65,064	¥—	¥—	¥—	¥ 65,064
Notes and accounts receivable—trade	353,704	—	—	—	353,704
Available-for-sale securities:					
Corporate bonds	20	—	—	—	20
Total	¥418,788	¥—	¥—	¥—	¥418,788

	Millions of yen				
	2013				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and deposits	¥ 42,201	¥—	¥—	¥—	¥ 42,201
Notes and accounts receivable—trade	317,106	—	—	—	317,106
Available-for-sale securities:					
Corporate bonds	—	20	—	—	20
Total	¥359,307	¥20	¥—	¥—	¥359,327

	Thousands of U.S. dollars				
	2015				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Cash and deposits	**$ 399,726**	**$—**	**$—**	**$—**	**$ 399,726**
Notes and accounts receivable—trade	**3,003,408**	**—**	**—**	**—**	**3,003,408**
Total	**$3,403,134**	**$—**	**$—**	**$—**	**$3,403,134**

(d) See Note 9 "Loans Payable and Commercial Papers" for the aggregate annual maturities of long-term loans payable at December 31, 2015, 2014 and 2013.

6. Securities

A. The Companies had no held-to-maturity debt securities with fair values available as of December 31, 2015, 2014 and 2013.

B. The following tables summarize the acquisition cost and book value of available-for-sale securities with fair values available as of December 31, 2015, 2014 and 2013:

	Millions of yen		
	2015		
Type	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	**¥75,736**	**¥144,187**	**¥68,451**
	75,736	**144,187**	**68,451**
Securities with book value not exceeding acquisition cost:			
Equity securities	**3,861**	**3,607**	**(254)**
	3,861	**3,607**	**(254)**
Total	**¥79,597**	**¥147,794**	**¥68,197**

The above acquisition costs are presented based on book values after posting of valuation loss. Loss on valuation of investment securities is recognized in the amount of ¥2,521 million ($20,902 thousand) for the year ended December 31, 2015.

	Millions of yen		
	2014		
Type	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥69,223	¥117,166	¥47,943
	69,223	117,166	47,943
Securities with book value not exceeding acquisition cost:			
Equity securities	9,502	8,115	(1,387)
	9,502	8,115	(1,387)
Total	¥78,725	¥125,281	¥46,556

The above acquisition costs are presented based on book values after posting of valuation loss. Loss on valuation of investment securities is recognized in the amount of ¥23 million for the year ended December 31, 2014.

	Millions of yen		
	2013		
Type	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥58,524	¥ 93,870	¥35,346
	58,524	93,870	35,346
Securities with book value not exceeding acquisition cost:			
Equity securities	12,040	10,896	(1,144)
	12,040	10,896	(1,144)
Total	¥70,564	¥104,766	¥34,202

The above acquisition costs are presented based on book values after posting of valuation loss. Loss on valuation of investment securities is recognized in the amount of ¥13 million for the year ended December 31, 2013.

	Thousands of U.S. dollars		
	2015		
Type	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	**$627,942**	**$1,195,481**	**$567,539**
	627,942	**1,195,481**	**567,539**
Securities with book value not exceeding acquisition cost:			
Equity securities	**32,012**	**29,907**	**(2,105)**
	32,012	**29,907**	**(2,105)**
Total	**$659,954**	**$1,225,388**	**$565,434**

C. Total sales of available-for-sale securities during the years ended December 31, 2015, 2014 and 2013 amounted to ¥1,172 million ($9,717 thousand), ¥1,279 million and ¥2,901 million, respectively. The related gains amounted to ¥725 million ($6,011 thousand), ¥612 million and ¥981 million, and the related losses amounted to ¥82 million ($680 thousand), ¥25 million and ¥0 million, respectively.

D. Loss on valuation of available-for-securities during the year ended December 31, 2015 amounted to ¥2,521 million ($20,902 thousand). Information for the losses during the years ended December 31, 2014 and 2013 is omitted since the amounts were immaterial.

7. Research and Development Expenses

Research and development expenses are expensed when incurred. Research and development expenses included in cost of sales and selling, general and administrative expenses were ¥10,400 million ($86,228 thousand), ¥10,719 million and ¥10,815 million for the years ended December 31, 2015, 2014 and 2013, respectively.

8. Derivative Financial Instruments

The Companies use interest rate swaps, foreign exchange contracts, and commodity swaps only for the purpose of mitigating the risk of fluctuations in interest rates, foreign exchange rates, and raw material prices, respectively.

The Companies do not enter into speculative derivative transactions that deviate from actual demand or in highly leveraged transactions.

The Companies assess, both at hedge inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The following summarizes the hedging instruments used by the Companies and hedged items:

Hedging instruments:
- Foreign exchange contracts
- Interest rate swaps
- Commodity swaps

Hedged items:
- Transactions in foreign currencies
- Interest on borrowings
- Purchases of raw materials

Fair value information of the derivative transactions to which hedge accounting was not applied is as follows:

	Millions of yen			
	2015			
Classification / Type	Notional amount of contract	Notional amount due over one year	Fair market value	Difference
Foreign exchange contracts:				
Long (buy) (U.S. dollar)	**¥14,140**	**¥—**	**¥ 629**	**¥ 629**
Long (buy) (Euro)	**668**	**—**	**15**	**15**
Long (buy) (Japanese yen)	**30**	**—**	**0**	**0**
Total	**¥14,838**	**¥—**	**¥ 644**	**¥ 644**
Commodity swaps:				
Payable fixed price/Receivable floating price	**¥ 3,698**	**¥—**	**¥(518)**	**¥(518)**
Total	**¥ 3,698**	**¥—**	**¥(518)**	**¥(518)**

Classification / Type	Millions of yen 2014 Notional amount of contract	Notional amount due over one year	Fair market value	Difference
Foreign exchange contracts:				
Long (buy) (U.S. dollar)	¥ 7,886	¥—	¥ 709	¥ 709
Long (buy) (Euro)	2,812	—	80	80
Long (buy) (N.Z. dollar)	267	—	(13)	(13)
Currency option contracts:				
Short (put) (U.S. dollar)	17	—	0	0
Total	¥10,982	¥—	¥ 776	¥ 776
Commodity swaps:				
Payable fixed price/Receivable floating price	¥ 4,156	¥—	¥(426)	¥(426)
Total	¥ 4,156	¥—	¥(426)	¥(426)

Classification / Type	Millions of yen 2013 Notional amount of contract	Notional amount due over one year	Fair market value	Difference
Foreign exchange contracts:				
Long (buy) (U.S. dollar)	¥8,615	¥—	¥ 468	¥ 468
Long (buy) (Euro)	903	—	63	63
Currency option contracts:				
Short (put) (U.S. dollar)	311	—	23	23
Total	¥9,829	¥—	¥ 554	¥ 554
Commodity swaps:				
Payable fixed price/Receivable floating price	¥4,275	¥—	¥(263)	¥(263)
Total	¥4,275	¥—	¥(263)	¥(263)

Classification / Type	Thousands of U.S. dollars **2015** Notional amount of contract	Notional amount due over one year	Fair market value	Difference
Foreign exchange contracts:				
Long (buy) (U.S. dollar)	**$117,237**	**$—**	**$ 5,215**	**$ 5,215**
Long (buy) (Euro)	**5,539**	**—**	**125**	**125**
Long (buy) (Japanese yen)	**249**	**—**	**0**	**0**
Total	**$123,025**	**$—**	**$ 5,340**	**$ 5,340**
Commodity swaps:				
Payable fixed price/Receivable floating price	**$ 30,061**	**$—**	**$(4,295)**	**$(4,295)**
Total	**$ 30,061**	**$—**	**$(4,295)**	**$(4,295)**

Fair value information of the derivative transactions to which hedge accounting was applied is as follows:

Classification / Type	Hedged item	Millions of yen **2015** Notional amount of contract	Notional amount due over one year	Fair market value
Foreign exchange contracts:				
Long (buy) (U.S. dollar)		**¥ 6,690**	**¥—**	**¥ (22)**
Long (buy) (Australian dollar)	Foreign currency transactions	**6**	**—**	**(1)**
Long (buy) (Euro)		**6,396**	**—**	**(141)**
Total		**¥13,092**	**¥—**	**¥(164)**
Interest rate swaps:				
Payable fixed price/Receivable floating price	Long-term bank loans	**¥11,000**	**¥—**	*1
Total		**¥11,000**	**¥—**	

Classification / Type	Hedged item	Millions of yen 2014 Notional amount of contract	Notional amount due over one year	Fair market value
Foreign exchange contracts:				
Long (buy) (U.S. dollar)	Foreign currency transactions	¥ 3,514	¥—	¥ 400
Long (buy) (Australian dollar)		77	—	(8)
Long (buy) (Euro)		3,077	—	220
Long (buy) (N.Z. dollar)		19,637	—	(904)
Total		¥26,305	¥—	¥(292)
Interest rate swaps:				
Payable fixed price/Receivable floating price	Long-term bank loans	¥11,000	¥—	*1
Total		¥11,000	¥—	
Commodity swaps:				
Payable fixed price/Receivable floating price	Cornstarch	¥ 274	¥—	¥ (9)
Total		¥ 274	¥—	¥ (9)

Classification / Type	Hedged item	Millions of yen 2013 Notional amount of contract	Notional amount due over one year	Fair market value
Foreign exchange contracts:				
Long (buy) (U.S. dollar)	Foreign currency transactions	¥1,484	¥—	¥ 93
Long (buy) (Australian dollar)		130	—	(8)
Long (buy) (Euro)		1,818	—	175
Total		¥3,432	¥—	¥260
Interest rate swaps:				
Payable fixed price/Receivable floating price	Long-term bank loans	¥9,000	¥—	*1
Total		¥9,000	¥—	
Commodity swaps:				
Payable fixed price/Receivable floating price	Cornstarch	¥ 274	¥—	¥ (9)
Total		¥ 274	¥—	¥ (9)

Classification / Type	Hedged item	Thousands of U.S. dollars **2015** Notional amount of contract	Notional amount due over one year	Fair market value
Foreign exchange contracts:				
Long (buy) (U.S. dollar)	Foreign currency transactions	**$ 55,468**	**$—**	**$ (183)**
Long (buy) (Australian dollar)		**50**	**—**	**(8)**
Long (buy) (Euro)		**53,030**	**—**	**(1,169)**
Total		**$108,548**	**$—**	**$(1,360)**
Interest rate swaps:				
Payable fixed price/Receivable floating price	Long-term bank loans	**$ 91,203**	**$—**	*1
Total		**$ 91,203**	**$—**	

*1 The above specially treated interest rate swap is accounted for as an integral part of long-term loans payable or is subject to hedging. Accordingly, the fair value of the swap is presented by being included in the fair value of long-term loans payable.

9. Loans Payable and Commercial Papers

Short-term loans payable at December 31, 2015, 2014 and 2013 were comprised of short-term notes or overdrafts bearing interest at average rates of 0.75% for 2015, 0.76% for 2014 and 0.79% for 2013.

The Company entered into a yen domestic commercial papers program with a current maximum facility amount of ¥200,000 million ($1,658,237 thousand). There were outstanding balances of ¥63,000 million ($522,345 thousand), ¥76,000 million and ¥67,000 million at December 31, 2015, 2014 and 2013, respectively.

Long-term loans payable at December 31, 2015, 2014 and 2013 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Domestic debentures:				
1.88% debentures due in 2014	**¥ —**	¥ —	¥ 10,000	**$ —**
0.92% debentures due in 2014	**—**	—	10,000	**—**
0.63% debentures due in 2015	**—**	20,000	20,000	**—**
0.52% debentures due in 2016	**30,000**	30,000	30,000	**248,736**
0.76% debentures due in 2018	**20,000**	20,000	20,000	**165,824**
0.33% debentures due in 2017	**18,000**	18,000	18,000	**149,241**
0.55% debentures due in 2019	**10,000**	10,000	10,000	**82,912**
0.23% debentures due in 2019	**25,000**	25,000	—	**207,280**
0.37% debentures due in 2021	**10,000**	10,000	—	**82,912**
0.24% debentures due in 2020	**25,000**	—	—	**207,280**
0.35% debentures due in 2022	**10,000**	—	—	**82,912**
Zero coupon convertible bonds due in 2023	**—**	—	15,938	**—**
Zero coupon convertible bonds due in 2028	**—**	—	35,000	**—**
Long-term loans payable, principally from banks, insurance companies and agricultural cooperatives:				
Secured loans due through 2021 at interest rates of mainly 5.04%	**737**	1,109	1,259	**6,111**
Unsecured loans due through 2022 at interest rates of 0.19% to 10.88%	**54,443**	50,678	37,554	**451,395**
	203,180	184,787	207,751	**1,684,603**
Amount due within one year	**(37,489)**	(30,941)	(25,363)	**(310,828)**
Long-term loans payable	**¥165,691**	¥153,846	¥182,388	**$1,373,775**

Note: The Company exercised its acquisition option and acquired all of the zero coupon convertible bonds due in 2023 and 2028 outstanding on June 5, 2014 according to the resolution of the Board of Directors as of June 4, 2014. The acquisition took place on August 4, 2014.

Assets, at book value, which were pledged as collateral for loans totaling ¥737 million ($6,111 thousand), ¥1,109 million and ¥1,259 million at December 31, 2015, 2014 and 2013, respectively, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Machinery and equipment	**¥1,120**	¥1,694	¥1,825	**$9,286**
Total	**¥1,120**	¥1,694	¥1,825	**$9,286**

The aggregate annual maturities of long-term debts at December 31, 2015 were as follows:

Years ending December 31,	Millions of yen	Thousands of U.S. dollars
2016	**¥ 37,489**	**$ 310,829**
2017	**44,781**	**371,281**
2018	**27,724**	**229,866**
2019	**38,517**	**319,353**
2020	**33,853**	**280,683**
2021 and thereafter	**20,816**	**172,591**
Total	**¥203,180**	**$1,684,603**

10. Retirement Benefits

(1) For the years ended December 31, 2015 and 2014

(a) Overview of employees' retirement benefit plans adopted by the Companies

To prepare for the payment of employees' retirement benefits, the Companies adopt funded and unfunded defined benefit plans as well as defined contribution plans. Certain consolidated subsidiaries have only lump-sum retirement benefit plans.

In addition, certain consolidated subsidiaries set up employees' retirement benefit trusts.

Some subsidiaries apply simplified methods for the computation of retirement benefit obligations.

(b) Defined benefit plans (except for plans applying simplified methods)

The following tables set forth retirement benefit obligations, plan assets and funded status of the Companies at December 31, 2015 and 2014.

(i) Changes in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at the beginning of the year	**¥108,950**	¥105,442	**$903,325**
Cumulative effects of changes in accounting policies	**(2,812)**	—	**(23,315)**
Restated balance	**106,138**	105,442	**880,010**
Service costs	**5,517**	4,842	**45,743**
Interest cost on projected retirement benefit obligations	**1,007**	1,533	**8,349**
Actuarial loss (gain)	**(17)**	167	**(141)**
Benefits paid	**(5,148)**	(4,238)	**(42,683)**
Prior service cost	**214**	(7)	**1,774**
Increase due to newly consolidated subsidiaries	**522**	916	**4,328**
Other	**(236)**	295	**(1,957)**
Balance at the end of the year	**¥107,997**	¥108,950	**$895,423**

(ii) Changes in plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at the beginning of the year	**¥103,061**	¥ 92,511	**$854,498**
Expected return on plan assets	**3,870**	2,049	**32,087**
Actuarial gain (loss)	**350**	4,175	**2,902**
Contributions paid by the employer	**7,228**	7,291	**59,928**
Benefits paid	**(3,906)**	(3,199)	**(32,385)**
Other	**(212)**	234	**(1,758)**
Balance at the end of the year	**¥110,391**	¥103,061	**$915,272**

(iii) Reconciliation from projected retirement benefit obligations and plan assets to net defined benefit liability (asset)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded projected retirement benefit obligations	**¥ 95,776**	¥ 96,145	**$ 794,096**
Plan assets	**(110,391)**	(103,061)	**(915,272)**
	(14,615)	(6,916)	**(121,176)**
Unfunded projected retirement benefit obligations	**12,016**	12,805	**99,627**
Total net defined benefit liability (asset) at the end of the year	**¥ (2,599)**	¥ 5,889	**$ (21,549)**
Net defined benefit liability	**¥ 21,975**	¥ 25,141	**$ 182,199**
Net defined benefit asset	**(24,574)**	(19,252)	**(203,748)**
Total net defined benefit liability (asset) at the end of the year	**¥ (2,599)**	¥ 5,889	**$ (21,549)**

(iv) Retirement benefit expenses

For the fiscal years ended December 31,	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Service costs	**¥ 5,517**	¥ 4,842	**$ 45,743**
Interest cost on projected retirement benefit obligations	**1,007**	1,533	**8,349**
Expected return on plan assets	**(3,870)**	(2,049)	**(32,087)**
Amortization of actuarial loss (gain)	**1,199**	843	**9,941**
Amortization of prior service cost	**(394)**	(614)	**(3,267)**
Other	**129**	109	**1,070**
Total retirement benefit expenses	**¥ 3,588**	¥ 4,664	**$ 29,749**

In addition to the above-stated retirement benefit expenses, the Companies incurred ¥3,033 million ($25,147 thousand) of extra retirement payments which is included in other—net of other income (expenses) for the fiscal year ended December 31, 2015.

(v) Remeasurements of defined benefit plans (before tax)

For the fiscal years ended December 31,	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Prior service cost	**¥ 608**	¥—	**$ 5,041**
Actuarial gain (loss)	**(1,651)**	—	**(13,689)**
Other	**86**	—	**713**
Total remeasurements of defined benefit plans	**¥ (957)**	¥—	**$ (7,935)**

(vi) Accumulated remeasurements of defined benefit plans (before tax)

At December 31,	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Unrecognized prior service cost	**¥(1,402)**	¥(2,010)	**$(11,624)**
Unrecognized actuarial gain (loss)	**1,177**	2,828	**9,758**
Total balance	**¥ (225)**	¥ 818	**$ (1,866)**

(vii) Plan assets

Plan assets comprise the following:

	2015	2014
Equity securities	**42%**	34%
Insurance assets (general account)	**28**	28
Bonds	**22**	29
Others	**8**	9
Total	**100%**	100%

Note: An employees' retirement benefit trust set up as a corporate pension plan made up 26% and 27% of total plan assets as of December 31, 2015 and 2014, respectively.

Long-term rate of expected return

Current and target asset allocations and historical and expected returns on various asset categories of plan assets have been considered in determining the long-term expected rate of return.

(viii) Actuarial assumptions

The principal actuarial assumptions at December 31, 2015 and 2014 (expressed as weighted averages) are as follows:

	2015	2014
Discount rate	**1.1%**	1.3%
Long-term rate of expected return	**4.1**	2.1

(c) Defined benefit plans applying a simplified method

(i) Changes in net defined benefit liability

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at the beginning of the year	**¥1,385**	¥1,256	**$11,483**
Retirement benefit expenses	**130**	255	**1,078**
Benefits paid	**(112)**	(126)	**(928)**
Contribution paid by the employer	**(0)**	(0)	**(0)**
Balance at the end of the year	**¥1,403**	¥1,385	**$11,633**

(ii) Reconciliation from projected retirement benefit obligations and plan assets to net defined benefit liability (asset)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded projected retirement benefit obligations	**¥ 14**	¥ 12	**$ 116**
Plan assets	**(5)**	(5)	**(41)**
	9	7	**75**
Unfunded projected retirement benefit obligations	**1,394**	1,378	**11,558**
Total net defined benefit liability (asset) at the end of the year	**¥1,403**	¥1,385	**$11,633**
Net defined benefit liability (asset)	**¥1,403**	¥1,385	**$11,633**
Total net defined benefit liability (asset) at the end of the year	**¥1,403**	¥1,385	**$11,633**

(iii) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Retirement benefit expenses	**¥130**	¥255	**$1,078**

(d) Defined contribution plans

The amount of required contributions to the defined contribution plans of the Companies were ¥2,042 million ($16,931 thousand) for the fiscal year ended December 31, 2015 and ¥2,339 million for the fiscal year ended December 31, 2014.

(2) For the year ended December 31, 2013

Employees' severance and retirement benefits included in liabilities in the consolidated balance sheet as of December 31, 2013 consisted of the following:

	Millions of yen
	2013
Projected retirements benefit obligations	¥106,698
Less: Fair value of the plan assets	(62,498)
Less: Fair value of employees' retirement benefit trust	(30,013)
Unrecognized actuarial gain (loss)	(7,693)
Unrecognized prior service cost	2,617
Prepaid pension cost	13,470
Employees' severance and retirement benefits	¥ 22,581

Certain consolidated subsidiaries calculated projected retirement benefit obligations using a simplified method.
The discount rates used by the Companies were mainly 1.3% for the year ended December 31, 2013.

Included in the consolidated statement of income for the year ended December 31, 2013 are severance and retirement benefit expenses which comprise the following:

	Millions of yen
	2013
Service costs—benefits earned during the year*1	¥4,430
Interest cost on projected retirement benefit obligations	1,768
Expected return on plan assets	(263)
Amortization of actuarial gain (loss)	1,127
Amortization of prior service cost	(484)
Others*2	550
Severance and retirement benefit expenses	¥7,128

*1 Severance and retirement benefit expenses of consolidated subsidiaries calculated using a simplified method are presented in service costs.
*2 Others includes prepaid retirement benefits provided for employees by payment of contribution and prepaid retirement benefit plan.

The rates of expected return on plan assets used by the Companies were mainly 0.0% for the fiscal year ended December 31, 2013. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years.

11. Income Taxes

The Company is subject to corporation, enterprise and inhabitants' taxes, which resulted in an aggregate normal effective tax rate of approximately 35.6% for the year ended December 31, 2015 and 37.7% for the years ended December 31, 2014 and 2013.

The following table summarizes the significant differences between the statutory tax rate and the actual effective tax rate:

	2015	2014	2013
Statutory tax rate	**35.6%**	37.7%	37.7%
Non-deductible expenses	**1.5**	2.3	2.0
Dividend income and other items not included for tax purposes	**(1.9)**	(3.8)	(0.2)
Per capita inhabitants' taxes	**0.3**	0.3	0.4
Valuation allowance	**(2.4)**	3.3	2.1
Amortization of goodwill (including impairment loss)	**6.7**	8.5	5.8
Equity in net income of unconsolidated subsidiaries and affiliated companies	**(4.5)**	(2.3)	(3.0)
Tax rate changes due to tax reform	**(1.4)**	0.7	0.0
Gain on step acquisitions	**(1.9)**	—	—
Others	**1.3**	(0.2)	(0.8)
Effective tax rate	**33.3%**	46.4%	44.0%

Significant components of deferred tax assets and liabilities as of December 31, 2015, 2014 and 2013 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Deferred tax assets:				
Allowance for doubtful accounts	**¥ 2,257**	¥ 2,796	¥ 2,958	**$ 18,713**
Employees' severance and retirement benefits	**—**	—	11,495	**—**
Liability for retirement benefits	**5,651**	9,193	—	**46,853**
Accrued enterprise taxes	**1,710**	1,957	2,499	**14,178**
Loss on factory restructuring	**81**	140	650	**672**
Depreciation	**674**	748	638	**5,588**
Loss on impairment of non-current assets	**4,200**	2,763	1,930	**34,823**
Loss on devaluation of investment securities	**1,747**	1,845	1,976	**14,485**
Net operating loss carryforwards	**11,439**	6,665	4,841	**94,843**
Unrealized gain on sale of non-current assets eliminated on consolidation	**4,668**	4,669	4,672	**38,703**
Accrued expenses	**1,745**	2,040	1,849	**14,468**
Others	**9,910**	11,581	14,519	**82,166**
	44,082	44,397	48,027	**365,492**
Valuation allowance	**(10,553)**	(11,182)	(10,062)	**(87,497)**
Total deferred tax assets	**33,529**	33,215	37,965	**277,995**
Deferred tax liabilities:				
Reserve deductible for Japanese tax purposes	**(4,353)**	(5,408)	(1,777)	**(36,092)**
Unrealized gains on available-for-sale securities	**(21,991)**	(16,552)	(12,039)	**(182,331)**
Land revaluation gain	**(10,632)**	(11,575)	(12,241)	**(88,152)**
Retained earnings of foreign subsidiaries	**(849)**	(866)	(698)	**(7,039)**
Adjustment of book value based on fair value	**(24,807)**	(21,237)	(22,401)	**(205,679)**
Others	**(2,717)**	(3,857)	(2,317)	**(22,528)**
Total deferred tax liabilities	**(65,349)**	(59,495)	(51,473)	**(541,821)**
Net deferred tax assets (liabilities)	**¥(31,820)**	¥(26,280)	¥(13,507)	**$(263,826)**

Net deferred tax assets as of December 31, 2015 consisted of deferred tax assets included in current assets and non-current assets amounting to ¥15,048 million ($124,766 thousand) and ¥8,183 million ($67,847 thousand), respectively, and deferred tax liabilities included in current liabilities and non-current liabilities amounting to ¥607 million ($5,033 thousand) and ¥54,445 million ($451,414 thousand), respectively.

Net deferred tax assets as of December 31, 2014 consisted of deferred tax assets included in current assets and non-current assets amounting to ¥13,013 million and ¥9,448 million, respectively, and deferred tax liabilities included in current liabilities and non-current liabilities amounting to ¥129 million and ¥48,611 million, respectively.

Net deferred tax assets as of December 31, 2013 consisted of deferred tax assets included in current assets and non-current assets amounting to ¥15,505 million and ¥9,120 million, respectively, and deferred tax liabilities included in current liabilities and non-current liabilities amounting to ¥387 million and ¥37,746 million, respectively.

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Corporate Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure deferred tax assets and liabilities, which is limited to what is eliminated after January 1, 2016, was changed from 35.6% to 33.1% and 32.3% for the temporary differences expected to be realized or settled for the fiscal years ending December 31, 2016 and 2017, respectively.

The effects of the announced reduction of the effective statutory tax rate were the increase in deferred tax assets after offsetting deferred tax liabilities by ¥3,945 million ($32,709 thousand), the decrease in deferred income taxes by ¥1,617 million ($13,407 thousand) and deferred gains or losses on hedges by ¥3 million ($25 thousand), and the increase of unrealized gains on available-for-sale securities by ¥2,301 million ($19,078 thousand) and remeasurements of defined benefit plans by ¥30 million ($249 thousand) as of and for the year ended December 31, 2015.

12. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law (“the Law”), companies are required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations in a legal earnings reserve until the total of the legal earnings reserve and additional paid-in capital equals 25% of common stock.

Under the Law, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders’ meeting or can be capitalized by a resolution of the Board of Directors.

Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. Under the Law, however, additional paid-in capital and the legal earnings reserve may be transferred to retained earnings by a resolution of the shareholders’ meeting as long as the total amount of the legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the Annual General Meeting of Shareholders held on March 24, 2016, the shareholders resolved cash dividends amounting to ¥11,906 million ($98,715 thousand). Such appropriation has not been accrued in the consolidated financial statements as of December 31, 2015, and is recognized in the period in which it was resolved.

13. Commitments and Contingent Liabilities

The Companies were contingently liable as guarantors for borrowings of unconsolidated subsidiaries, affiliated companies, employees and others, including letters of awareness and keep-well agreements, in the amount of ¥3,431 million ($28,447 thousand), ¥3,443 million and ¥713 million as of December 31, 2015, 2014 and 2013, respectively.

14. Impairment of Non-Current Assets

The Company and its consolidated domestic subsidiaries have grouped their non-current assets principally based on their offices or factories, and considered the complementary relationships of the cash flows. Assets scheduled for disposal are classified as individual assets. Goodwill is classified into units which represent the lowest level at which goodwill is monitored for internal management purposes.

Loss on impairment of non-current assets for the year ended December 31, 2015 consisted of the following:

Use	Location	Type of assets
Rental properties	Himeji (Hyogo)	Land, Buildings and structures
Assets scheduled for disposal	Katsushika (Tokyo) and 1 other	Land, Buildings and structures
Assets for business	Oceania	Other intangible assets
Others	—	Goodwill

Rental properties owned by consolidated domestic subsidiaries were devalued to their recoverable amounts, since market prices of the assets had declined significantly. As a result, a loss on impairment of ¥3,736 million ($30,976 thousand) was recognized.

Details are as follows: ¥3,041 million ($25,213 thousand) for land and ¥695 million ($5,763 thousand) for buildings and structures. The recoverable value was measured as the net selling price based on real estate appraisal for the related assets.

Certain company housing and dormitories owned by consolidated domestic subsidiaries were devalued to their recoverable amounts, since the assets will no longer be used in the future and will be disposed. As a result, a loss on impairment of ¥1,850 million ($15,339 thousand) was recognized.

Details are as follows: ¥1,513 million ($12,545 thousand) for land and ¥337 million ($2,794 thousand) for buildings and structures. The recoverable value was measured as the net selling price based on real estate appraisal for the related assets.

A portion of the goodwill and brands reported in an overseas business was devalued to its recoverable amount, since the expected future revenue was considered to be unrealizable. As a result, the Company recognized a loss on impairment of ¥13,336 million ($110,571 thousand).

Details are as follows: ¥2,972 million ($24,641 thousand) for other intangible assets, ¥10,364 million ($85,930 thousand) for goodwill.

The Company determined the value in use. The value in use of other intangible assets was calculated by discounting future cash flows at a discount rate of 10.2%, and a portion of intangible assets which future cash flows was not expected was calculated as zero. Goodwill was calculated by discounting future cash flows at a discount rate of 10.1%. As described in Note 17 "Business Combinations," the Company recognized a loss on impairment of ¥1,428 million ($11,840 thousand).

Loss on impairment of non-current assets for the year ended December 31, 2014 consisted of the following:

Use	Location	Type of assets
Assets scheduled for disposal	Kashiwa (Chiba) and 4 others	Land, Buildings and structures
Others	—	Goodwill

Certain company housing and dormitories owned by consolidated domestic subsidiaries were devalued to their recoverable amounts, since the assets were expected to be disposed of and no longer used in the future. As a result, a loss on impairment of ¥3,159 million was recognized.

Details are as follows: ¥2,297 million for land and ¥862 million for buildings and structures. The recoverable value was measured as the net selling price based on real estate appraisal for the related assets.

A portion of the goodwill reported in the Overseas business was devalued to its recoverable amount, since the expected future revenue was considered to be unrealizable. As a result, the Company recognized a loss on impairment of ¥20,492 million.

The Company determined the value in use which was calculated by discounting future cash flows at a discount rate of 9.9%.

Loss on impairment of non-current assets for the year ended December 31, 2013 consisted of the following:

Use	Location	Type of assets
Others	—	Goodwill

A portion of the goodwill reported in the Overseas business was devalued to its recoverable amount, since the expected future revenue was considered to be unrealizable. As a result, the Company recognized a loss on impairment of ¥7,366 million.

The Company determined the value in use which was calculated by discounting future cash flows at a discount rate of 9.9%.

15. Shareholders' Equity

Changes in the number of common stock issued and treasury stock outstanding during the years ended December 31, 2015, 2014 and 2013 were as follows:

Common stock issued

	Shares		
	2015	2014	2013
Balance at the beginning of the year	**483,585,862**	483,585,862	483,585,862
Balance at the end of the year	**483,585,862**	483,585,862	483,585,862

Outstanding treasury shares

	Shares		
	2015	2014	2013
Balance at the beginning of the year	**20,984,062**	21,352,561	17,611,484
Increase due to purchase of odd stock	**8,297**	120,375	11,413
Increase resulting from acquisition of treasury stock	**4,982,100**	15,475,800	13,217,100
Decrease due to exercise of stock options	**(298,000)**	(349,700)	(416,400)
Decrease resulting from exercise of rights (conversion) of convertible bonds with stock acquisition rights	**—**	(15,614,809)	(9,070,703)
Decrease for other reasons	**(160)**	(165)	(333)
Balance at the end of the year	**25,676,299**	20,984,062	21,352,561

Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Millions of yen Amount	Thousands of U.S. dollars Amount	Yen Amount per share	U.S. dollars Amount per share	Shareholder's cut-off date	Effective date
March 26, 2015	Annual General Meeting of Shareholders	Common stock	¥10,640	$88,218	¥23.00	$0.19	December 31, 2014	March 27, 2015
August 5, 2015	Board of Directors	Common stock	¥10,990	$91,120	¥24.00	$0.20	June 30, 2015	September 1, 2015

Dividends with a shareholder's cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Date of approval	Resolution approved by	Type of shares	Paid from	Millions of yen Amount	Thousands of U.S. dollars Amount	Yen Amount per share	U.S. dollars Amount per share	Shareholder's cut-off date	Effective date
March 24, 2016	Annual General Meeting of Shareholders	Common stock	Retained earnings	¥11,906	$98,715	¥26.00	$0.22	December 31, 2015	March 25, 2016

16. Stock Option Plans

The following tables summarize the contents of stock options as of December 31, 2015:

Company name	Asahi Group Holdings, Ltd.
Date of the Annual General Meeting of Shareholders	March 30, 2005
Positions and number of grantees	Directors, Corporate Auditors and Executive Officers: 45
Class and number of stock	Common stock: 600,000 shares
Date of issue	March 30, 2005
Condition of settlement of rights	No provisions
Period the grantees must provide service in return for stock options	No provisions
Period subscription rights can be exercised	From March 30, 2007 to March 29, 2015

Company name	Asahi Group Holdings, Ltd.
Date of the Annual General Meeting of Shareholders	March 30, 2006
Positions and number of grantees	Directors, Corporate Auditors and Executive Officers: 48
Class and number of stock	Common stock: 620,000 shares
Date of issue	March 30, 2006
Condition of settlement of rights	No provisions
Period the grantees must provide service in return for stock options	No provisions
Period subscription rights can be exercised	From March 30, 2008 to March 29, 2016

The following table summarizes the number of and changes to stock options for the year ended December 31, 2015:

Exercisable stock options

Company name	Asahi Group Holdings, Ltd	
Date of the Annual General Meeting of Shareholders	March 30, 2005	March 30, 2006
Stock options outstanding at January 1, 2015	194,500	447,900
Stock options exercised	138,200	159,800
Forfeitures	56,300	—
Stock options outstanding at December 31, 2015	—	288,100

The following table summarizes the price information of stock options as of December 31, 2015:

Company name	Asahi Group Holdings, Ltd.	
Date of the Annual General Meeting of Shareholders	March 30, 2005	March 30, 2006
Exercise price	¥1,374	¥1,688
Average market price of the stock per share at the time of exercise	¥3,682	¥3,719

17. Business Combinations

Business combinations resulting from acquisitions during the year ended December 31, 2015

(1) Outline of the transaction

(a) Name and business of acquired company

CHINA FOODS INVESTMENT CORP.
Managing business of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. and its group companies

(b) Outline and purpose of the transaction

Since ITOCHU Corporation ("ITOCHU") (the former parent company of CHINA FOODS INVESTMENT CORP. ("CFI")) changed the structure of investment in TING HSIN (CAYMAN ISLAND) HOLDING CORP., CFI acquired shares of its treasury shares held by ITOCHU on March 3, 2015.

(c) Effective date of the business combination

March 31, 2015 (deemed acquisition date)

(d) Legal form of the business combination

Treasury shares acquisition by equity-method affiliate

(e) Name of the company after the business combination

CHINA FOODS INVESTMENT CORP.

(f) Share of the voting rights acquired

Before the acquisition 25.9%
After the acquisition 100.0%

(g) Main reason determining the acquiring company

The Company acquired 100% of the voting rights.

(2) Period of operation of the acquired company included in the accompanying consolidated financial statements

From April 1, 2015 to December 31, 2015

The acquired company was an equity-method affiliate of the Company prior to March 31, 2015. Operating results of the acquired company from January 1, 2015 to March 31, 2015 were recorded in "Share of profit of entities accounted for using equity method."

(3) Acquisition cost of the acquired company

	Millions of yen	Thousands of U.S. dollars
Market value of CFI's shares held by the Company prior to the business combination	¥ 56,662	$ 469,795
Market value of CFI's treasury shares acquired on the date of the business combination	161,892	1,342,277
Acquisition cost	¥218,554	$1,812,072

(4) Difference of total cost of acquisition and individual acquisition costs

Gain on step acquisitions ¥3,651 million ($30,271 thousand)

(5) Goodwill, the reason for recognizing goodwill, the amortization method and the amortization term

Goodwill of ¥1,428 million ($11,840 thousand), which was calculated as the difference between the acquisition cost and the value of net assets of CFI, was recognized. However, the Company recorded an impairment loss on the entire amount of goodwill for the year ended December 31, 2015, since the excess earning power of the acquisition had not been expected in the future.

(6) Assets and liabilities of the acquired company as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥21,916	$181,709
Non-current assets	42,961	356,198
Total assets	¥64,877	$537,907
Current liabilities	¥23,147	$191,916
Non-current liabilities	—	—
Total liabilities	¥23,147	$191,916

Note: The amount of goodwill mentioned in (5) is not included in the above assets and liabilities.

(7) Estimated impact on the consolidated financial results if the business combination had been completed at the beginning of the fiscal year (January 1, 2015)

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ —	$ —
Operating income	(204)	(1,691)
Income before income taxes and minority interests	49,894	413,680
Net income	26,748	221,773

Note: The amount of goodwill mentioned in (5) is not included in the above assets and liabilities.

The estimated sales and income figures above were calculated based on the assumption that the business combination was completed at the beginning of the fiscal year. This information does not necessarily imply the effects on the financial results in the future. Also, it does not assure that the above results actually happened in case that the business combination was completed at the beginning of the fiscal year.

The estimated impact has not been audited by the Company's independent auditor.

18. Segment Information

(1) General information about reportable segments

Each reportable segment of Asahi Group is a business unit for which separate financial information is available. Reportable segments are reviewed periodically at Board of Directors meetings in order to allocate management resources and evaluate business results.

Asahi Group mainly engages in the manufacture and sales of alcoholic beverages, soft drinks and food for the domestic market, and the manufacture and sales of alcoholic beverages and soft drinks for the overseas market. Therefore, Asahi Group is composed of four reportable segments: Alcoholic Beverages, Soft Drinks, Food and Overseas.

The type of primary products and services of each reportable segment and Others are as follows:

Alcoholic Beverages includes the manufacture and sales of alcoholic products such as beer, *happoshu*, *shochu* and whisky; the restaurant business; the wholesale business and others. Soft Drinks includes the manufacture and sales of soft drinks and others.

Food includes the manufacture and sales of food and chemicals. Overseas includes the manufacture and sales of alcoholic products such as beer, soft drinks and others in overseas markets. Others includes the distribution business and others.

(2) Basis of measurement of reported sales, segment profit or loss, segment assets and other material items

The accounting methods of each reportable segment are the same as those set forth in Note 2 “Significant Accounting Policies.” The amount of segment profit corresponds to that of operating income.

Intersegment sales and transfer prices are calculated based on market value.

Application of the Accounting Standard for Retirement Benefits

As described in changes in accounting policies in Note 2 “Significant Accounting Policies,” Asahi Group has changed the calculation method for retirement benefit obligations and current service costs. Accordingly, Asahi Group has changed the calculation method for retirement benefit obligations and current service costs in each segment.

The effects of these changes on operating income for the current year were immaterial.

Application of the Accounting Standard for Business Combinations, etc.

As described in changes in accounting policies in Note 2 “Significant Accounting Policies,” Asahi Group has recognized differences as capital surplus arising from the changes in the Company’s ownership interest of subsidiaries, over which the Company maintains control, and recorded the acquisition-related costs as expenses in the fiscal year in which the costs were incurred.

As a result of this change, segment income increased by ¥2 million ($17 thousand) in Alcoholic Beverages, ¥1,899 million ($15,745 thousand) in Soft Drinks, ¥66 million ($547 thousand) in Food, and ¥130 million ($1,078 thousand) in Overseas, whereas segment loss decreased by ¥296 million ($2,454 thousand) in Adjustment for the fiscal year ended December 31, 2015.

(3) Information about reportable segment income, segment assets and other material items

(a) Segment information for the year ended December 31, 2015

	Millions of yen							
	Reportable segment							
Year ended December 31, 2015	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others*1	Total	Adjustment*2	Consolidated*3
Sales:								
External customers	¥972,925	¥490,186	¥115,036	¥249,735	¥29,536	¥1,857,418	¥ —	¥1,857,418
Intersegment	26,901	4,921	2,177	2,210	57,069	93,278	(93,278)	—
Total sales	¥999,826	¥495,107	¥117,213	¥251,945	¥86,605	¥1,950,696	¥(93,278)	¥1,857,418
Segment income	¥118,733	¥ 22,410	¥ 8,075	¥ 3,520	¥ 1,305	¥ 154,043	¥(18,923)	¥ 135,120
Segment assets	¥755,894	¥317,591	¥ 92,425	¥673,184	¥19,039	¥1,858,133	¥ 43,422	¥1,901,555
Other:								
Depreciation	¥ 24,182	¥ 18,867	¥ 3,237	¥ 12,718	¥ 202	¥ 59,206	¥ 1,476	¥ 60,682
Amortization of goodwill	581	1,344	371	8,269	—	10,565	—	10,565
Equity in earnings (loss) of affiliates	44	—	(10)	14,013	—	14,047	120	14,167
Investment in affiliates	125	—	—	185,697	—	185,822	1,121	186,943
Increase in property, plant and equipment and intangible assets	18,096	16,638	5,359	15,680	202	55,975	856	56,831

Year ended December 31, 2015	Thousands of U.S. dollars — Reportable segment: Alcoholic Beverages	Soft Drinks	Food	Overseas	Others*1	Total	Adjustment*2	Consolidated*3
Sales:								
External customers	$8,066,703	$4,064,224	$953,785	$2,070,599	$244,888	$15,400,199	$ —	$15,400,199
Intersegment	223,041	40,801	18,050	18,324	473,169	773,385	(773,385)	—
Total sales	$8,289,744	$4,105,025	$971,835	$2,088,923	$718,057	$16,173,584	$(773,385)	$15,400,199
Segment income	$ 984,437	$ 185,805	$ 66,951	$ 29,185	$ 10,821	$ 1,277,199	$(156,894)	$ 1,120,305
Segment assets	$6,267,258	$2,633,206	$766,313	$5,581,494	$157,856	$15,406,127	$ 360,020	$15,766,147
Other:								
Depreciation	$ 200,497	$ 156,430	$ 26,839	$ 105,447	$ 1,675	$ 490,888	$ 12,238	$ 503,126
Amortization of goodwill	4,817	11,143	3,076	68,560	—	87,596	—	87,596
Equity in earnings (loss) of affiliates	365	—	(83)	116,184	—	116,466	995	117,461
Investment in affiliates	1,036	—	—	1,539,649	—	1,540,685	9,294	1,549,979
Increase in property, plant and equipment and intangible assets	150,037	137,949	44,432	130,006	1,675	464,099	7,097	471,196

*1 Others includes the distribution business and others.
*2 Adjustments are as follows:
(a) Segment income of ¥(18,923) million ($(156,894) thousand) includes corporate expenses of ¥(17,412) million ($(144,366) thousand) which is not allocated to reportable segments and the elimination of intersegment transactions, etc., of ¥(1,512) million ($(12,536) thousand). Corporate expenses are group management costs primarily incurred by the Company.
(b) Segment assets of ¥43,422 million ($360,020 thousand) includes corporate assets of ¥65,885 million ($546,265 thousand) which is not allocated to reportable segments and the elimination of intersegment transactions, etc., of ¥(22,463) million ($(186,245) thousand). Corporate assets are primarily the assets held by the Company.
(c) Depreciation of ¥1,476 million ($12,238 thousand) is related to corporate assets.
(d) Equity in earnings (loss) of affiliates of ¥120 million ($995 thousand) is related to corporate assets.
(e) Investment in affiliates of ¥1,121 million ($9,294 thousand) is related to corporate assets.
(f) Increase in property, plant and equipment and intangible assets of ¥856 million ($7,097 thousand) is related to corporate assets.
*3 Segment income was reconciled with operating income presented in the consolidated statements of income.

(i) Information about products and services

Year ended December 31, 2015

Information about products and services is omitted in this note since it is the same as that disclosed in (1) "General information about reportable segments."

(ii) Information about geographical areas

Year ended December 31, 2015

a) Sales

Millions of yen			Thousands of U.S. dollars		
Japan	Others	Total	Japan	Others	Total
¥1,602,433	¥254,985	¥1,857,418	$13,286,071	$2,114,128	$15,400,199

Notes: 1. Sales are classified based on the customers' locations.
2. Major countries and areas under "Others" include Oceania.

b) Property, plant and equipment

Millions of yen			Thousands of U.S. dollars		
Japan	Others	Total	Japan	Others	Total
¥492,767	¥89,331	¥582,098	$4,085,623	$740,660	$4,826,283

(iii) Information about major customers

Year ended December 31, 2015

Name of customer	Millions of yen — Sales	Thousands of U.S. dollars — Sales	Segments
Kokubu & Co., Ltd.	¥218,719	$1,813,440	Alcoholic Beverages, Soft Drinks, Food
ITOCHU-SHOKUHIN Co., Ltd.	¥204,442	$1,695,067	Alcoholic Beverages, Soft Drinks, Food

(iv) Information about loss on impairment of non-current assets by reportable segment

Year ended December 31, 2015

	Millions of yen						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Loss on impairment of non-current assets	**¥5,966**	**¥—**	**¥175**	**¥15,195**	**¥—**	**¥—**	**¥21,336**

	Thousands of U.S. dollars						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Loss on impairment of non-current assets	**$49,465**	**$—**	**$1,451**	**$125,985**	**$—**	**$—**	**$176,901**

(v) Information about amortization and the unamortized balance of goodwill by reportable segment

Year ended December 31, 2015

	Millions of yen						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Amortization of goodwill	**¥ 581**	**¥ 1,344**	**¥ 371**	**¥ 8,269**	**¥—**	**¥—**	**¥ 10,565**
Unamortized balance of goodwill	**12,864**	**21,933**	**4,085**	**106,222**	**—**	**—**	**145,104**

	Thousands of U.S. dollars						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Amortization of goodwill	**$ 4,817**	**$ 11,143**	**$ 3,076**	**$ 68,560**	**$—**	**$—**	**$ 87,596**
Unamortized balance of goodwill	**106,658**	**181,851**	**33,869**	**880,706**	**—**	**—**	**1,203,084**

(b) Segment information for the year ended December 31, 2014

	Millions of yen							
	Reportable segment							
Year ended December 31, 2014	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others*1	Total	Adjustment*2	Consolidated*3
Sales:								
External customers	¥941,953	¥471,457	¥110,024	¥233,185	¥28,860	¥1,785,479	¥ —	¥1,785,479
Intersegment	22,664	5,111	1,965	1,542	54,889	86,171	(86,171)	—
Total sales	¥964,617	¥476,568	¥111,989	¥234,727	¥83,749	¥1,871,650	¥ (86,171)	¥1,785,479
Segment income (loss)	¥116,924	¥ 21,319	¥ 6,048	¥ (1,204)	¥ 202	¥ 143,289	¥ (14,983)	¥ 128,306
Segment assets	¥717,293	¥354,837	¥ 90,997	¥650,964	¥18,886	¥1,832,977	¥103,633	¥1,936,610
Other:								
Depreciation	¥ 24,379	¥ 17,835	¥ 3,055	¥ 12,079	¥ 192	¥ 57,540	¥ 1,510	¥ 59,050
Amortization of goodwill	11	3,249	437	10,126	—	13,823	—	13,823
Equity in earnings (loss) of affiliates	31	—	182	7,705	—	7,918	108	8,026
Investment in affiliates	81	—	8	223,746	—	223,835	1,065	224,900
Increase in property, plant and equipment and intangible assets	19,384	27,879	3,446	22,103	201	73,013	573	73,586

*1 Others includes the distribution business and others.

*2 Adjustments are as follows:

(a) Segment income of ¥(18,923) million ($(156,894) thousand) includes corporate expenses of ¥(17,412) million ($(144,366) thousand) which is not allocated to reportable segments and the elimination of intersegment transactions, etc., of ¥(1,512) million ($(12,536) thousand). Corporate expenses are group management costs primarily incurred by the Company.

(b) Segment assets of ¥43,422 million ($360,020 thousand) includes corporate assets of ¥65,885 million ($546,265 thousand) which is not allocated to reportable segments and the elimination of intersegment transactions, etc., of ¥(22,463) million ($(186,245) thousand). Corporate assets are primarily the assets held by the Company.

(c) Depreciation of ¥1,476 million ($12,238 thousand) is related to corporate assets.

(d) Equity in earnings (loss) of affiliates of ¥120 million ($995 thousand) is related to corporate assets.

(e) Investment in affiliates of ¥1,121 million ($9,294 thousand) is related to corporate assets.

(f) Increase in property, plant and equipment and intangible assets of ¥856 million ($7,097 thousand) is related to corporate assets.

*3 Segment income was reconciled with operating income presented in the consolidated statements of income.

(i) Information about products and services

Year ended December 31, 2014

Information about products and services is omitted in this note since it is the same as that disclosed in (1) "General information about reportable segments."

(ii) Information about geographical areas

Year ended December 31, 2014

a) Sales

Millions of yen		
Japan	Others	Total
¥1,548,337	¥237,142	¥1,785,479

Notes: 1. Sales are classified based on the customers' locations.
2. Major countries and areas under "Others" include Oceania.

b) Property, plant and equipment

Millions of yen		
Japan	Others	Total
¥508,782	¥96,633	¥605,415

(iii) Information about major customers

Year ended December 31, 2014

	Millions of yen	
Name of customer	Sales	Segments
Kokubu & Co., Ltd.	¥200,158	Alcoholic Beverages, Soft Drinks, Food
ITOCHU-SHOKUHIN Co., Ltd.	¥195,820	Alcoholic Beverages, Soft Drinks, Food

(iv) Information about loss on impairment of non-current assets by reportable segment

Year ended December 31, 2014

	Millions of yen						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Loss on impairment of non-current assets	¥3,159	¥—	¥50	¥20,492	¥—	¥—	¥23,701

(v) Information about amortization and the unamortized balance of goodwill by reportable segment

Year ended December 31, 2014

	Millions of yen						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Amortization of goodwill	¥ 11	¥ 3,249	¥ 437	¥ 10,550	¥—	¥—	¥ 14,247
Unamortized balance of goodwill	1,352	48,134	5,251	141,123	—	—	195,860

"Amortization of goodwill" above includes ¥424 million which is accounted for in "Other expenses."

(c) Segment information for the year ended December 31, 2013

Year ended December 31, 2013	Millions of yen							
	Reportable segment							
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others*1	Total	Adjustment*2	Consolidated*3
Sales:								
External customers	¥925,878	¥461,054	¥106,241	¥192,035	¥29,029	¥1,714,237	¥ —	¥1,714,237
Intersegment	22,677	5,193	1,916	860	52,569	83,215	(83,215)	—
Total sales	¥948,555	¥466,247	¥108,157	¥192,895	¥81,598	¥1,797,452	¥ (83,215)	¥1,714,237
Segment income (loss)	¥113,743	¥ 15,458	¥ 4,919	¥ (4,565)	¥ 622	¥ 130,177	¥ (12,710)	¥ 117,467
Segment assets	¥681,295	¥343,336	¥ 89,787	¥559,232	¥17,601	¥1,691,251	¥100,305	¥1,791,556
Other:								
Depreciation	¥ 27,106	¥ 18,710	¥ 3,524	¥ 10,823	¥ 291	¥ 60,454	¥ 2,127	¥ 62,581
Amortization of goodwill	—	3,368	368	8,300	—	12,036	—	12,036
Equity in earnings (loss) of affiliates	14	—	(122)	8,765	—	8,657	165	8,823
Investment in affiliates	50	—	27	207,091	—	207,168	1,543	208,711
Increase in property, plant and equipment and intangible assets	15,284	22,540	2,915	14,692	221	55,652	988	56,640

*1 Others includes the distribution business and others.
*2 Adjustments are as follows:
(a) Segment income of ¥(18,923) million ($(156,894) thousand) includes corporate expenses of ¥(17,412) million ($(144,366) thousand) which is not allocated to reportable segments and the elimination of intersegment transactions, etc., of ¥(1,512) million ($(12,536) thousand). Corporate expenses are group management costs primarily incurred by the Company.
(b) Segment assets of ¥43,422 million ($360,020 thousand) includes corporate assets of ¥65,885 million ($546,265 thousand) which is not allocated to reportable segments and the elimination of intersegment transactions, etc., of ¥(22,463) million ($(186,245) thousand). Corporate assets are primarily the assets held by the Company.
(c) Depreciation of ¥1,476 million ($12,238 thousand) is related to corporate assets.
(d) Equity in earnings (loss) of affiliates of ¥120 million ($995 thousand) is related to corporate assets.
(e) Investment in affiliates of ¥1,121 million ($9,294 thousand) is related to corporate assets.
(f) Increase in property, plant and equipment and intangible assets of ¥856 million ($7,097 thousand) is related to corporate assets.
*3 Segment income was reconciled with operating income presented in the consolidated statements of income.

(i) Information about products and services

Year ended December 31, 2013

Information about products and services is omitted in this note since it is the same as that disclosed in (1) "General information about reportable segments."

(ii) Information about geographical areas

Year ended December 31, 2013

a) Sales

Millions of yen		
Japan	Others	Total
¥1,519,006	¥195,231	¥1,714,237

Notes: 1. Sales are classified based on the customers' locations.
2. Major countries and areas under "Others" include Oceania.

b) Property, plant and equipment

Millions of yen		
Japan	Others	Total
¥511,460	¥72,759	¥584,219

(iii) Information about major customers

Year ended December 31, 2013

Name of customer	Millions of yen Sales	Segments
Kokubu & Co., Ltd.	¥187,232	Alcoholic Beverages, Soft Drinks, Food
ITOCHU-SHOKUHIN Co., Ltd.	¥188,669	Alcoholic Beverages, Soft Drinks, Food

(iv) Information about loss on impairment of non-current assets by reportable segment

Year ended December 31, 2013

	Millions of yen						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Loss on impairment of non-current assets	¥—	¥107	¥—	¥7,366	¥—	¥—	¥7,473

(v) Information about amortization and the unamortized balance of goodwill by reportable segment

Year ended December 31, 2013

	Millions of yen						
	Alcoholic Beverages	Soft Drinks	Food	Overseas	Others	Adjustment	Total
Amortization of goodwill	¥—	¥ 3,368	¥ 368	¥ 8,725	¥—	¥—	¥ 12,461
Unamortized balance of goodwill	—	51,409	5,688	139,106	—	—	196,204

"Amortization of goodwill" above includes ¥424 million which is accounted for in "Other expenses."

19. Consolidated Statements of Comprehensive Income

Each component of comprehensive income for the years ended December 31, 2015, 2014 and 2013 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Unrealized gains (losses) on available-for-sale securities:				
Gains arising during the year	**¥ 20,999**	¥12,948	¥28,193	**$ 174,107**
Reclassification adjustments to profit or loss	**1,909**	(578)	(777)	**15,827**
Amount before income tax effect	**22,908**	12,370	27,416	**189,934**
Income tax effect	**(5,958)**	(4,501)	(9,695)	**(49,398)**
Total	**16,950**	7,869	17,721	**140,536**
Unrealized gains (losses) on hedging derivatives:				
Gains (losses) arising during the year	**(122)**	(219)	367	**(1,012)**
Reclassification adjustments to profit or loss	**219**	(360)	—	**1,816**
Amount before income tax effect	**97**	(579)	367	**804**
Income tax effect	**40**	136	(138)	**332**
Total	**137**	(443)	229	**1,136**
Foreign currency translation adjustments:				
Adjustments arising during the year	**(35,094)**	21,377	19,459	**(290,971)**
Reclassification adjustments to profit or loss	**—**	(215)	124	**—**
Amount before income tax effect	**(35,094)**	21,162	19,583	**(290,971)**
Income tax effect	**—**	—	—	**—**
Total	**(35,094)**	21,162	19,583	**(290,971)**
Remeasurements of defined benefit plans, net of tax:				
Adjustments arising during the year	**152**	—	—	**1,260**
Reclassification adjustments to profit or loss	**805**	—	—	**6,675**
Amount before income tax effect	**957**	—	—	**7,935**
Income tax effect	**(338)**	—	—	**(2,803)**
Total	**619**	—	—	**5,132**
Share of other comprehensive income in affiliates:				
Gains arising during the year	**7,869**	13,633	23,318	**65,243**
Reclassification adjustments to profit or loss	**(487)**	—	30	**(4,038)**
Total	**7,382**	13,633	23,348	**61,205**
Total other comprehensive income	**¥(10,006)**	¥42,221	¥60,881	**$ (82,962)**

20. Related-Party Transactions

There were no significant related-party transactions for the years ended December 31, 2015, 2014 and 2013.

Condensed financial information for all 124 equity-method affiliates including Tingyi-Asahi Beverages Holding Co Ltd. ("TAB") and its 114 affiliates, 119 equity-method affiliates including TAB and its 107 affiliates and 110 equity-method affiliates including TAB and its 98 affiliates for the years ended December 31, 2015, 2014 and 2013, respectively, is disclosed as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Total current assets	**¥ 363,517**	¥ 349,524	¥ 336,848	**$ 3,013,987**
Total non-current assets	**852,513**	960,450	840,073	**7,068,344**
Total current liabilities	**540,770**	510,252	486,955	**4,483,625**
Total non-current liabilities	**101,295**	104,424	80,975	**839,856**
Total shareholders' equity	**574,084**	696,477	609,978	**4,759,837**
Net sales	**1,220,604**	1,164,834	1,026,438	**10,120,255**
Income before income taxes and minority interests	**61,452**	77,334	69,762	**509,510**
Net income	**39,286**	53,788	51,587	**325,728**

21. Subsequent Events

Transactions under common control

The Company passed resolutions at a Board of Directors meeting held on June 3, 2015 to reorganize its domestic soft drinks and food businesses, and executed the reorganization effective as of January 1, 2016.

(1) Purpose of the business reorganization

The business reorganization was implemented as part of efforts to strengthen domestic businesses, and resulted in a structure that increases the speed of decision-making, responds more rapidly to changes in the business environment and maximizes synergies within businesses by more clearly defining roles and responsibility.

(2) Summary of the planned business reorganization

(a) Reorganization of the domestic soft drinks business

(i) Name of the company involved in the business combination

Calpis Co., Ltd.

(ii) Name and description of businesses involved and legal form of business combination

Calpis Foods Service Co., Ltd., a wholly owned subsidiary of Calpis Co., Ltd. that engages in the sale of dairy products, succeeded the domestic soft drink manufacturing and dairy products businesses, 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 (mail-order business and functional raw materials) and animal feed businesses of Calpis Co., Ltd. in an absorption-type split.

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

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

(iii) Name of the companies after the business combination

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

(iv) Other items regarding the outline of the business combination

The Company made the transaction to enhance its business competitiveness by integrating the strengths of each of the companies 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 growth potential and high-quality, customer-oriented product lines.

(b) Reorganization of the domestic food business

(i) 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 operations related to the manufacture and control of products, but including the purchase of merchandise) of Asahi Food & Healthcare Co., Ltd., WAKODO CO., LTD. and Amano Jitsugyo Co., Ltd. in an absorption-type split.

(ii) Name of the company after the business combination

Asahi Group Foods, Ltd.

(iii) 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 areas, as well as maximizing synergies within businesses.

(3) Outline of accounting procedures applied

The reorganization was accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

Acquisitions of the Peroni, Grolsch, Meantime and related business

(1) Outline of the transaction

(a) Name and business of acquired companies

Company name	Business
Birra Peroni S.r.l.	Manufacture, sales and distribution of beer
Royal Grolsch N.V.	Manufacture, sales and distribution of beer
Meantime Brewing Company Ltd	Manufacture, sales and distribution of beer
Miller Brands (UK) Limited	Importation and distribution of beer

(b) Outline and purpose of the business combination

The Company has updated its Long-Term Vision, which articulates foresight into the future for the entire Asahi Group, and has formulated a new Medium-Term Management Policy aimed at further development of the Group's ongoing initiative of corporate value enhancement.

For the new Long-Term Vision, the Company, as a comprehensive beverage and food business group with the alcoholic 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 Company 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 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 has proposed to acquire the Peroni, Grolsch and Meantime brands, as well as the Italian, Dutch and British companies of SABMiller 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 proposed 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) Effective date of the business combination

Second half of 2016 (scheduled)

(d) Legal form of the business combination

Share acquisition

Condition precedent to completion: The completion of AB InBev's acquisition of SABMiller and the European Commission's approval of the Company as divestment purchaser of the target business.

(e) Name of the companies after the business combination

Birra Peroni S.r.l.
Royal Grolsch N.V.
Meantime Brewing Company Ltd
Miller Brands (UK) Limited

(f) Share of the voting rights acquired

The structure of the business combination has yet to be determined.

(2) Acquisition cost of the acquired companies

€2,550 million on a cash-free debt-free enterprise value basis (estimated)

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 balance sheets as at December 31, 2015, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years 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 accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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, 2015, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

March 24, 2016
Tokyo, Japan

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