Asahi

FINANCIAL SECTION 2016

ASAHI GROUP HOLDINGS, LTD.

CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

See accompanying notes.

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

See accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

See accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

See accompanying notes.

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

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

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries

1. Reporting Entity

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

2. Basis of Preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company is qualified as a "Specified Company" as provided in Article 1-2 of "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976). Article 93 of this ordinance allows Specified Companies to prepare consolidated financial statements under IFRS. The Group's consolidated financial statements for the year ended December 31, 2016 were authorized for issue by Akiyoshi Koji, President and Representative Director, and Kenji Hamada, Chief Financial Officer, on March 29, 2017. The Group has adopted IFRS from the current year (begins on January 1, 2016 and ends on December 31, 2016), and the consolidated financial statements for the current year are the first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is January 1, 2015. For the transition, the Group has adopted IFRS 1 "First-time Adoption of International Financial Reporting Standards." The effect of the transition to IFRS on the Group's financial position, financial performance, and cash flows is described in "41. Disclosures regarding the Transition to IFRS."

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

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

The Group's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. Amounts presented in the consolidated financial statements are rounded down to the nearest million yen.

3. Early Application of New Standards and Interpretations

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

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

Standards and interpretations which have been newly issued or amended by the approval date of the consolidated financial statements and will be effective and applied in the future periods are as follows. The impact to the Group by their initial application is under review and not estimable at this moment.

No.	Title	Mandatory Application	The First Application by the Group	Description of the New Standard or the Amendment
IFRS 12	Disclosure of Interest in Other Entities	Annual periods beginning on and after January 1, 2017	The annual period ending December 31, 2017	Clarification of disclosure requirements regarding interest classified as held for sale or discontinued operations (amendments to IFRS 12)
IAS 7	Statement of Cash Flows	Annual periods beginning on and after January 1, 2017	The annual period ending December 31, 2017	Improvements of disclosures under the Disclosure Initiative (amendments to IAS 7)
IAS 12	Income Taxes	Annual periods beginning on and after January 1, 2017	The annual period ending December 31, 2017	Clarification regarding recognition of deferred tax assets arising from unrealized losses (amendments to IAS 12)
IFRS 2	Share-based Payment	Annual periods beginning on and after January 1, 2018	The annual period ending December 31, 2018	Clarification regarding classification and measurements of share-based payments (amendments to IFRS 2)
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on and after January 1, 2018	The annual period ending December 31, 2018	Establishment of an accounting standard for revenue recognition (replacement for IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, and SIC 31)
IAS 40	Investment Property	Annual periods beginning on and after January 1, 2018	The annual period ending December 31, 2018	Clarification regarding transfers to, or from, investment property (amendments to IAS 40)
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Annual periods beginning on and after January 1, 2018	The annual period ending December 31, 2018	Clarification regarding exchange rate to use on the initial recognition of expenses or profit in a foreign currency when an asset or a liability arisen from the advance consideration has been recognized (establishment of IFRIC 22)
IFRS 16	Leases	Annual periods beginning on and after January 1, 2019	The annual period ending December 31, 2019	Establishment of an accounting standard for lease contracts (replacement for IAS 17, IFRIC 4, SIC 15 and SIC 27)
IFRS 10 IAS 28	Consolidated Financial Statements Investments in Associates and Joint Ventures	To be determined	To be determined	Clarification of accounting for sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)

5. Significant Accounting Policies

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

(1) Consolidation

(i) Subsidiaries

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

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

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

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

(ii) Associates and Joint Ventures

Associates are entities where the Group has significant influence over the financial and operating policies. It is presumed that the Group has significant influence when it holds between 20 percent and 50 percent of the voting power of the investee. A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method (equity-accounted investees). Under the equity method, an investment is initially recognized at cost. The consolidated financial statements include the Group's share of changes in equity interest from the date that the Group obtained significant influence or joint control until the date on which the Group loses significant influence or joint control. The Group's investments include goodwill recognized on the acquisition.

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

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

(2) Business Combinations

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

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

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

(3) Foreign Currency Translation

(i) Functional Currency and Presentation Currencies

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

(ii) Transactions and Balances

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

(iii) Foreign Operation

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

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

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

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

(4) Property, Plant and Equipment

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

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

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

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

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

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

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

(5) Borrowing Costs

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

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

(6) Goodwill and Intangible Assets

(i) Goodwill

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

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

(ii) Trademarks

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

(iii) Software

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

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

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

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

Costs associated with maintaining software are expensed as incurred.

(iv) Other Intangible Assets

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

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

(7) Leases

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

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

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

(8) Impairment of Non-financial Assets

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

(9) Financial Instruments

(i) Financial Assets

a. Initial Recognition and Measurement

The Group recognizes financial assets when it becomes a party to the contract. Financial assets purchased or sold in a regular way are recognized on the trade date. Financial assets are classified as assets measured at amortized cost or measured at fair value.

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

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

(a) Financial Assets measured at Amortized Cost

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

(b) Financial Assets measured at Fair Value

Assets that do not meet either of the aforementioned two criteria are classified as financial assets measured at fair value.

As for a financial asset measured at fair value, the Group measures such an asset at fair value through profit or loss or may designate it as a financial asset measured at fair value through other comprehensive income on an individual basis, except for equity instruments held for trading purposes which should always be measured at fair value through profit or loss. The designation as a financial asset measured at fair value through other comprehensive income is irrevocable.

Please refer to (v) Derivatives and Hedge Accounting for derivatives.

b. Subsequent Measurement

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

(a) Financial Assets measured at Amortized Cost

Financial assets measured at amortized cost are measured using the effective interest method.

(b) Financial Assets measured at Fair Value

Financial assets measured at fair value are measured at fair value at the reporting date.

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

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

c. Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets expire or are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred to another entity.

(ii) Impairment of Financial Assets

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

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

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

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

- Significant financial difficulties of the issuer or the borrower;
- A breach of contract, such as default or past due event in interest or principal payments;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

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

(iii) Financial Liability

a. Initial Recognition and Measurement

The Group recognizes financial liabilities when the Group becomes a party to the contract. Financial liabilities are classified into liabilities measured at fair value through profit or loss or liabilities measured at amortized cost. Financial liabilities measured at fair value through profit or loss is recognized at their fair value upon initial recognition, and financial liabilities measured at amortized cost is measured at their fair value less transaction costs directly attributable to the acquisition upon initial recognition.

b. Subsequent Measurement

Financial liabilities are subsequently measured according to the classification as follows:

(a) Financial Liabilities measured at Fair Value through Profit or Loss
Financial liabilities measured at fair value through profit or loss are measured at fair value at each reporting date.

(b) Financial Liabilities measured at Amortized Cost
Financial liabilities measured at amortized cost are measured using the effective interest method.

c. Derecognition

Financial liabilities are derecognized when the Group's contractual obligations are discharged, canceled or expired.

(iv) Offset of Financial Instruments

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when there is a legally enforceable right to offset the financial instruments and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(v) Derivatives and Hedge Accounting

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

The Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking these hedging transactions at the inception of the transaction. The Group also documents its assessment, both at the inception and on an ongoing basis, of whether the derivatives used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

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

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

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

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

(10) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits withdrawable on demand, and short-term investments that are readily convertible to cash and subject to insignificant risk of change in value with maturities of three months or less.

(11) Inventories

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

(12) Assets or Disposal Group Held for Sale

The Group classifies a non-current asset (or disposal group) as held for sale when its carrying amount will be recovered principally through a sale rather than through continuing use, the sale is highly probable and the asset is available for immediate sale in its present condition. The Group does not depreciate or amortize a non-current asset (or disposal group) classified as held for sale and measures it at the lower of its carrying amount and fair value less costs to sell.

(13) Employee Benefits

(i) Post-employment Benefits

The Group has various pension plans. The Group has defined benefit plans, and some consolidated subsidiaries establish retirement benefits trusts. In addition to those plans, certain consolidated subsidiaries have defined contribution plans and advance payment system of retirement benefits.

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

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

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

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

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

(ii) Short-term Employee Benefits

Short-term employee benefits are recognized as an expense in the period that the related services are rendered by the employees. Short-term employee benefits are not discounted. Bonuses are recognized as liabilities for the amount estimated to be paid when the Group has present legal or constructive obligation, and the obligation can be reliably estimated.

(14) Share-based Payment

Equity-settled share-based payments granted to employees are measured at fair value at the grant date, and then generally recognized as an expense over the vesting period. The same amount is recognized as an increase in equity. However, if the equity-settled share-based payments granted are immediately vested, the entire amount is recognized as an expense and an increase in equity at the grant date.

The Group has elected to use an exemption in IFRS 1 for share-based payments vested prior to the transition date.

(15) Provisions

The Group recognizes provisions when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

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

Provisions are measured at the present value of the future cash flows expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. An increase in the provision due to passage of time is recognized as interest expense.

(16) Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to issuance of new ordinary shares or share options are deducted from equity.

When any company within the Group purchases the Company's shares (treasury shares), the consideration paid including any directly attributable incremental costs (net of tax) is deducted from equity attributable to owner of the Company until the shares are canceled or reissued. When such ordinary shares are subsequently reissued, any consideration received, net of directly attributable incremental costs and the related tax effects, is recognized in equity attributable to owners of the Company.

(17) Revenue

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

(i) Sales of Goods

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

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

(ii) Rendering of Services

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

(iii) Gross and Net Presentation of Revenue

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

(iv) Interest Income

Interest income is recognized based on the effective interest method.

(v) Dividend Income

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

(18) Government Grants

Government grants are recognized when there is reasonable assurance that the Group complies with the conditions attaching to them and the grants will be received. Government grants which are intended to compensate specific costs are recognized in profit or loss on a systematic basis over the period in which the Group recognizes the corresponding expenses. Government grants related to assets are recognized as deferred income, and then recognized in profit or loss on a straight-line basis over the estimated useful lives of the related assets. Non-monetary grants measured at fair value are accounted for in the same way. Grants related to income are recognized and presented in 'Other operating income' in the period when the Group recognizes the corresponding expenses.

(19) Dividends

Dividends payable to the shareholders of the Company are recognized as liabilities in the period in which the dividends are approved at the shareholder's meeting for annual dividends and in the period in which the dividends are approved at the Board of Directors meeting for interim dividends.

(20) Income Tax

Income tax expenses comprise current and deferred taxes. Income tax is recognized in profit or loss for the period, except to the extent it relates to a transaction which is recognized in other comprehensive income or directly in equity. In those cases, income tax is also recognized in other comprehensive income or directly in equity.

Current tax is measured at the amount that is expected to be paid to or recovered from tax authorities. The taxes are calculated at tax rates under applicable tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, deferred tax liability is not recognized for a temporary difference arising from the initial recognition of goodwill. Similarly, deferred tax asset or liability is not recognized for a temporary difference arising from initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable profit (tax loss). Deferred tax is measured at tax rates that have been enacted or substantively enacted at the reporting date and expected to apply in the period when the related deferred income tax asset is realized or the deferred income tax liability is settled under applicable tax laws.

Deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized.

Deferred tax asset and liability is recognized for temporary differences arising from investments in subsidiaries and associates although deferred tax liability is not recognized if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liability, and income taxes are levied by the same taxation authority on the same taxable entity.

(21) Accounting for Consumption Tax

Consumption tax received as an agent from customers which will be paid to tax authorities is excluded from revenue, cost of sales and related expenses in the consolidated statement of profit or loss.

6. Significant Accounting Estimates and Judgments

In the preparation of the consolidated financial statements, management makes judgments, estimates and assumptions that affect the application of the accounting policies and the reporting amounts of assets, liabilities, revenue and expenses. The estimates and the underlying assumptions are reviewed on an ongoing basis. The effects of a change in accounting estimates are recognized in the period in which the estimate is revised and in the future periods. The estimates and the underlying assumptions that have significant risks which could result in a material adjustment to the carrying amounts of assets and liabilities within the next year are as follows:

- Impairment of non-financial assets (Notes 12, 13)
- Recoverability of deferred tax assets (Note 28)
- Fair value of financial instruments (Note 31)
- Employee benefits (Note 19)
- Contingencies (Note 38)

7. Segment Information

(1) General Information

The Group determines operating segments based on the report that is reviewed by the management and utilized in its strategic decision-making.

The operating segments are components of the Group for which separate financial information is available and regularly reviewed by the management so as to make decisions about how to allocate resources.

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

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

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

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

Previous Year (ended December 31, 2015)

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

Adjustments to the segment profit or loss of ¥(19,315) million include overhead costs of ¥(18,470) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥(844) million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company. The price in intersegment transactions is in accordance with the transaction price with external customers.

Adjustments to the segment assets of ¥39,495 million include the corporate assets of ¥62,008 million, which are not allocated to the reportable segments, and elimination of ¥(22,513) million to offset intersegment receivables and payables. The corporate assets are primarily assets held by the Company, which is a pure holding company.

Current Year (ended December 31, 2016)

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

Adjustments to the segment profit or loss of ¥(20,430) million include overhead costs of ¥(20,410) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥(20) million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company. The price in intersegment transactions is in accordance with the transaction price with external customers.

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

(2) Information about Products and Services

Please refer to (1) General Information.

(3) Information about Geographical Areas

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

Revenue from External Customers

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

Non-current Assets

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

(4) Information about Major Customers

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

8. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position as of the transition date, at the end of the previous year and the current year are consistent with those in the consolidated statement of cash flows.

Cash and cash equivalents are analyzed as follows:

	Millions of yen Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	Current year (as of December 31, 2016)
Cash and cash equivalents	62,236	43,290	**48,459**
Total	62,236	43,290	**48,459**

Cash and cash equivalents are classified as financial assets measured at amortized cost.

9. Trade and Other Receivables

Trade and other receivables are analyzed as follows:

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

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

10. Inventories

Inventories are analyzed as follows:

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

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

The Group recognized ¥925,927 million of inventories as an expense in the current year (previous year: ¥1,009,728 million). It is included in "Cost of sales."

No inventory is pledged as collateral for liabilities.

"Cost of sales" includes cost of raw materials amounting to ¥381,872 million (previous year: ¥384,525 million).

11. Disposal Groups Held for Sale

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

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

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

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

12. Property, Plant and Equipment

Property, plant and equipment is analyzed as follows:

Carrying Amount

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

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

Cost

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

Accumulated Depreciation and Accumulated Impairment Losses

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

The above includes leased assets as follows:

Carrying Amount

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

Depreciation expense of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Items of property, plant and equipment are grouped together into cash-generating units generally by location of business facilities such as plants and offices taking into account mutual complementary nature in cash flow.

13. Goodwill and Intangible Assets

(1) Carrying Amount, Cost and Accumulated Amortization and Accumulated Impairment Losses

Goodwill and intangible assets are analyzed as follows:

Carrying Amount

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

Cost

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

Accumulated Amortization and Accumulated Impairment Losses

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

The above includes leased assets as follows:

Carrying Amount

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

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

Amortization costs are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Intangible assets with indefinite useful lives are included in the above, and the carrying amounts were ¥6,768 million as of December 31, 2016 (¥7,396 million as of the transition date, and ¥6,515 million as of December 31, 2015). They primarily consist of trademarks and land leasehold rights. They last as long as the business continues, and thereby their useful lives are considered as indefinite.

Significant intangible assets recognized in the consolidated statement of financial position are mainly trademarks derived from the acquisition of the European businesses in the current year and the acquisition of Calpis Co., Ltd. in the year ended December 31, 2012. The carrying amount of trademarks related to the European businesses is ¥125,613 million (Note). The carrying amount of trademarks related to Calpis Co., Ltd. is ¥26,742 million (¥30,428 million as of the transition date (January 1, 2015) and ¥28,585 million as of December 31, 2015).

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

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

(2) Impairment

Previous Year (ended December 31, 2015)

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

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

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

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

Current Year (ended December 31, 2016)

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

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

The recoverable amount is measured at value in use. The value in use is calculated as discounted future cash flows to reflect past experience and external information. Future cash flows are estimated based on business plans which have been approved by the management and extrapolated for future periods based on the growth rates. Growth rates have been determined with reference to factors such as inflation rates in the markets to which cash-generating units belong. Discount rates are determined with reference to the pre-tax weighted average cost of capital of cash-generating units. The discount rates of the Myanmar soft drink business and Korean alcohol beverage business used in the calculation of value in use are 21.5% and 13.4%, respectively.

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

Impairment Test for Goodwill and Intangible Assets with Indefinite Useful Lives

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

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

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

As of December 31, 2016, the recoverable amounts of the cash-generating units to which significant goodwill was allocated exceeded the carrying amount by ¥29,383 million, however if the discount rate were to increase by 1.7%, then the carrying amount would exceed the recoverable amount.

The total carrying amount of insignificant items among goodwill and intangible assets with indefinite useful lives allocated to cash-generating units is ¥45,820 million as of December 31, 2016 (¥51,367 million as of December 31, 2015) and ¥6,768 million as of December 31, 2016 (¥6,515 million as of December 31, 2015), respectively.

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

(3) Research and Development

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

14. Other Financial Assets

Other financial assets are analyzed as follows:

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

Derivative assets are classified as financial assets measured at fair value through profit or loss, except for items to which hedge accounting is applied. Equity instruments are classified as financial assets measured at fair value through other comprehensive income. Bonds are classified as financial assets measured at amortized cost.

Equity instruments are held for strategic purposes, and thus designated as financial assets measured at fair value through other comprehensive income.

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

Transition Date (as of January 1, 2015)

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

Previous Year (as of December 31, 2015)

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

Current Year (as of December 31, 2016)

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

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

Certain items designated as financial assets measured at fair value through comprehensive income have been disposed of during the year as a process of reviewing business relationships. The fair values, cumulative gain or loss at the disposal date and dividends received up to the disposal date are as follows:

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

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

15. Other Assets

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

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

16. Trade and Other Payables

Trade and other payables are analyzed as follows:

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

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

17. Bonds and Borrowings (including Other Financial Liabilities)

(1) Financial Liabilities

"Bonds and borrowings" and "Other financial liabilities" are analyzed as follows:

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

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

Derivatives are classified as financial liabilities measured at fair value through profit or loss, except for items to which hedge accounting is applied. Commercial paper, bonds, and borrowings are classified as financial liabilities measured at amortized cost.

There are no covenants attached to the bonds and borrowings which have a significant effect on the Group's financing activities.

(2) Bonds

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

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

(3) Assets Pledged as Collateral for Liabilities

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

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

18. Leases

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

(1) Finance Leases

Finance lease liabilities are analyzed as follows:

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

(2) Operating Leases

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

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

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

19. Employee Benefits

(1) Overview of Defined Benefit Plans

The Group has defined benefit plans such as a defined benefit corporate pension plan and lump-sum retirement benefit plan. In addition, some consolidated subsidiaries have defined contribution pension plans and a system for advance payment of retirement benefits. For entities incorporated in Japan, the defined benefit corporate pension plan has been established in accordance with the Defined-Benefit Corporate Pension Act of Japan. The Group pays out lump-sum benefits upon the retirement of employees and then annuity for a certain period of time after retirement in accordance with the terms of the Group's plans based on the Act. The benefits are calculated based on the pension points reflecting the length of service periods and compensation for each period.

The Group manages plan assets for the purpose of increasing the value of plan assets within the acceptable range of risks in order to ensure the benefits for participants (including potential pensioners in the future periods). The Group has developed a basic policy for the management of plan assets and implements the policy consistently. The Group considers the expected rate of return and risks inherent in the investments, and then develops the optimum combination of plan assets called the policy asset mix. The Group controls asset management through appointing appropriate asset managers, reviewing the financial status on a regular basis, developing the long-term asset management policy and monitoring the situation of asset allocation. The policy asset mix is regularly reviewed in order to correspond with the market environment or funding status, which can change from the initial assumption. Lump-sum retirement benefit plans are to pay out lump-sum benefits when an employee retires due to reaching retirement age or voluntary retirement. These payments are settled by internal reserves, but not by external funds. Lump-sum retirement benefits are paid based on the Group's rules and regulations of retirement.

(2) Defined Benefit Plans

(i) Reconciliation

Present value of defined benefit obligation is analyzed as follows:

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Balance at beginning of period	107,727	**108,636**
Current service cost	5,655	**5,822**
Interest expense	1,043	**1,281**
Remeasurements		
Actuarial gains and losses*	(1,013)	**8,167**
Past service cost	214	**16**
Benefits paid	(5,399)	**4,635)**
Acquisitions through business combinations	775	**38,242**
Other	(366)	**2,377**
Balance at end of period	108,636	**159,909**

* Actuarial gains and losses are mainly due to changes in financial assumptions.

Fair value of plan assets is analyzed as follows:

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

(ii) Asset Ceiling

The asset ceiling is analyzed as follows:

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

(iii) Details of Plan Assets

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

Transition Date (as of January 1, 2015)

	Millions of yen		
	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Cash and cash equivalents	—	2,941	2,941
Equity instruments			
Domestic	25,632	2,672	28,305
Overseas	2,968	4,041	7,009
Total equity instruments	28,601	6,713	35,315
Debt instruments			
Domestic	6,942	4,306	11,248
Overseas	10,767	7,414	18,182
Total debt instruments	17,710	11,721	29,431
Life insurance—General accounts	—	26,392	26,392
Other	912	8,073	8,985
Total	47,223	55,841	103,065

Previous Year (as of December 31, 2015)

	Millions of yen		
	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Cash and cash equivalents	—	606	606
Equity instruments			
Domestic	32,464	5,415	37,879
Overseas	4,687	3,742	8,429
Total equity instruments	37,151	9,158	46,309
Debt instruments			
Domestic	1,021	5,143	6,165
Overseas	9,461	7,653	17,114
Total debt instruments	10,483	12,796	23,279
Life insurance—General accounts	—	30,894	30,894
Other	1,428	8,081	9,510
Total	49,063	61,536	110,600

Current Year (as of December 31, 2016)

	Millions of yen		
	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Cash and cash equivalents	—	1,880	1,880
Equity instruments			
Domestic	32,481	4,635	37,116
Overseas	5,720	20,725	26,446
Total equity instruments	38,202	25,361	63,563
Debt instruments			
Domestic	727	5,267	5,995
Overseas	13,154	37,069	50,224
Total debt instruments	13,882	42,336	56,219
Life insurance—General accounts	—	26,789	26,789
Other	1,878	8,928	10,807
Total	53,963	105,296	159,259

(iv) Significant Actuarial Assumptions

Significant actuarial assumptions are analyzed as follows:

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

A rise of 0.5% in the discount rate will lead to a decrease in defined benefit obligation of ¥10,232 million at the end of the current year (a decrease of ¥7,079 million at the year end of the previous year). This analysis is based on the assumption that only the discount rate is variable, and no other factors are considered to be variable. Thus actual results may differ as it could be influenced by fluctuations in other variables.

(v) Influence in the Future

Under the defined benefit pension plans, the Group is required to maintain the plan assets at a certain level of funding against pension obligations in accordance with continuation or non-continuation criteria of the Defined Benefit Corporate Pension Act.

For example, the Group makes certain contributions to the plan every month in accordance with the terms of the Group's plans. The contribution is calculated based on the future estimates of the interest rate, mortality rate, withdrawal rate and other assumptions that could affect the plan assets which need to balance with the expected future payments and returns on the plan assets. The contribution is reviewed every 3 years (actuarial review).

In cases that funding is below the minimum funding requirement, additional contribution is required to keep the balance at a certain level.

The contribution by the Group is expected to be ¥7,405 million for the year from January 1, 2017 to December 31, 2017. The weighted average duration of the defined benefit obligation is 16.58 years (previous year: 14.42 years).

(3) Other Post-retirement Benefit Plans

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

(4) Employee Benefit Expenses

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

Employee benefit expenses are primarily composed of salaries, bonuses, legal welfare costs and post-employment costs. They are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

20. Other Liabilities

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

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

21. Equity and Other Equity Interest

(1) Issued Capital and Reserves

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

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

There are no par-value shares. Issued shares are fully paid.

Reserves are analyzed as follows:

(i) Share Premium

Under the Companies Act of Japan, share premium is composed of capital reserve and other capital surplus. The Act stipulates that one-half or more of the proceeds from issuing a share should be recognized as share capital, and the rest should be recognized as capital reserve.

(ii) Retained Earnings

Retained earnings are composed of legal reserve and other retained earnings. Under the Companies Act of Japan, one-tenth of appropriation should be reserved in capital reserve or legal reserve until the total of these amounts reaches one-fourth of the share capital, and the rest of the appropriation can be distributed as dividends.

(2) Treasury Shares

Treasury shares held by the Company, subsidiaries and associates are as follows:

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

22. Dividends

Previous Year (ended December 31, 2015)

(1) Dividends Paid

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

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

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

Current Year (ended December 31, 2016)

(1) Dividends Paid

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

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

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

23. Share-based Payments

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

(1) Details of Share Option Plans

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

The details of each plan are as follows:

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

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

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

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

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

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

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

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

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

In order to increase motivation to work toward sustainable growth and enhancing the corporate value of the Group over the midterm to long term, the Company introduced a Performance-Linked Stock Compensation Plan ("the Plan") in the year ended December 31, 2016. Under the Plan, the Company will grant share points (one point = one share) to directors that fulfill certain criteria, and shares of the Company will be delivered to them upon their retirement in exchange for the cumulative number of share points granted to them. Shares are distributed or payments are made in cash as compensation under the Plan, therefore there is no exercise price under the Plan.

The number of points to be granted is calculated based on the Share Distribution Regulations. The regulations stipulate to refer to the rank of each director excluding outside directors and the level of achievement of target basic earnings per share (EPS) for the year that is the subject of evaluation. The Board of Directors shall make a resolution regarding the granting of points as well as approve the financial results at the board meeting held in the following year of the vesting period. The aggregate number of share points to be granted by the Company to directors shall be 21,000 points at a maximum for each year.

The Company plans to contribute cash up to ¥220 million at a maximum to a trust ("the Trust") between December 2016 and June 2018. The Trust will be funded with the cash contribution in order to acquire shares of the Company. Shares of the Company will be distributed by the Trust to each director when he/she completes the beneficiary determination procedures as prescribed on his/her retirement. However, a certain proportion of such shares will be sold and converted into cash by the Trust, and will be distributed in cash instead of the shares to directors. Also, the Trust is allowed to make a distribution in cash instead of shares when shares of the Company held by the Trust are sold for a tender offer or any other reasons.

Transactions settled by shares under the Plan are accounted for as equity-settled share-based payment transactions and those settled in cash as cash-settled share-based payment transactions. The Company recognized ¥56 million as share-based payment expense in selling, general and administrative expenses in the current year, of which ¥44 million related to equity-settled share-based payments were recognized in capital surplus and ¥11 million related to cash-settled share-based payments were recognized in other non-current liabilities.

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

24. Revenue

"Revenue" is analyzed as follows:

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

25. Selling, General and Administrative Expenses

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

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

26. Other Operating Income and Expense

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

(1) Other Operating Income

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

(2) Other Operating Expense

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

27. Finance Income and Finance Costs

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

(1) Finance Income

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

(2) Finance Costs

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

28. Income Taxes

(1) Deferred Tax Assets and Deferred Tax Liabilities

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

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

* Amounts in the column 'Other' are primarily deferred tax assets and deferred tax liabilities recognized through business combination. Exchange rate fluctuations are also included in other.

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

* Amounts in the column "Other" are primarily deferred tax assets and deferred tax liabilities recognized through business combination. Exchange rate fluctuations are also included in other.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognized are as follows:

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

Deferred tax liability is not recognized for taxable temporary difference associated with investments in subsidiaries if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Taxable temporary differences associated with investments in subsidiaries which deferred tax liabilities are not recognized for are ¥417,158 million (transition date: ¥225,030 million, previous year: ¥268,311 million).

(2) Tax Expense

"Tax expense" is analyzed as follows:

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

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

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

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

29. Earnings per Share

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

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

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

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

30. Other Comprehensive Income

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

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

31. Financial Instruments

(1) Capital Management

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

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

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

The gearing ratios are as follows:

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

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

(2) Risk Management

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

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

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

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

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

(i) Market Risk

a. Foreign Currency Risk

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

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

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

Exposure to Foreign Currency Risk

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

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

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

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

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

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

b. Price Risk
The Group is exposed to price risk of equity instruments measured at fair value on the consolidated statement of financial position. The Group assesses their fair values and the financial conditions of the issuers as well as reviews the outstanding balance on an ongoing basis to manage price risk arising from investments in equity instruments. The Group does not hold equity instruments for short-term trading purposes, and does not actively trade these investments. With an increase or a decrease in share price of 5% and all other variables remaining constant, other components of equity (before tax) will increase or decrease by ¥5,831 million (previous year: ¥7,412 million) as a result of changes in fair value.

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

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

The Group uses interest rate swaps which practically fix the interest rate in order to mitigate the interest rate risk. Hedge accounting is applied to transactions that qualify for hedge accounting.

Assuming that interest rates fluctuate by 1% for financial instruments held by the Group at the end of the current year, it will affect profit before tax as set out below. The analysis relates only to the financial instruments influenced by interest rate fluctuation, and given that the other factors such as foreign exchange effects remain constant. The table below shows a sensitivity analysis for the outstanding balance of floating rate borrowings less the balance whose interest rate is practically fixed by an interest rate swap.

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Profit before tax	30	**48**

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

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

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

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

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

Loss allowance is measured as follows:

- Trade Receivables
  The simplified approach is applied. Trade receivables are categorized according to customers' credit risk features, and loss allowance is measured based on the historical credit loss ratio and expected future economic conditions for each category.
- Receivables other than Trade Receivables
  The general approach is applied. Loss allowance for receivables whose credit risk is considered not significantly increased is measured based on the historical credit loss ratio of similar receivables and expected future economic conditions. Loss allowance for receivables whose credit risk is considered significantly increased and credit-impaired financial instruments is measured as the difference between the present value of expected future cash flow discounted by the initial interest rate and the carrying amount.

Carrying amounts of financial assets subject to impairment and the amount of loss allowance are as follows:

Trade and Other Receivables

	Millions of yen		
Carrying amount	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses	Financial assets to which the simplified approach is applied
Transition date (as of January 1, 2015)	15,253	91	352,299
Previous year (as of December 31, 2015)	11,843	158	361,447
Current year (as of December 31, 2016)	**13,491**	**240**	**384,529**

Financial assets with loss allowance measured at lifetime expected credit losses consist mainly of credit-impaired financial assets.

Credit Risk Rating

The credit risk rating of financial assets with loss allowance measured at lifetime expected credit losses is relatively low compared to that of financial asset with loss allowance measured at 12-month expected credit losses, whereas that of financial assets to which the simplified approach is applied is equivalent to that of financial asset with loss allowance measured at 12-month expected credit losses. Credit risk of financial assets within the same stage is approximately the same.

The Group includes impairment loss related to credit risk in "Other operating expense" in the consolidated statement of profit or loss in the light of its immateriality.

	Millions of yen		
Loss allowance	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses	Financial assets to which the simplified approach is applied
Transition date (as of January 1, 2015)	26	88	2,289
Increase	25	159	1,176
Utilization	—	(66)	(289)
Reversal	(26)	(40)	(1,791)
Other	—	(0)	(145)
Previous year (as of December 31, 2015)	25	140	1,239
Increase	**1**	**102**	**665**
Utilization	**—**	**(0)**	**(307)**
Reversal	**(25)**	**(10)**	**(1,174)**
Other	**0**	**(12)**	**277**
Current year (as of December 31, 2016)	**1**	**219**	**700**

Other Financial Assets

	Millions of yen	
Carrying amount	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses
Transition date (as of January 1, 2015)	8,517	5,831
Previous year (as of December 31, 2015)	9,842	4,991
Current year (as of December 31, 2016)	**9,443**	**6,490**

Financial assets with loss allowance measured at lifetime expected credit losses consist mainly of credit-impaired financial assets.

Credit Risk Rating

The credit risk rating of financial assets with loss allowance measured at lifetime expected credit losses is relatively low compared to that of financial asset with loss allowance measured at 12-month expected credit losses. Credit risk of financial assets within the same stage is approximately the same.

The Group includes impairment loss related to credit risk in "Other operating expense" in the consolidated statement of profit or loss in the light of its immateriality.

Loss allowance	Millions of yen Financial assets with loss allowance measured at 12-month expected credit losses	Millions of yen Financial assets with loss allowance measured at lifetime expected credit losses
Transition date (as of January 1, 2015)	257	4,376
Increase	298	73
Utilization	—	(444)
Reversal	(257)	(115)
Other	—	339
Previous year (as of December 31, 2015)	298	4,230
Increase	**233**	**124**
Utilization	**—**	**(2)**
Reversal	**(298)**	**(119)**
Other	**—**	**(781)**
Current year (as of December 31, 2016)	**233**	**3,451**

Effect of Significant Changes in Gross Carrying Amount of Financial Instruments during the Year

There was no significant increase or decrease in gross carrying amount of the financial instruments which contributed to changes in the loss allowance during the current year and the previous year.

Maximum Exposure to Credit Risk

The maximum exposure to credit risk associated with financial assets is the carrying amount presented in the consolidated statement of financial position unless considering collateral and other credit enhancement held by the Group as of the reporting date. The maximum exposure to the credit risk with guarantees is as follows:

	Millions of yen Transition date (as of January 1, 2015)	Millions of yen Previous year (as of December 31, 2015)	Millions of yen **Current year (as of December 31, 2016)**
Guarantees	3,442	3,431	**2,713**

Provision for expected credit losses on financial guarantees which may occur as a result of fulfillment of debt guarantee contracts stated above is not recorded because the amount is not expected to be material.

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

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

(iii) Liquidity Risk

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

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

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

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

Maturity analysis of non-derivative financial liabilities and net-settled derivative liabilities held by the Group based on the remaining period to the maturity is as follows:

Transition Date (as of January 1, 2015)

	Millions of yen							
	Carrying amount	Contractual cash flow	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
Trade and other payables	274,956	274,956	274,956	—	—	—	—	—
Bonds and borrowings	434,292	434,725	280,879	32,596	43,801	26,338	37,888	13,221
Derivatives	1,486	1,486	1,351	—	115	19	—	—

Previous Year (as of December 31, 2015)

	Millions of yen							
	Carrying amount	Contractual cash flow	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
Trade and other payables	273,092	273,092	273,092	—	—	—	—	—
Bonds and borrowings	414,441	414,929	249,239	44,780	27,724	38,517	33,853	20,815
Derivatives	800	800	597	190	13	—	—	—

Current Year (as of December 31, 2016)

	Millions of yen							
	Carrying amount	Contractual cash flow	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
Trade and other payables	**332,639**	**332,639**	**332,639**	**—**	**—**	**—**	**—**	**—**
Bonds and borrowings	**570,360**	**570,708**	**281,889**	**65,948**	**76,557**	**71,872**	**58,689**	**15,750**
Derivatives	**695**	**695**	**678**	**14**	**2**	**—**	**—**	**—**

(3) Fair Value of Financial Instruments

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

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices, either directly or indirectly observable

Level 3: inputs that are not based on observable market data

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

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

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

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

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

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

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

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

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

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

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

Transition Date (as of January 1, 2015)

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

Previous Year (as of December 31, 2015)

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

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

Current Year (as of December 31, 2016)

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

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

The fair value of financial instruments traded in active markets is the quoted market prices at the reporting date. The financial instruments are categorized into Level 1. Financial instruments categorized into Level 1 comprise primarily equity instruments traded in active markets.

The fair value of financial instruments that are not traded in an active market (for example, interest rate swaps and foreign currency exchange contracts) is determined by using another valuation technique which maximizes the use of observable market input and minimizes the use of entity specific estimates as much as possible. If all significant inputs are observable, the financial instrument is categorized into Level 2.

If one or more of the significant inputs is not based on observable market data, the financial instrument (for example, an equity instrument that is not traded in an active market) is categorized into Level 3. These financial instruments are primarily valued with the comparable companies analysis method or the discounted cash flow method, using inputs that are reasonably available and that many market participants consider reasonable.

Financial instruments categorized into Level 3 are analyzed as follows:

Previous Year (ended December 31, 2015)

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

Current Year (ended December 31, 2016)

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

The Group analyzes changes in fair value measurements (including Level 3) based on factors such as inputs. The result of fair value measurements and the calculation processes (including assessments of valuation performed by a third party) as well as the results of analysis for the factors which caused the changes in fair value are reported to the Chief Financial Officer, and then the Officer reviews them and reports to the Board of Directors as necessary.

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

Each calculation model used for fair value measurement is annually reviewed by the Finance Section. The Group also engages a review, if necessary, by an external independent specialist of fair value measurement. The Group sometimes uses internal estimates in fair value measurement. Various analysis are performed for internal estimates such as time-series comparison to review appropriateness of these estimates, and then the Chief Financial Officer reviews the details as needed.

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

(4) Derivatives and Hedge Accounting

Hedge accounting conducted in the Group's risk management is described in "(2) Risk Management."

(i) Effect on the Consolidated Statement of Financial Position

Effect of derivatives designated as hedging instruments is set out below. Carrying amounts of derivatives designated as hedging instruments are measured at fair value and included in "Other financial assets" or "Other financial liabilities" in the consolidated statement of financial position.

Transition Date (as of January 1, 2015)

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

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

Previous Year (as of December 31, 2015)

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

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

Current Year (as of December 31, 2016)

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

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

Hedge transactions conducted by the Group hedge all hedged items, and there are no transactions that only hedge certain risk elements.

The periods for which the foreign currency exchange contract, currency swap, commodity swap and interest swap would hedge cash flow fluctuations are approximately 2 years, 9 months, 2 years and 4 years at the longest, respectively.

The ineffective portion recognized in profit or loss is not significant, and thus a description of changes in fair value is omitted for the hedging instruments which were used as a basis to recognize the ineffective portion.

Fair value of derivatives that are not designated as hedging instruments is as follows:

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

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

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

The ineffective portion recognized in profit or loss is not significant, and thus a description of changes in fair value is omitted for the hedging instruments which were used as a basis to recognize the ineffective portion.

(ii) Effect on the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income

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

Previous Year (ended December 31, 2015)

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

* The amounts are gross values before tax.

Current Year (ended December 31, 2016)

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

* The amounts are gross values before tax.

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

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

32. Significant Non-cash Transactions

Previous Year (ended December 31, 2015)

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

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

Current Year (ended December 31, 2016)

There are no significant non-cash transactions.

33. Changes in Ownership Interest in Subsidiaries

Previous Year (ended December 31, 2015)

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

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

Current Year (ended December 31, 2016)

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

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

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

34. Related-Party Transactions

(1) Transactions and Outstanding Balances with Related Parties

There is no material transactions with related parties.

(2) Key Management Personnel Compensation

Compensation to the Group's key management personnel is as follows:

	Millions of yen	
	Previous year (ended December 31, 2015)	**Current year (ended December 31, 2016)**
Short-term employee benefits	350	**465**

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

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

35. Business Combination

(1) Business Combination

Previous Year (ended December 31, 2015)

(i) Outline of the transaction

a. *Name and business of the acquiree*

China Foods Investment Corp.

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

b. *Purpose of the transaction*

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

c. *Acquisition date of the business combination*

March 3, 2015

d. *Legal form of the business combination*

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

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

The Company acquired 100.0% of the voting rights, and is thereby considered as the acquirer.

— Before the acquisition 25.9%

— After the acquisition 100.0%

(ii) Effect on the Group

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

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

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

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

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

Current Year (ended December 31, 2016)

(i) Outline of the transaction

a. Name and business of the acquiree

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

Also another 25 entities that are primarily engaged in manufacturing, sales and distribution of beer

b. Purpose of the transaction

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

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

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

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

c. Acquisition date of the business combination
October 11, 2016

d. Legal form of the business combination
The Group purchased shares with cash consideration.

e. Proportion of voting rights acquired

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

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

(ii) Effect on the Group

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

(iii) Consideration transferred and its details

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

(iv) Acquisition-related costs

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

(v) Acquired receivables

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

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

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

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

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

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

(2) Transactions under Common Control

Current Year (ended December 31, 2016)

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

(i) Purpose of the business reorganization

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

(ii) Outline of the business reorganization

Reorganization of the domestic soft drinks business

a. *Name of the entity involved in the transaction*
Calpis Co., Ltd.

b. *Name and description of businesses involved and legal form of the business combination*
Calpis Foods Service Co., Ltd., a wholly owned subsidiary of Calpis Co., Ltd. that engages in the sale of dairy products, acquired the domestic soft drink manufacturing business and the dairy product business, including milk purchasing, of Calpis Co., Ltd. in an absorption-type split.
Asahi Calpis Wellness Co., Ltd., a wholly owned subsidiary of the Company, succeeded the functional foods business (mail-order business and functional raw materials) and the animal feed business of Calpis Co., Ltd. in an absorption-type split.
After the business transfer above, Calpis Co., Ltd. was absorbed in a merger with Asahi Soft Drinks Co., Ltd. as the surviving company.
Calpis Foods Service Co., Ltd. changed its name to Calpis Co., Ltd.

c. *Date of the business combination*
January 1, 2016

d. *Name of the entities after the business combination*
Asahi Soft Drinks Co., Ltd.
Asahi Calpis Wellness Co., Ltd.
Calpis Co., Ltd. (formerly Calpis Foods Service Co., Ltd.)

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

Reorganization of the domestic food business

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

b. *Date of the business combination*
January 1, 2016

c. *Name of the company after the business combination*
Asahi Group Foods, Ltd.

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

36. Interest in Other Entities

(1) Interest in Subsidiaries

Subsidiaries included in the consolidated financial statements are as follows:

Previous Year (ended December 31, 2015)

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

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

Current Year (ended December 31, 2016)

Name	Location	Proportion of ownership interest (%)
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	100.00
Masuda Co., Ltd.	Kita-ku, Osaka	100.00 (100.00)
NADAMAN CO., LTD	Shinjuku-ku, Tokyo	100.00 (100.00)
The Nikka Whiskey Distilling Co., Ltd.	Minato-ku, Tokyo	100.00 (100.00)
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanashi	100.00 (100.00)
Satsumatsukasa Shuzo Co., Ltd.	Aira City, Kagoshima	85.00 (85.00)
ENOTECA CO., LTD.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	100.00
Calpis Co., Ltd.	Sumida-ku, Tokyo	100.00
LB Co., Ltd.	Hasuda City, Saitama	100.00
Asahi Soft Drink Sales Co., Ltd.	Taito-ku, Tokyo	100.00 (100.00)
Asahi Group Foods, Ltd.	Shibuya-ku, Tokyo	100.00 (100.00)
Asahi Food & Healthcare Co., Ltd.	Sumida-ku, Tokyo	100.00
Wakodo Co., Ltd.	Chiyoda-ku, Tokyo	100.00
Amano Jitsugyo Co., Ltd.	Fukuyama City, Hiroshima	100.00
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	100.00
Yantai Beer Tsingtao Asahi Co., Ltd.	Shandong, China	40.00 (40.00)
Beijing Beer Asahi Co., Ltd.	Beijing, China	90.00
China Foods Investment Corp.	Minato-ku, Tokyo	100.00
AI Beverage Holding Co., Ltd.	Sumida-ku, Tokyo	100.00
Asahi Holdings (Australia) Pty Ltd	Victoria, Australia	100.00
Schweppes Australia Pty Limited	Victoria, Australia	100.00
Independent Liquor (NZ) Limited	Papakura, New Zealand	100.00 (100.00)
Asahi Group Holdings Southeast Asia Pte. Ltd.	Singapore	100.00
Etika Beverages Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
PT Tirta Sukses Perkasa	Jakarta, Indonesia	80.00 (80.00)
Asahi Loi Hein Company Limited	Yangon, Myanmar	51.00 (51.00)
Asahi Europe Ltd	Woking, United Kingdom	100.00
Asahi Logistics Co., Ltd.	Minato-ku, Tokyo	100.00
Asahi Professional Management Co., Ltd.	Sumida-ku, Tokyo	100.00
Other 106 Subsidiaries	—	—

(Notes) 1. Percentage in ( ) represents indirect ownership interest out of the total ownership interest noted above.
2. The Group does not own a majority of voting rights in Yantai Beer Tsingtao Asahi Co., Ltd., but it is consolidated because voting rights including voting rights held by associates of the Group account for a majority and it is judged to be under de facto control.
3. The company names of Asahi Calpis Beverage Co., Ltd., Calpis Foods Service Co., Ltd and Permanis Sdn. Bhd. were changed to Asahi Soft Drink Sales Co., Ltd., Calpis Co., Ltd. and Etika Beverages Sdn. Bhd. respectively, in 2016.

(2) Interest in Associates

(i) Associates that Are Material to the Group

Associates that are material to the Group are as follows:

Name	Location	Proportion of ownership interest (%)	Relationship	Fair value (Millions of yen)
Tsingtao Brewery Co., Ltd.	Shandong, China	19.99%	Interlocking directorates	122,328

(Note) The ownership interest in Tsingtao Brewery Co., Ltd. is less than 20%, but it is considered as an associate as the Group has significant influence through its participation in Tsingtao Brewery Co., Ltd.'s management (Board of Directors).

Summarized financial information for the material associate is as follows:

Tsingtao Brewery Co., Ltd.

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	Current year (as of December 31, 2016)
Assets			
Current assets	219,663	243,528	**209,883**
Non-current assets	288,957	318,566	**268,127**
Total assets	508,621	562,094	**478,010**
Liabilities			
Current liabilities	191,289	203,832	**165,823**
Non-current liabilities	43,686	48,860	**43,775**
Total liabilities	234,976	252,692	**209,598**
Equity	273,644	309,402	**268,412**

	Millions of yen	
	Previous year (ended December 31, 2015)	Current year (ended December 31, 2016)
Revenue	529,072	**450,162**
Profit	29,322	**30,687**
Other comprehensive income	19,168	**(66,949)**
Total comprehensive income	48,490	**(36,261)**
Dividend received from the associate (19.99%)	2,455	**1,604**

Reconciliation of the summarized financial information and the carrying amount of the interest in the associate is as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	Current year (as of December 31, 2016)
Equity	273,644	309,402	**268,412**
Interest in the associate	55,280	62,605	**51,885**
Goodwill	38,779	38,869	**38,592**
Carrying amount of interest in the associate	94,060	101,474	**90,478**

(Note) With regard to Tsingtao Brewery Co., Ltd., it is impracticable to access their financial statements in a timely manner although their reporting date is the same as that of the Group, due to regulatory constraints in the jurisdictions where it is located or listed or in the light of relationships with other shareholders. As a result, the consolidated financial statements are prepared based on financial information for the period ended three months before the Group's reporting date with adjustments for the effects of important transactions and events which occurred before the Group's reporting date.

(ii) Associates that Are Not Material to the Group

Carrying amount of interest in associates that are not individually material to the Group is as follows:

	Millions of yen		
	Transition date (as of January 1, 2015)	Previous year (as of December 31, 2015)	Current year (as of December 31, 2016)
	131,098	89,089	**50,919**

Share of profit and share of other comprehensive income of associates that are not individually material are as follows:

	Millions of yen	
	Previous year (ended December 31, 2015)	Current year (ended December 31, 2016)
Profit	2,242	**(2,412)**
Other comprehensive income	3,951	**(15,037)**
Total comprehensive income	6,194	**(17,450)**

37. Commitments

There are no significant commitments regarding acquisition of assets.

38. Contingencies

There are no significant contingencies.

39. Events after Reporting

There are no significant events after the reporting period.

40. Additional Information

On December 13, 2016, the Group concluded a share purchase agreement (hereinafter referred to as "the Agreement") with Anheuser-Busch InBev SA/NV (hereinafter referred to as "AB InBev") to acquire businesses in the Czech Republic, Slovakia, Poland, Hungary and Romania and other related assets (hereinafter referred to as the "target businesses") previously owned by SABMiller plc (hereinafter referred to as "SABMiller"), which has been subsequently acquired by AB InBev. The estimated purchase price is 7,300 million euro. In regard to the acquisition of the target businesses, a financing commitment agreement has been concluded to cover the entire acquisition cost.

Under the agreement, the Company will acquire businesses and operations in 5 countries in Central and Eastern Europe that were owned by SABMiller prior to its combination with AB InBev, as well as intellectual property rights relating to the brands, such as *Pilsner Urquell*. The target businesses maintain the top market shares in the Czech Republic (the world's highest per capita beer-drinking country), Poland, Hungary and Romania, resulting in significant profitability on the background of their strong business platform.

41. Disclosures regarding the Transition to IFRS

These are the Group's first consolidated financial statements in accordance with IFRS. The accounting policies set out in "5. Significant Accounting Policies" have been applied in preparing the consolidated financial statements for the current year (ended December 31, 2016) and the previous year (ended December 31, 2015), and the consolidated statement of financial position as of the transition date (January 1, 2015).

Exemptions in accordance with IFRS 1

An entity that adopts IFRS for the first time is required to apply the requirements under IFRS retrospectively. However, IFRS 1 "First-time Adoption of International Financial Reporting Standards" allows certain exemptions. The exemptions used by the Group are as follows:

(a) Business Combinations

The Group elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred prior to the transition date. These business combinations are accounted for under the previous GAAP (Japanese GAAP). As a result, goodwill arising from business combinations prior to the transition date is recognized at its carrying amount under Japanese GAAP.

Such goodwill was tested for impairment at the transition date, irrespective of whether or not there was any indication that the goodwill may be impaired.

(b) Deemed Cost
The Group used fair value at the transition date as deemed cost for certain items of property, plant and equipment.

(c) Cumulative Translation Difference on Foreign Operations
The Group deemed cumulative translation difference on foreign operations to be zero at the transition date.

(d) Share-based Payment
The Group did not apply IFRS 2 "Share-based Payment" to equity instruments vested prior to the transition date.

(e) Designation of Financial Instruments Recognized prior to the Transition Date
Classification under IFRS 9 is based on facts and circumstances as of the transition date, and equity instruments are designated as equity instruments measured at fair value through other comprehensive income.

Reconciliation from Japanese GAAP to IFRS

Reconciliation that is required to be disclosed on first-time adoption of IFRS is shown in the schedule below. The figures under Japanese GAAP at the transition date reflect effects of application of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012), "Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013).

Reconciliation of Equity as of January 1, 2015 (Transition Date)

	Millions of yen				
Presentation under Japanese GAAP	Japanese GAAP	Effect of transition	IFRS	Notes	Presentation under IFRS
Assets					Assets
Current assets					Current assets
Cash and deposits	65,064	(2,827)	62,236	(A)	Cash and cash equivalents
Notes and accounts receivable—trade	353,704	11,535	365,239	(B) (a)	Trade and other receivables
Merchandise and finished goods (including work in progress)	82,117	40,090	122,207	(C) (a)	Inventories
Raw materials and supplies	42,431	(42,431)		(C)	
Deferred tax assets	13,012	(13,012)		(D) (b)	
		10,279	10,279		Income tax receivables
		5,299	5,299	(A) (E)	Other financial assets
Other	53,042	(34,049)	18,992	(B)	Other current assets
Allowance for doubtful accounts	(5,529)	5,529		(B)	
Total current assets	603,842	(19,587)	584,254		Total current assets
Non-current assets					Non-current assets
Property, plant and equipment	605,415	(64,347)	541,067	(c)	Property, plant and equipment
Intangible assets					
Goodwill	163,936	76,109	240,046	(d)	Goodwill and intangible assets
Other intangible assets	99,930	(99,930)			
Investments and other assets					
Investment securities	375,044	(375,044)		(F)	
Long-term loans receivable	2,335	(2,335)			
Long-term prepaid expenses	12,490	(12,490)			
Net defined benefit assets	19,412	—	19,412		Net defined benefit assets
Deferred tax assets	8,470	21,713	30,184	(D) (b)	Deferred tax assets
Other non-current assets	16,116	(16,116)			
		173,364	173,364	(E)	Other financial assets
		12,590	12,590		Other non-current assets
		225,158	225,158	(F)	Investments accounted for using equity method
Allowance for doubtful accounts	(3,124)	3,124			
Total non-current assets	1,300,027	(58,201)	1,241,825		Total non-current assets
Total assets	1,903,869	(77,789)	1,826,080		Total assets

Presentation under Japanese GAAP	Japanese GAAP (Millions of yen)	Effect of transition (Millions of yen)	IFRS (Millions of yen)	Notes	Presentation under IFRS
					Liabilities and equity
Liabilities					Liabilities
Current liabilities					Current liabilities
Notes and accounts payable—trade	130,402	144,554	274,956	(G)	Trade and other payables
Short-term loans payable	173,938	106,918	280,856		Bonds and borrowings
Current portion of long-term loans payable	10,941	(10,941)			
Current portion of bonds payable	20,000	(20,000)			
Lease obligations	8,486	(8,486)			
Accrued alcohol tax	110,361	(110,361)			
Consumption tax payable	26,617	(26,617)			
Income taxes payable	27,396	33	27,430		Income tax payables
Accounts payable—other	73,097	(73,097)		(G)	
Accrued expenses	71,137	(71,137)		(G)	
Deposits received	18,255	(18,255)			
Commercial paper	76,000	(76,000)			
Provision for bonuses	4,685	(4,685)			
Other	6,054	(6,054)			
		28,066	28,066	(E)	Other financial liabilities
		147,420	147,420		Other current liabilities
Total current liabilities	757,374	1,356	758,731		Total current liabilities
Non-current liabilities					Non-current liabilities
Bonds payable	113,000	40,435	153,435		Bonds and borrowings
Long-term loans payable	40,846	(40,846)			
Lease obligations	14,810	(14,810)			
Net defined benefit liability	23,872	201	24,073		Net defined benefit liabilities
Provision for directors' retirement benefits	302	(302)			
Asset retirement obligations	430	(430)			
Deferred tax liabilities	48,611	(7,443)	41,168	(D) (b)	Deferred tax liabilities
Other	38,198	(38,198)			
		55,753	55,753	(E)	Other financial liabilities
		2,964	2,964		Other non-current liabilities
Total non-current liabilities	280,071	(2,676)	277,395		Total non-current liabilities
Total liabilities	1,037,446	(1,319)	1,036,126		Total liabilities
Net assets					Equity
Shareholders' equity					
Capital stock	182,531	—	182,531		Issued capital
Capital surplus	120,895	—	120,895		Share premium
Retained earnings	470,061	23,068	493,129	(f)	Retained earnings
Treasury shares	(58,176)	—	(58,176)		Treasury shares
Total shareholders' equity	715,311	(715,311)			
Accumulated other comprehensive income	135,693	(99,538)	36,154	(e)	Other components of equity
		774,534	774,534		Total equity attributable to owners of parent
Minority interests	15,419	0	15,419		Non-controlling interests
Total net assets	866,423	(76,469)	789,953		Total equity
Total liabilities and net assets	1,903,869	(77,789)	1,826,080		Total liabilities and equity

Notes to the Reconciliations as of January 1, 2015 (Transition Date)

(1) Reclassification of Presented Items

(A) Cash and Cash Equivalents

Fixed deposits with maturities exceeding three months were reclassified from "Cash and deposits" under Japanese GAAP to "Other financial assets" under IFRS.

(B) Trade and Other Receivables

"Notes and accounts receivable—trade" and "Allowance for doubtful accounts" which are presented separately and other receivables included in "Other" under Japanese GAAP are presented as "Trade and other receivables" under IFRS.

(C) Inventories

"Merchandise and finished goods (including work in progress)" and "Raw materials and supplies" which are presented separately under Japanese GAAP are presented as "Inventories" under IFRS.

(D) Deferred Tax Assets and Deferred Tax Liabilities

"Deferred tax assets" and "Deferred tax liabilities" which are presented separately under current assets and current liabilities under Japanese GAAP are presented under non-current assets and non-current liabilities under IFRS.

(E) Other Financial Assets and Other Financial Liabilities

"Other financial assets" and "Other financial liabilities" are presented separately based on the presentation requirements of IFRS.

(F) Investments accounted for using Equity Method

"Investments accounted for using equity method" which is included in "Investment securities" under Japanese GAAP is presented separately under IFRS.

(G) Trade and Other Payables

"Notes and accounts payable—trade," "Accounts payable—other," "Accrued expenses" and other payables which are presented separately under Japanese GAAP are presented as "Trade and other payables" under IFRS.

(2) Differences in Recognition and Measurement

(a) Trade Receivables and Inventories

The Group recognizes revenue upon delivery of goods to customers under IFRS whereas revenue from certain types of sales of goods had been previously recognized upon shipment under Japanese GAAP. The Group recognizes expenses when it purchases goods to be kept mainly for advertisement or sales promotion whereas it had recognized those kinds of goods as inventories under Japanese GAAP. Adjustments due to those differences have been reflected in retained earnings.

(b) Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets increased after reconsidering future taxable income which temporary deductible differences will be utilized for in accordance with IFRS. The tax effect as well as those arising from differences in accounting between Japanese GAAP and IFRS has been recognized in retained earnings.

(c) Property, Plant and Equipment

The Group recognizes certain items as property, plant and equipment which had been recognized as expenses when purchased because they are individually immaterial under Japanese GAAP, and it resulted in an increase in property, plant and equipment under IFRS. The useful lives were reconsidered upon transition to IFRS and it resulted in a decrease in accumulated depreciation of property, plant and equipment. The effect has been recognized in retained earnings. As to certain items of property, plant and equipment, the Group elected to use the fair value at the transition date as their deemed cost, and it resulted in a decrease in their value. The carrying amount of these items of property, plant and equipment under Japanese GAAP was ¥166,468 million, and their fair value was ¥88,391 million.

(d) Goodwill

The Group recognized impairment losses as a result of impairment testing for goodwill at the transition date and deducted them from retained earnings. Impairment losses amounted to ¥15,397 million for the soft drink business in Malaysia and ¥14,833 million for the dairy product business in Malaysia, respectively, due to future cash flows that were initially expected could no longer be expected under Overseas segment which the Malaysian businesses belong to.

The recoverable amounts were based on their value in use and amounted to ¥15,748 million and ¥16,788 million, respectively. The value in use is calculated by discounting the estimated cash flows to present value, which are based on business plans and growth rates that reflect previous experience and external information and have been approved by management. Growth rates are determined with reference to factors such as inflation rates in the markets which the cash-generating units belong to. Discount rates are determined with reference to the pre-tax weighted average cost of capital for the cash-generating units. The average discount rates used in the calculation of value in use are 14.0% and 14.8% for the soft drink business and the dairy product business in Malaysia, respectively.

(e) Other Components of Equity

Cumulative translation difference on foreign operations presented in accumulated other comprehensive income under Japanese GAAP at the transition date has been fully reclassified to retained earnings since the Group has applied the exemption on transition to IFRS. Also, the Group has recognized actuarial differences arising from defined benefit plans in other comprehensive income and immediately reclassified all of them to retained earnings under IFRS, whereas actuarial differences had been subsequently reclassified to profit or loss over a certain period of time beginning from the following year in which they arise under Japanese GAAP.

(f) Retained Earnings

	Millions of yen
	Amount
Reconciliation for trade receivables and inventories (refer to (a))	(2,981)
Reconciliation for deferred tax assets and deferred tax liabilities (refer to (b))	27,834
Reconciliation for property, plant and equipment (refer to (c))	(71,217)
Reconciliation for goodwill (refer to (d))	(30,231)
Reconciliation for other components of equity (refer to(e))	98,686
Other	977
Total	23,068

Reconciliation of Equity as of December 31, 2015

	Millions of yen				
Presentation under Japanese GAAP	Japanese GAAP	Effect of transition	IFRS	Notes	Presentation under IFRS
Assets					Assets
Current assets					Current assets
Cash and deposits	48,210	(4,919)	43,290	(A)	Cash and cash equivalents
Notes and accounts receivable—trade	362,240	9,803	372,043	(B) (a)	Trade and other receivables
Merchandise and finished goods (including work in progress)	91,200	38,294	129,494	(C) (a)	Inventories
Raw materials and supplies	41,114	(41,114)		(C)	
Deferred tax assets	15,048	(15,048)		(D) (b)	
		4,525	4,525		Income tax receivables
		6,360	6,360	(A) (E)	Other financial assets
Other	47,546	(25,714)	21,832	(B)	Other current assets
Allowance for doubtful accounts	(4,861)	4,861		(B)	
Total current assets	600,498	(22,951)	577,547		Total current assets
Non-current assets					Non-current assets
Property, plant and equipment	582,098	(63,522)	518,576	(c)	Property, plant and equipment
Intangible assets					
Goodwill	145,104	78,380	223,485	(d)	Goodwill and intangible assets
Other intangible assets	90,444	(90,444)			
Investments and other assets					
Investment securities	422,469	(422,469)		(F)	
Long-term loans receivable	2,458	(2,458)			
Long-term prepaid expenses	11,905	(11,905)			
Net defined benefit assets	24,574	780	25,354		Net defined benefit assets
Deferred tax assets	8,183	13,749	21,932	(D) (b)	Deferred tax assets
Other non-current assets	16,388	(16,388)			
		236,110	236,110	(E)	Other financial assets
		11,103	11,103		Other non-current assets
		190,563	190,563	(F) (e)	Investments accounted for using equity method
Allowance for doubtful accounts	(2,571)	2,571			
Total non-current assets	1,301,056	(73,930)	1,227,126		Total non-current assets
Total assets	1,901,554	(96,881)	1,804,673		Total assets

Presentation under Japanese GAAP	Japanese GAAP (Millions of yen)	Effect of transition (Millions of yen)	IFRS (Millions of yen)	Notes	Presentation under IFRS
					Liabilities and equity
Liabilities					Liabilities
Current liabilities					Current liabilities
Notes and accounts payable—trade	126,800	146,292	273,092	(G)	Trade and other payables
Short-term loans payable	148,750	100,459	249,209		Bonds and borrowings
Current portion of long-term loans payable	7,489	(7,489)			
Current portion of bonds payable	30,000	(30,000)			
Lease obligations	7,567	(7,567)			
Accrued alcohol tax	110,044	(110,044)			
Accrued consumption taxes	17,857	(17,857)			
Income taxes payable	23,460	16	23,476		Income tax payables
Accounts payable—other	69,521	(69,521)		(G)	
Accrued expenses	76,655	(76,655)		(G)	
Deposits received	18,076	(18,076)			
Commercial paper	63,000	(63,000)			
Provision for bonuses	4,917	(4,917)			
Other	11,053	(11,053)			
		27,038	27,038	(E)	Other financial liabilities
		143,770	143,770		Other current liabilities
Total current liabilities	715,193	1,395	716,588		Total current liabilities
Non-current liabilities					Non-current liabilities
Bonds payable	118,000	47,231	165,231		Bonds and borrowings
Long-term loans payable	47,690	(47,690)			
Lease obligations	11,590	(11,590)			
Net defined benefit liability	23,377	13	23,391		Net defined benefit liabilities
Provision for directors' retirement benefits	237	(237)			
Asset retirement obligations	441	(441)			
Deferred tax liabilities	54,445	(17,199)	37,245	(D) (b)	Deferred tax liabilities
Other	38,748	(38,748)			
		55,746	55,746	(E)	Other financial liabilities
		2,787	2,787		Other non-current liabilities
Total non-current liabilities	294,531	(10,129)	284,402		Total non-current liabilities
Total liabilities	1,009,725	(8,734)	1,000,991		Total liabilities
Net assets					Equity
Shareholders' equity					
Capital stock	182,531	—	182,531		Issued capital
Capital surplus	120,524	—	120,524		Share premium
Retained earnings	524,859	24,225	549,084	(g)	Retained earnings
Treasury shares	(77,377)	—	(77,377)		Treasury shares
Total shareholders' equity	750,537	(750,537)			
Accumulated other comprehensive income	127,134	(112,477)	14,657	(f)	Other components of equity
		789,420	789,420		Total equity attributable to owners of parent
Minority interests	14,157	104	14,261		Non-controlling interests
Total net assets	891,829	(88,147)	803,682		Total equity
Total liabilities and net assets	1,901,554	(96,881)	1,804,673		Total liabilities and equity

Notes to the Reconciliations as of December 31, 2015

(1) Reclassification of Presented Items

(A) Cash and Cash Equivalents

Fixed deposits with maturities exceeding three months were reclassified from "Cash and deposits" under Japanese GAAP to "Other financial assets" under IFRS.

(B) Trade and Other Receivables

"Notes and accounts payable—trade" and "Allowance for doubtful accounts" which are presented separately and other receivables included in "Other" under Japanese GAAP are presented as "Trade and other receivables" under IFRS.

(C) Inventories

"Merchandise and finished goods (including work in progress)" and "Raw materials and supplies" which are presented separately under Japanese GAAP are presented as "Inventories" under IFRS.

(D) Deferred Tax Assets and Deferred Tax Liabilities

"Deferred tax assets" and "Deferred tax liabilities" which are presented separately under current assets and current liabilities under Japanese GAAP are presented under non-current assets and non-current liabilities under IFRS.

(E) Other Financial Assets and Other Financial Liabilities

"Other financial assets" and "Other financial liabilities" are presented separately based on the presentation requirements of IFRS.

(F) Investments accounted for using Equity Method

"Investments accounted for using equity method" which is included in "Investment securities" under Japanese GAAP is presented separately under IFRS.

(G) Trade and Other Payables

"Notes and accounts payable—trade," "Accounts payable—other," "Accrued expenses" and other payables which are presented separately under Japanese GAAP are presented as "Trade and other payables" under IFRS.

(2) Differences in Recognition and Measurement

(a) Trade Receivables and Inventories

The Group recognizes revenue upon delivery of goods to customers under IFRS whereas revenue from certain types of sales of goods had been previously recognized upon shipment under Japanese GAAP. The Group recognizes expenses when it purchases goods to be kept mainly for advertisement or sales promotion whereas it had recognized those kinds of goods as inventories under Japanese GAAP. Adjustments due to those differences have been reflected in retained earnings.

(b) Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets increased after reconsidering future taxable income which temporary deductible differences will be utilized for in accordance with IFRS. The tax effect as well as those arising from differences in accounting between Japanese GAAP and IFRS has been recognized in retained earnings.

(c) Property, Plant and Equipment

The Group recognizes certain items as property, plant and equipment which had been recognized as expenses when purchased because they are individually immaterial under Japanese GAAP, and it resulted in an increase in property, plant and equipment under IFRS. The useful lives were reconsidered upon transition to IFRS and it resulted in a decrease in accumulated depreciation of property, plant and equipment. The effect has been recognized in retained earnings. As to certain items of property, plant and equipment, the Group elected to use the fair value at the transition date as their deemed cost, and it resulted in a decrease in their value. The carrying amount of these items of property, plant and equipment under Japanese GAAP was ¥166,468 million, and their fair value was ¥88,391 million.

(d) Goodwill

The Group recognized impairment losses as a result of impairment testing for goodwill at the transition date and deducted them from retained earnings. Impairment losses amounted to ¥30,231 million for a business in the Overseas segment which related goodwill had been allocated to, due to future cash flows that were initially expected could no longer be expected (Please refer to (2) (d) of "Notes to the Reconciliations as of January 1, 2015 (Transition Date)" for details). Goodwill had been amortized over the estimated useful lives under Japanese GAAP, but will no longer be amortized under IFRS on and after the transition date. The effect has been recognized in retained earnings.

(e) Investments accounted for using Equity Method

Goodwill included in investments accounted for using the equity method had been amortized over the estimated useful lives under Japanese GAAP, but will no longer be amortized under IFRS on and after the transition date. The effect has been recognized in such investments.

(f) Other Components of Equity

Cumulative translation difference on foreign operations presented in accumulated other comprehensive income under Japanese GAAP at the transition date has been fully reclassified to retained earnings since the Group has applied the exemption on transition to IFRS. Also, the Group has recognized actuarial differences arising from defined benefit plans in other comprehensive income and immediately reclassified all of them to retained earnings under IFRS, whereas actuarial differences had been subsequently reclassified to profit or loss over a certain period of time beginning from the following year in which they arise under Japanese GAAP.

(g) Retained Earnings

	Millions of yen
	Amount
Reconciliation for trade receivables and inventories (refer to (a))	(2,934)
Reconciliation for deferred tax assets and deferred tax liabilities (refer to (b))	23,260
Reconciliation for property, plant and equipment (refer to (c))	(73,919)
Reconciliation for goodwill (refer to (d))	(25,430)
Reconciliation for investments accounted for using equity method (refer to (e))	3,542
Reconciliation for other components of equity (refer to (f))	101,622
Other	(1,916)
Total	24,225

Reconciliation of Comprehensive Income for the Year ended December 31, 2015

Presentation under Japanese GAAP	Millions of yen Japanese GAAP	 Effect of transition	 IFRS	Notes	Presentation under IFRS
Net sales	1,857,418	(167,890)	1,689,527	(a) (c)	Revenue
Cost of sales	(1,100,519)	(2,320)	(1,102,839)	(A) (a) (b)	Cost of sales
Gross profit	756,899	(170,211)	586,688		Gross profit
Selling, general and administrative expenses	(621,779)	175,783	(445,996)	(A) (b) (c)	Selling, general and administrative expenses
		3,514	3,514	(A)	Other operating income
		(47,580)	(47,580)	(A)	Other operating expense
Operating income	135,119	(38,493)	96,626		Operating profit
Non-operating income					
Interest income	583	(583)			
Dividend income	2,112	(2,112)			
Share of profit of entities accounted for using equity method	14,167	(14,167)			
Other	2,526	(2,526)			
Total non-operating income	19,389	(19,389)			
Non-operating expenses					
Interest expenses	(3,615)	3,615			
Other	(4,947)	4,947			
Total non-operating expenses	(8,562)	8,562			
Ordinary income	145,946	(145,946)			
Extraordinary income	7,961	(7,961)			
Extraordinary losses	(41,157)	41,157			
		3,011	3,011	(A)	Finance income
		(5,095)	(5,095)	(A)	Finance costs
		17,627	17,627	(A)	Share of profit (loss) of entities accounted for using equity method
		5,394	5,394		Gain on remeasurements related to business combinations
Income before income taxes and minority interests	112,750	4,812	117,563		Profit before tax
Income taxes					
Current	(42,532)	(430)	(42,962)		Income tax expense
Deferred	4,920	(4,920)			
Income before minority interests	75,138	(538)	74,600		Profit

Presentation under Japanese GAAP	Millions of yen Japanese GAAP	 Effect of transition	 IFRS	Notes	Presentation under IFRS
Other comprehensive income					Other comprehensive income
					Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	16,950	(18,023)	(1,073)		Changes in fair value of financial instruments measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	618	2,374	2,992	(b)	Remeasurements of defined benefit plans
Share of other comprehensive income of affiliated companies accounted for using equity method	7,382	(7,386)	(4)		Share of other comprehensive income of entities accounted for using equity method
					Items that might be reclassified to profit or loss
Deferred gains or losses on hedges	136	(334)	(197)		Cash flow hedges
Foreign currency translation adjustment	(35,093)	5,334	(29,759)		Translation difference on foreign operations
		6,532	6,532		Share of other comprehensive income of entities accounted for using equity method
Total other comprehensive income	(10,005)	(11,503)	(21,509)		Total other comprehensive income
Comprehensive income	65,133	(12,042)	53,090		Total comprehensive income

Notes to the Reconciliations of Comprehensive Income for the Year ended December 31, 2015

(1) Reclassification of Presented Items

(A) Cost of sales, other operating income (expense), selling, general and administrative expenses, share of profit (loss) of entities accounted for using equity method, finance income, and finance costs

Items presented as non-operating income, non-operating expenses, extraordinary income, and extraordinary losses under Japanese GAAP are presented as finance income and finance costs for finance-related items, and as cost of sales, other operating income (expense), selling, general and administrative expenses, and share of profit (loss) of entities accounted for using equity method for the other items under IFRS.

(2) Differences in Recognition and Measurement

(a) Revenue and cost of sales

Net sales are recognized primarily upon shipment under Japanese GAAP, whereas revenue is recognized primarily upon delivery of goods. In addition, certain rebates and some other items were presented in selling, general and administrative expenses under Japanese GAAP, whereas they are deducted from revenue under IFRS.

(b) Cost of sales, selling, general and administrative expenses, and remeasurements of defined benefit plans

Under Japanese GAAP, actuarial gains and losses on defined benefit plans are amortized over a certain period of time, beginning from the year following the year they are incurred. However, all actuarial gains and losses are recognized in other comprehensive income and immediately reclassified to retained earnings under IFRS.

(c) Selling, general and administrative expenses

Under Japanese GAAP, certain rebates and some other items were presented as selling, general and administrative expenses, whereas they are deducted from revenue under IFRS. In addition, goodwill was amortized over the estimated useful lives under Japanese GAAP, but is not amortized under IFRS.

Reconciliation of Cash Flows for the Year ended December 31, 2015

There are no material differences between the consolidated statements of cash flows that were disclosed in accordance with Japanese GAAP and that in accordance with IFRS.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Asahi Group Holdings, Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Asahi Group Holdings, Ltd. and its consolidated subsidiaries as at December 31, 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG AZSA LLC

March 29, 2017
Tokyo, Japan

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