



FINANCIAL SECTION 2018

Asahi Group Holdings, Ltd.

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Consolidated Statement of Financial Position

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
As of December 31, 2017 and December 31, 2018

Millions of yen

	Notes	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Assets			
Current assets			
Cash and cash equivalents	8	58,054	57,317
Trade and other receivables	9 32	433,436	427,279
Inventories	10	155,938	160,319
Income tax receivables		12,354	37,308
Other financial assets	14	6,896	7,025
Other current assets	15	27,104	25,324
Subtotal		693,785	714,576
Assets held for sale	11	118,641	—
Total current assets		812,426	714,576
Non-current assets			
Property, plant and equipment	12	717,914	689,985
Goodwill and intangible assets	13	1,538,679	1,428,543
Investments accounted for using equity method	38	4,846	8,668
Other financial assets	14	219,142	184,533
Deferred tax assets	29	11,388	16,300
Net defined benefit assets	19	26,055	19,282
Other non-current assets	15	16,368	17,424
Total non-current assets		2,534,396	2,364,738
Total assets		3,346,822	3,079,315

See accompanying notes.

Millions of yen			
	Notes	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	433,582	416,842
Bonds and borrowings	17 32 35	359,722	262,620
Income tax payables		51,856	39,624
Provisions	20	15,451	17,655
Other financial liabilities	17	29,224	62,027
Other current liabilities	21	144,355	140,821
Subtotal		1,034,191	939,591
Liabilities directly related to assets held for sale	11	17,965	—
Total current liabilities		1,052,157	939,591
Non-current liabilities			
Bonds and borrowings	17 32 35	902,203	764,768
Net defined benefit liabilities	19	25,488	25,517
Deferred tax liabilities	29	156,780	137,277
Other financial liabilities	17	52,997	59,776
Other non-current liabilities	20 21	4,446	2,736
Total non-current liabilities		1,141,917	990,076
Total liabilities		2,194,074	1,929,668
Equity			
Issued capital	22	182,531	182,531
Share premium	22	119,051	119,128
Retained earnings	22	713,146	821,120
Treasury shares	22	(76,747)	(76,997)
Other components of equity		210,592	100,637
Other components of equity related to disposal groups held for sale	11	(3,440)	—
Total equity attributable to owners of parent		1,145,135	1,146,420
Non-controlling interests		7,612	3,227
Total equity		1,152,748	1,149,647
Total liabilities and equity		3,346,822	3,079,315

See accompanying notes.

Consolidated Statement of Profit or Loss

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2017 and 2018

Millions of yen

	Notes	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Revenue	25	2,084,877	2,120,291
Cost of sales		(1,295,399)	(1,303,246)
Gross profit		789,477	817,044
Selling, general and administrative expenses	26	(593,108)	(595,661)
Other operating income	27	12,530	4,369
Other operating expense	27	(25,706)	(13,980)
Operating profit		183,192	211,772
Finance income	28	5,206	8,282
Finance costs	28	(10,368)	(12,731)
Share of profit (loss) of entities accounted for using equity method		1,055	887
Gain (loss) on sales of investments accounted for using equity method		17,898	(901)
Profit before tax		196,984	207,308
Income tax expense	29	(58,135)	(56,370)
Profit		138,848	150,938
Profit attributable to:			
Owners of parent		141,003	151,077
Non-controlling interests		(2,155)	(139)
Total		138,848	150,938
Basic earnings per share (Yen)	30	307.78	329.80
Diluted earnings per share (Yen)	30	307.78	329.79

See accompanying notes.

Consolidated Statement of Comprehensive Income

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2017 and 2018

Millions of yen

	Notes	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Profit		138,848	150,938
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value of financial instruments measured at fair value through other comprehensive income	31	23,083	(15,865)
Remeasurements of defined benefit plans	19 31	5,154	(4,401)
Share of other comprehensive income of entities accounted for using equity method	31	(6)	—
Items that might be reclassified to profit or loss			
Cash flow hedges	31 32	(12,364)	(211)
Costs of hedging	31 32	(1,179)	(659)
Translation difference on foreign operations	31	158,263	(89,386)
Share of other comprehensive income of entities accounted for using equity method	31	9,180	2,383
Total other comprehensive income	31	182,131	(108,142)
Total comprehensive income		320,979	42,795
Total comprehensive income attributable to:			
Owners of parent		323,211	42,327
Non-controlling interests		(2,232)	467

See accompanying notes.

Consolidated Statement of Changes in Equity

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2017 and 2018

Millions of yen

Notes	Equity attributable to owners of parent						
	Equity attributable to owners of parent				Other components of equity		
	Issued capital	Share premium	Retained earnings	Treasury shares	Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2017	182,531	118,668	589,935	(76,709)	51,881	—	(219)
Comprehensive income							
Profit			141,003				
Other comprehensive income					23,083	5,200	(12,200)
Total comprehensive income	—	—	141,003	—	23,083	5,200	(12,200)
Transfer to non-financial assets							11,795
Transactions with owners							
Dividends	23		(26,571)				
Purchase of treasury shares				(38)			
Disposal of treasury shares		0		0			
Changes through business combinations	37						
Changes through sales of consolidated subsidiaries	34	332					
Share-based payment transaction	24	48					
Transfer from other components of equity to retained earnings			8,779		(3,578)	(5,200)	
Other components of equity related to disposal groups held for sale	11						
Other increase (decrease)							
Total contributions by owners and distribution to owners	—	380	(17,792)	(38)	(3,578)	(5,200)	—
Acquisition of non-controlling interests without change in control		2					
Total changes in the ownership interest in subsidiaries	—	2	—	—	—	—	—
Total transactions with owners	—	383	(17,792)	(38)	(3,578)	(5,200)	—
Balance as of December 31, 2017	182,531	119,051	713,146	(76,747)	71,386	—	(624)

See accompanying notes.

Millions of yen

Notes	Equity attributable to owners of parent						
	Other components of equity			Other components of equity related to disposal groups held for sale	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Costs of hedging	Translation difference on foreign operations	Total other components of equity				
Balance as of January 1, 2017	—	(29,734)	21,927	—	836,354	9,750	846,105
Comprehensive income							
Profit			—		141,003	(2,155)	138,848
Other comprehensive income	(1,179)	167,304	182,208		182,208	(76)	182,131
Total comprehensive income	(1,179)	167,304	182,208	—	323,211	(2,232)	320,979
Transfer to non-financial assets			11,795		11,795		11,795
Transactions with owners							
Dividends	23		—		(26,571)	(405)	(26,976)
Purchase of treasury shares			—		(38)		(38)
Disposal of treasury shares			—		0		0
Changes through business combinations	37		—		—	300	300
Changes through sales of consolidated subsidiaries	34		—		332		332
Share-based payment transaction	24		—		48		48
Transfer from other components of equity to retained earnings			(8,779)		—		—
Other components of equity related to disposal groups held for sale	11	3,440	3,440	(3,440)	—		—
Other increase (decrease)			—		—	242	242
Total contributions by owners and distribution to owners	—	3,440	(5,338)	(3,440)	(26,229)	136	(26,092)
Acquisition of non-controlling interests without change in control			—		2	(42)	(39)
Total changes in the ownership interest in subsidiaries	—	—	—	—	2	(42)	(39)
Total transactions with owners	—	3,440	(5,338)	(3,440)	(26,226)	93	(26,132)
Balance as of December 31, 2017	(1,179)	141,010	210,592	(3,440)	1,145,135	7,612	1,152,748

See accompanying notes.

Millions of yen

	Notes	Equity attributable to owners of parent						
		Equity attributable to owners of parent				Other components of equity		
		Issued capital	Share premium	Retained earnings	Treasury shares	Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2018		182,531	119,051	713,146	(76,747)	71,386	—	(624)
Comprehensive income								
Profit				151,077				
Other comprehensive income						(15,865)	(4,380)	(377)
Total comprehensive income		—	—	151,077	—	(15,865)	(4,380)	(377)
Transfer to non-financial assets								360
Transactions with owners								
Dividends	23			(41,229)				
Purchase of treasury shares					(250)			
Disposal of treasury shares			0		0			
Changes through business combinations								
Changes through sales of consolidated subsidiaries	34							
Change in scope of consolidation								
Share-based payment transaction	24		76					
Transfer from other components of equity to retained earnings				(1,875)		(2,505)	4,380	
Other components of equity related to disposal groups held for sale								
Other increase (decrease)								
Total contributions by owners and distribution to owners		—	76	(43,104)	(250)	(2,505)	4,380	—
Acquisition of non-controlling interests without change in control								
Total changes in the ownership interest in subsidiaries		—	—	—	—	—	—	—
Total transactions with owners		—	76	(43,104)	(250)	(2,505)	4,380	—
Balance as of December 31, 2018		182,531	119,128	821,120	(76,997)	53,015	—	(641)

See accompanying notes.

Millions of yen

	Notes	Equity attributable to owners of parent						
		Equity attributable to owners of parent				Other components of equity		
		Costs of hedging	Translation difference on foreign operations	Total other components of equity	Other components of equity related to disposal groups held for sale	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of January 1, 2018		(1,179)	141,010	210,592	(3,440)	1,145,135	7,612	1,152,748
Comprehensive income								
Profit				—		151,077	(139)	150,938
Other comprehensive income		(659)	(90,906)	(112,190)	3,440	(108,750)	607	(108,142)
Total comprehensive income		(659)	(90,906)	(112,190)	3,440	42,327	467	42,795
Transfer to non-financial assets				360		360		360
Transactions with owners								
Dividends	23			—		(41,229)	(463)	(41,692)
Purchase of treasury shares				—		(250)		(250)
Disposal of treasury shares				—		0		0
Changes through business combinations				—		—		—
Changes through sales of consolidated subsidiaries	34			—		—	(1,711)	(1,711)
Change in scope of consolidation				—		—	(2,703)	(2,703)
Share-based payment transaction	24			—		76		76
Transfer from other components of equity to retained earnings				1,875		—		—
Other components of equity related to disposal groups held for sale				—		—		—
Other increase (decrease)				—		—	25	25
Total contributions by owners and distribution to owners		—	—	1,875	—	(41,403)	(4,853)	(46,256)
Acquisition of non-controlling interests without change in control				—		—		—
Total changes in the ownership interest in subsidiaries		—	—	—	—	—	—	—
Total transactions with owners		—	—	1,875	—	(41,403)	(4,853)	(46,256)
Balance as of December 31, 2018		(1,839)	50,103	100,637	—	1,146,420	3,227	1,149,647

See accompanying notes.

Consolidated Statement of Cash Flows

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2017 and 2018

Millions of yen

	Notes	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Cash flows from (used in) operating activities			
Profit before tax		196,984	207,308
Depreciation and amortization expenses		101,813	109,206
Impairment losses		10,128	294
Interest and dividend income		(2,975)	(3,115)
Interest expenses		6,725	6,753
Share of loss (profit) of entities accounted for using equity method		(1,055)	(887)
Loss (gain) on sales of investments accounted for using equity method		(17,898)	901
Gains on sales of shares of subsidiaries and associates		(10,542)	—
Loss (gain) on sales and disposals of property, plant and equipment		5,469	4,148
Decrease (increase) in trade receivables		(11,536)	(2,759)
Decrease (increase) in inventories		(4,752)	(8,966)
Increase (decrease) in trade payables		7,490	(3,397)
Increase (decrease) in accrued alcohol tax		(3,834)	(3,799)
Increase (decrease) in net defined benefit assets and liabilities		1,358	655
Other		32,304	52,319
Subtotal		309,680	358,664
Interest and dividends received		5,839	3,662
Interest paid		(5,601)	(6,831)
Income taxes paid		(78,205)	(103,053)
Net cash flows from (used in) operating activities		231,712	252,441
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(76,636)	(78,891)
Proceeds from sales of property, plant and equipment		2,315	2,027
Purchase of intangible assets		(11,246)	(8,997)
Purchase of investment securities		(1,430)	(986)
Proceeds from sales of investment securities		11,939	10,591
Proceeds from sales of investment in an entity accounted for using equity method		68,972	101,646
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	34	(891,555)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	34	15,318	989
Other		(3,499)	(3,874)
Net cash flows from (used in) investing activities		(885,823)	22,505
Cash flows from (used in) financing activities			
Increase (decrease) in short-term borrowings	35	41,076	(105,281)
Payments of finance lease obligations	35	(9,851)	(9,087)
Proceeds from long-term borrowings	35	303,378	2,566
Repayments of long-term borrowings	35	(62,600)	(96,821)
Proceeds from issuance of bonds	35	436,604	—
Redemption of bonds	35	(18,000)	(20,000)
Purchase of treasury shares		(38)	(250)
Dividends paid	23	(26,571)	(41,229)
Proceeds from share issuance to non-controlling shareholders		261	48
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(39)	—
Other		(2,336)	(508)
Net cash flows from (used in) financing activities		661,882	(270,564)
Effect of exchange rate changes on cash and cash equivalents		2,111	(4,416)
Net increase (decrease) in cash and cash equivalents		9,883	(33)
Cash and cash equivalents at beginning of period	8	48,459	58,054
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation		—	(703)
Cash and cash equivalents transferred to assets held for sale	11	(288)	—
Cash and cash equivalents at end of period	8	58,054	57,317

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, 2018 were authorized for issue by Akiyoshi Koji, President and Representative Director, and Kenji Hamada, Chief Financial Officer on March 26, 2019.

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

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

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

3. Changes in Standards and Interpretations

(Revenue)

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (hereinafter collectively referred to as "IFRS 15") effective from this fiscal year. In applying IFRS 15, the Group has adopted the method to recognize the cumulative effect of applying this standard at the date of initial application, which is permitted as a transitional measure. The Group recognizes revenue based on the following five-step approach in accordance with IFRS 15.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The impact on the consolidated financial statements is immaterial compared with the application of the previous accounting standard.

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:

No.	Title	Mandatory Application	The First Application by the Group	Description of the New Standard or the Amendment
IFRS 16	Leases	Annual periods beginning on or 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)
IFRIC23	Uncertainty over Income Tax Treatments	Annual periods beginning on or after January 1, 2019	The annual period ending December 31, 2019	Clarification of accounting treatments under uncertainty over Income Tax
IAS19	Employee benefits	Annual periods beginning on or after January 1, 2019	The annual period ending December 31, 2019	Clarification of accounting treatments for plan amendments, curtailments or settlements (amendments to IAS 19)
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after January 1, 2019	The annual period ending December 31, 2019	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)
IAS 28	Investments in Associates and Joint Ventures			
IFRS17	Insurance Contracts	Annual periods beginning on or after January 1, 2021	The annual period ending December 31, 2021	Formulate consistent accounting model for insurance contracts

Among the standards to be applied in the annual period ending December 31, 2019, the change in accounting policies and the expected impact on the consolidated financial statements from the application of IFRS 16 “Leases” (hereinafter, the “Standard”) are as follows.

Under the Standard, in principle, a single accounting model will be used to treat lessee’s leases on balance, and the lessee will recognize a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make a lease payment.

The Group will not restate comparative figures but recognizes the cumulative impact of the application of the Standard as an adjustment to the beginning balance of retained earnings on January 1, 2019.

In addition, the Group plans to apply a practical expedient to grandfather the definition of a lease on transition. This means that the Standard will be applied to all contracts entered into before January 1, 2019, and identified as leases in accordance with IAS 17 “Leases” and IFRIC Interpretation 4 “Determining whether an Arrangement Contains a Lease.”

The impact of the application of the Standard on total assets and total liabilities on the consolidated financial statements is estimated to be approximately ¥40 billion based on the information currently available, and the Group estimates that its impact on profit and cash flow will be immaterial.

Other standards to be applied in the annual period ending December 31, 2019, are expected to have an immaterial impact on the Group’s consolidated financial statements.

The impact of the standards to be applied from annual periods ending on or after December 31, 2020 on the Group’s consolidated financial statements is under review, and not estimable at this moment.

5. Significant Accounting Policies

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

(1) Consolidation

(i) Subsidiaries

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

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

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

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

(ii) Associates and Joint Ventures

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

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

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

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

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

(2) Business Combinations

The Group applies the acquisition method to business combinations. The consideration is measured at fair value on the acquisition date which represents the total fair value of the assets transferred, the liabilities assumed and the equity instruments issued by the Group. 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 the control obtained is accounted as equity transactions, and goodwill does not arise from such transactions accordingly.

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

(3) Foreign Currency Translation

(i) Functional currency and presentation currency

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

(ii) Transactions and Balances

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

(iii) Foreign operation

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

- (a) Assets and liabilities are translated using the closing rate as of the end of the fiscal year.
- (b) Income and expenses are translated using the average rate (unless the average rate is not a reasonable approximation of the cumulative effect of the exchange rates prevailing on the transaction date, in which case income and expenses are translated using the rate on the transaction date).
- (c) All resulting exchange differences are recognized in other comprehensive income and accumulated in exchange differences on foreign operations, which is other components of equity.

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

(4) Property, Plant and Equipment

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

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

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

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

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

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

(5) Borrowing Costs

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

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

(6) Goodwill and Intangible Assets**(i) Goodwill**

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

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

(ii) Trademarks

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

(iii) Software

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

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

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

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

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

(iv) Other Intangible Assets

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

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

(7) Leases

The Group 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. In cases of finance leases, leased properties are recognized as assets at the commencement of the lease term at fair value of the leased property or, if lower, the present value of the minimum lease payments.

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

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

(8) Impairment of Non-financial Assets

Goodwill and intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually. Other non-financial assets are examined for impairment if there is an indication that the carrying amount may not be recovered due to occurrence of an event or change in the circumstances. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized at the excess amount. The recoverable amount is the higher of its fair value less costs of disposal of the asset and value in use. To assess impairment, an asset is grouped at the smallest unit which generates separately identifiable cash flows (cash-generating unit). Non-financial assets for which impairment losses are recognized, excluding goodwill, are reassessed at the end of each fiscal year for the possibility that the impairment losses may be reversed.

(9) Financial Instruments**(i) Financial Assets****a. Initial Recognition and Measurement**

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

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

(a) Financial Assets measured at Amortized Cost

Financial assets are classified as financial assets measured at amortized cost only when the requirements that the objective of the Group's business model is to hold assets in order to collect the contractual cash flows and that the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are both met.

(b) Financial Assets measured at Fair Value

Financial assets that do not satisfy either of the two requirements above are classified as financial assets measured at fair value.

With regard to financial assets measured at fair value, the Group decides to irrevocably designate each financial instrument as measured at fair value through profit or loss or as measured at fair value through other comprehensive income, except for equity instruments held for trading, which must be measured at fair value through profit or loss.

Information on derivatives is provided in (v) Derivatives and Hedge Accounting.

b. Subsequent Measurement

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

(a) Financial Assets measured at Amortized Cost

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

(b) Financial Assets measured at Fair Value

These financial assets are measured at fair value at the reporting date.

Changes in fair value of such financial assets are recognized in profit or loss or other comprehensive income, depending on their classification.

Dividend income arising from equity instruments designated as measured at fair value through other comprehensive income is recognized in profit or loss. If the fair value decreases significantly or the equity instrument is disposed of, the accumulated other comprehensive income is transferred to retained earnings.

c. Derecognition

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

(ii) Impairment of Financial Assets

The Group estimates expected credit losses at the end of each fiscal year for recoverability of financial assets measured at amortized cost.

For financial instruments of which the credit risk has not increased significantly after initial recognition, expected credit losses within the next 12 months are recognized as loss allowance. For financial instruments of which the credit risk has increased significantly after initial recognition, lifetime expected credit losses are recognized as loss allowance. However, for trade receivables, loss allowance is always measured based on lifetime expected credit losses.

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

In determining whether any objective evidence of impairment exists, the Group uses the following requirements:

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

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

If in a subsequent period, the credit risk decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), reversal of previously recognized impairment loss is recognized in profit or loss.

(iii) Financial Liability**a. Initial Recognition and Measurement**

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

b. Subsequent Measurement

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

(a) Financial Liabilities measured at Fair Value through Profit or Loss

These financial liabilities measured at fair value through profit or loss are measured at fair value at the reporting date.

(b) Financial Liabilities measured at Amortized Cost

These financial liabilities measured at amortized cost are measured using the effective interest method.

c. Derecognition

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

(iv) Offset of Financial Instruments

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

(v) Derivatives and Hedge Accounting

Derivatives are initially recognized at fair value on the date when the derivative contract is concluded and subsequently remeasured at fair value at the end of each fiscal period. The method of recognizing gains or losses arising as a result of the remeasurement depends on whether the derivative is designated as a hedging instrument, and if it was designated as a hedging instrument, on the nature of the hedged item.

The Group designates certain derivatives as hedging instruments of cash flow hedges (hedge of a particular risk associated with recognized assets or liabilities, or highly probable forecast transactions) and certain borrowings denominated in foreign currencies as hedging instruments of net investments in foreign operations.

The Group documents the relationship between the hedging instrument and the hedged item and the risk management objective and strategy for exercising the hedging transactions at the inception of the transaction. The Group also documents its assessment, both at the inception and on an ongoing basis, of whether the derivatives or non-derivative hedging instruments used in hedging transactions are effective in offsetting changes in cash flows of hedged items or foreign exchange risk in net investments in foreign operations.

The Group assesses the effectiveness of hedges on an ongoing basis, and determines that a hedge is effective when the requirement that there is an economic relationship between the hedged item and the hedging instrument, the requirement that the effect of credit risk does not significantly dominate the value changes that result from the economic relationship, and the requirement that the hedge ratio of the hedging relationship is the same as the ratio resulting from the quantities of the hedged item actually hedged and the hedging instrument actually used are all satisfied.

The effective portion of changes in fair value of derivatives that are designated as a hedging instrument of cash flow hedges and satisfy the requirements as the hedging instrument is recognized in other comprehensive income. Gains or losses on the ineffective portion are immediately recognized in profit or loss.

Accumulated gains or losses recognized through other comprehensive income are transferred to profit or loss in the period during which cash flows arising from the hedged item affect profit or loss. However, when a forecast transaction as the hedged item results in the recognition of non-financial assets (e.g. inventories or property, plant and equipment), gains or losses previously deferred in other comprehensive income are transferred and included in the initial acquisition cost of the asset. The deferred amount is eventually recognized as cost of sales for inventories, and as depreciation expense for property, plant and equipment.

Application of hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting due to expiry, sale of the hedging instrument and other reasons. When the hedged future cash flows are still expected to occur, accumulated gains or losses recognized in other comprehensive income remain as accumulated other comprehensive income. When a forecast transaction is no longer expected to occur and in other cases, accumulated gains or losses recognized in other comprehensive income are immediately transferred to profit or loss.

With regard to derivatives or non-derivative hedging instruments, including borrowings, held for hedging foreign exchange risk in net investments in foreign operations, the portion of foreign exchange differences deemed effective as a hedge is recognized in other comprehensive income as hedging of net investments in foreign operations. Of exchange differences for derivatives or non-derivative hedging instruments, the portion deemed ineffective as a hedge and not subject to the assessment of hedging effectiveness are recognized in profit or loss.

Accumulated gains or losses recognized in other comprehensive income through net investment hedges are transferred to profit or loss upon disposal of foreign operations.

(10) Cash and Cash Equivalents

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

(11) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is calculated mainly using the weighted-average method for merchandise, finished goods and semi-finished goods, and mainly using the moving-average method for raw materials and supplies.

The cost of merchandise, finished goods and semi-finished goods consists of raw material costs, direct labor costs, other direct costs and related production overhead costs (based on the normal production capacity). Net realizable value is determined at the estimated selling price in the ordinary course of business less the relevant estimated selling expenses.

(12) Assets or Disposal Groups Held for Sale

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

(13) Employee Benefits

(i) Post-employment Benefits

The Group companies have various plans. The Group has adopted defined benefit plans, and certain consolidated subsidiaries have established a retirement benefit trust. In addition to these plans, certain consolidated subsidiaries have introduced defined contribution plans and retirement benefit prepayment plans.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined contribution plans are post-employment benefit plans in which the employer pays fixed contributions to other separate entities and has no legal or constructive obligations to make further contributions.

In defined benefit plans, the present value of defined benefit obligations is calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for their service rendered in the prior fiscal years and the current fiscal year and discounting that amount. The Group recognizes the amount calculated by deducting fair value of plan assets from the present value of defined benefit obligations as net defined benefit liability (asset). Defined benefit obligations are calculated using the projected unit credit method. The discount rates are determined based on market yields of high quality corporate bonds at the end of the fiscal year that correspond to the discount period, which is set on the basis of a period up to the estimated date of benefit payment for each future year. Contributions to the plans are determined based on periodic actuarial calculation and are usually paid to the funds managed by insurance companies and trust companies.

In case that the Group has a surplus in the defined benefit plans as a result of calculation, the net defined benefit asset is measured to the extent of the present value of economic benefits available in the form of a future refund from the plan or a reduction in future contributions to the plan. In calculating the present value of economic benefits, the Group takes into account minimum funding requirements applicable to its plan. Economic benefits shall be available to the Group, if the economic benefits can be realized during the life of the plan or at the time when the pension liabilities are settled.

The Group recognizes remeasurements of the net defined benefit liability (asset) arising from the defined benefit plans in other comprehensive income and immediately reclassifies them to retained earnings.

Contributions to the defined contribution plan are recognized as employee benefits expense in profit or loss in the period during which employees render their service.

(ii) Short-term Employee Benefits

Short-term employee benefits are measured on an undiscounted basis and recognized as expenses when the related service is rendered. Bonuses are recognized as a liability at the amount estimated to be paid under the plans, when the Group has present legal or constructive obligations to pay as a result of past service rendered by employees, and the amount of obligations can be reliably estimated.

(14) Share-based payment

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

The fair value of the share-based payment plan accounted for cash-settled share-based payments recognize an expense over the vesting period and recognize the same amount as an increase of liability.

The liability is remeasured at the reporting date and also at the settlement date, and then the movement in the fair value is recognized in profit or loss.

(15) Provisions

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

Where there are a number of similar obligations, the probability that an outflow of resources will be required in settlement is determined taking into account the similar obligations as a whole. Provisions are recognized even if the likelihood of the outflow is low for one item in the similar obligations.

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

(16) Equity

Ordinary shares are classified as equity.

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

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

(17) Revenue

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (hereinafter collectively referred to as "IFRS 15") effective from this fiscal year.

The Group recognizes revenue based on the following five step approach in accordance with IFRS 15.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

For sales of goods, as the customer obtains control over the goods upon delivery, the performance obligation is determined to have been satisfied and revenue is therefore recognized upon delivery of the goods. Revenue is measured using the net amount after eliminating goods returned, rebates and discounts.

Because the period from satisfaction of the performance obligation to receipt of consideration is usually within one year or less, the Group uses the practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component for such receivables.

The Group's view is that acting as a principal if it controls promised goods before transferring them to a customer and recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods to be transferred.

(18) Government Grants

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

(19) Dividends

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

(20) Income Tax

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

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

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

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

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

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

(21) Accounting for consumption tax

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

6. Significant Accounting Estimates and Judgments

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

- Impairment of non-financial assets (Notes 12, 13)
- Fair value of financial instruments (Note 32)
- Employee benefits (Note 19)

7. Segment Information

(1) General Information

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

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

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

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

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

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

Previous year (ended December 31, 2017)

	Millions of yen							
	Alcohol Beverages	Soft Drinks	Food	Overseas	Other*	Segment Total	Adjustments	Consolidated
Revenue:								
External customers	926,144	366,012	112,184	634,398	46,137	2,084,877	—	2,084,877
Intersegment	32,235	8,505	1,601	2,584	60,003	104,929	(104,929)	—
Total revenue	958,380	374,517	113,785	636,982	106,141	2,189,806	(104,929)	2,084,877
Segment profit (loss)	112,901	44,407	10,893	35,544	1,979	205,726	(22,533)	183,192
Segment assets	725,312	284,048	91,145	2,186,069	26,024	3,312,600	34,222	3,346,822
Other items								
Depreciation and amortization expenses	27,333	22,295	3,368	44,863	599	98,460	3,353	101,813
Impairment losses	915	—	43	9,149	20	10,128	—	10,128
Share of profit (loss) of entities accounted for using equity method	46	—	—	992	—	1,038	16	1,055
Investments accounted for using equity method	681	—	—	3,391	—	4,073	773	4,846
Additions to non-current assets other than financial instruments and deferred tax assets	32,384	29,634	4,807	42,212	552	109,591	2,188	111,779

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

Adjustments to the segment profit or (loss) of ¥(22,533) million include overhead costs of ¥(22,405) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥(128) 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 ¥34,222 million include the corporate assets of ¥62,015 million, which are not allocated to the reportable segments, and elimination of ¥(27,793) 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, 2018)

Millions of yen

	Alcohol Beverages	Soft Drinks	Food	Overseas	Other*	Segment Total	Adjustments	Consolidated
Revenue:								
External customers	886,740	360,290	114,652	710,384	48,223	2,120,291	—	2,120,291
Intersegment	32,670	8,463	1,321	2,876	61,243	106,575	(106,575)	—
Total revenue	919,410	368,754	115,973	713,261	109,467	2,226,867	(106,575)	2,120,291
Segment profit (loss)	107,359	34,520	11,762	76,347	2,315	232,305	(20,533)	211,772
Segment assets	710,535	292,005	91,270	1,918,545	25,930	3,038,287	41,028	3,079,315
Other items								
Depreciation and amortization expenses	25,807	20,713	3,512	54,781	624	105,439	3,766	109,206
Impairment losses	22	—	272	—	—	294	—	294
Share of profit (loss) of entities accounted for using equity method	38	—	0	772	—	812	74	887
Investments accounted for using equity method	692	—	417	6,758	—	7,868	799	8,668
Additions to non-current assets other than financial instruments and deferred tax assets	32,079	19,201	3,727	41,903	657	97,570	2,757	100,327

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

Adjustments to the segment profit or (loss) of ¥(20,533) million include overhead costs of ¥(20,668) million which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥134 million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company. The price in intersegment transactions is in accordance with the transaction price with external customers.

Adjustments to the segment assets of ¥41,028 million include the corporate assets of ¥71,185 million, which are not allocated to the reportable segments, and elimination of ¥(30,157) million to offset intersegment receivables and payables. The corporate assets are primarily assets held by the Company, which is a pure holding company.

(Note for changes in reporting segments)

Some of the companies changed the reporting segments from the Alcohol Beverages segment to the Overseas segment in the current year, and accordingly the amount shown in segment information for the previous year reflected this changes in reporting segments.

(2) Information about Products and Services

Please refer to (1) General Information.

(3) Information about Geographical Areas

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

Revenue from External Customers

Millions of yen

	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Japan	1,442,901	1,401,104
Overseas	641,975	719,187
Total	2,084,877	2,120,291

Non-current Assets

Millions of yen

	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Japan	526,060	519,902
Overseas	1,746,902	1,616,051
Among above, Czech Republic and Slovakia (Note)	415,249	680,555
Total	2,272,962	2,135,953

(Note) The provisional accounting treatment from business combinations of Central and Eastern European business was completed in the current year, and accordingly the amount shown for the previous year has been adjusted to reflect revisions to the initial accounting treatment owing to the completion. Goodwill arising from the acquisition is allocated to each country in the current year, whose allocation to each country was not completed in the previous year.

(4) Information about Major Customers

Millions of yen

Name of customer	Segment	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Kokubu Group Corp.	Alcohol Beverages		
	Soft Drinks		
	Food	201,255	176,945
ITOCHU-SHOKUJIN Co., Ltd.	Alcohol Beverages		
	Soft Drinks		
	Food	218,766	213,425

8. Cash and Cash Equivalents

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

Cash and cash equivalents are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Cash and cash equivalents	58,054	57,317
Total	58,054	57,317

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

9. Trade and Other Receivables

Trade and other receivables are analyzed as follows:

Millions of yen

	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Notes and accounts receivable-trade	421,198	413,032
Others	15,323	17,051
Less: Loss allowance	(3,084)	(2,803)
Total	433,436	427,279

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

10. Inventories

Inventories are analyzed as follows:

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Merchandise and finished goods	71,703	74,979
Semi-finished goods and work in progress	37,685	39,530
Raw materials	36,359	36,990
Supplies	10,189	8,819
Total	155,938	160,319

Whisky and equivalents which are to be sold after 12 months from the year end account for 68.7% (Previous year: 64.8%) of semi-finished goods and work in progress.

The Group recognized ¥1,200,857 million of inventories as an expense in the current year (Previous year: ¥1,163,707 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 ¥486,749 million (Previous year: ¥490,128 million).

11. Disposal Groups Held for Sale

Disposal groups held for sale are analyzed as follows:

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Cash and cash equivalents	288	—
Inventories	1,520	—
Plant, property and equipment	9,332	—
Goodwill and intangible assets	2,928	—
Investments accounted for using equity method	98,880	—
Others	5,693	—
Total assets	118,641	—
Trade and other payables	3,487	—
Bonds and borrowings	12,733	—
Others	1,745	—
Total liabilities	17,965	—
Translation differences on foreign operations	(3,440)	—

The disposal groups held for sale in the previous year are composed of assets and liabilities held by 3 subsidiaries (PT Asahi Indofood Beverage Makmur, PT Prima Cahaya Indobeverages and PT Tirta Sukses Perkasa) and of 2 interests in associates (Tsingtao Brewery Company Limited and PT Indofood Asahi Sukses Beverage) belonging to the Overseas segment. The Group pursues to select and focus its core business, and has determined to sell the shares in those 5 companies. Furthermore, the sale of those 5 companies' shares was completed on March 2018.

Of the disposal groups held for sale, the fair value of the disposal groups whose fair value less costs to sell was lower than the carrying amount was ¥1,840 million, and the Group recognized impairment losses of ¥2,957 million in the year ended December 31, 2017.

12. Property, Plant and Equipment

Property, plant and equipment is analyzed as follows:

Carrying Amount

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Previous year (as of January 1, 2017)	168,939	162,593	92,567	128,440	18,229	0	570,771
Separate acquisitions	8,004	21,872	21,966	601	36,122	—	88,567
Acquisitions through business combinations	36,258	43,605	29,566	11,651	4,292	—	125,376
Disposals	(2,425)	(1,773)	(9,390)	(345)	(53)	—	(13,988)
Decrease resulting from exclusion from consolidation	(1,169)	(1,482)	(34)	(1,516)	(27)	—	(4,230)
Exchange differences	9,508	10,136	11,613	2,653	1,081	—	34,993
Transfers from construction in progress	4,836	24,661	3,606	—	(33,249)	145	—
Impairment losses (Note)	(15)	(43)	(28)	—	—	—	(86)
Depreciation expenses	(16,275)	(30,312)	(26,008)	—	—	(12)	(72,609)
Transfers to assets held for sale	(4,117)	(4,375)	(123)	(2,100)	(808)	—	(11,524)
Other	3,861	(2,121)	667	(1,516)	(107)	(133)	646
Previous year (as of December 31, 2017)	207,404	222,762	124,402	137,864	25,479	0	717,914
Separate acquisitions	5,887	17,943	23,332	62	33,049	—	80,273
Acquisitions through business combinations	—	—	—	—	—	—	—
Disposals	(1,435)	(1,696)	(2,339)	(550)	(84)	—	(6,107)
Decrease resulting from exclusion from consolidation	(1,390)	(3,013)	(224)	—	(21)	—	(4,649)
Exchange differences	(5,498)	(9,327)	(4,431)	(2,728)	(3,244)	—	(25,229)
Transfers from construction in progress	11,270	12,705	3,999	—	(27,976)	—	—
Impairment losses (Note)	(229)	(63)	(1)	—	—	—	(294)
Depreciation expenses	(15,566)	(30,312)	(27,861)	—	—	0	(73,739)
Transfers to assets held for sale	—	—	—	—	—	—	—
Other	350	(3,256)	4,163	748	(186)	(1)	1,817
Current year (as of December 31, 2018)	200,792	205,740	121,038	135,395	27,016	0	689,985

(Note) Please refer to "13. Goodwill and Intangible Assets" regarding recognition of impairment losses and other.

Cost

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Previous year (as of January 1, 2017)	451,069	587,882	210,410	132,857	18,229	84	1,400,534
Previous year (as of December 31, 2017)	498,511	664,359	249,201	142,239	25,479	1	1,579,792
Current year (as of December 31, 2018)	497,798	643,311	258,535	139,504	27,016	1	1,566,167

Accumulated Depreciation and Accumulated Impairment losses

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Previous year (as of January 1, 2017)	282,129	425,289	117,843	4,416	—	83	829,763
Previous year (as of December 31, 2017)	291,106	441,596	124,798	4,375	—	0	861,878
Current year (as of December 31, 2018)	297,005	437,570	137,496	4,109	—	0	876,182

The above includes leased assets as follows:

Carrying Amount

	Millions of yen				
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
Previous year (as of January 1, 2017)	578	56	24,074	—	24,708
Previous year (as of December 31, 2017)	572	1,343	20,495	—	22,411
Current year (as of December 31, 2018)	848	1,134	17,529	—	19,511

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

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

13. Goodwill and Intangible Assets

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

Goodwill and intangible assets are analyzed as follows:

Carrying Amount

	Millions of yen				
	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2017)	247,322	219,553	15,596	17,016	499,489
Separate acquisitions	—	2,057	7,276	4,159	13,493
Acquisitions through business combinations	427,995	476,651	6,659	1,354	912,660
Disposals	—	(0)	(1,082)	(196)	(1,280)
Decrease resulting from exclusion of consolidation	—	—	—	(54)	(54)
Exchange differences	66,637	86,906	1,628	(812)	154,359
Impairment losses	(4,007)	(581)	(0)	(2,494)	(7,083)
Amortization expenses	—	(18,343)	(6,235)	(4,625)	(29,204)
Transfers to assets held for sale	—	—	—	(3,694)	(3,694)
Other	—	941	8	(956)	(6)
Previous year (as of December 31, 2017)	737,947	767,184	23,850	9,696	1,538,679
Separate acquisitions	—	—	5,616	4,644	10,260
Acquisitions through business combinations	—	—	—	—	—
Disposals	—	(0)	(150)	(910)	(1,061)
Decrease resulting from exclusion of consolidation	—	—	—	(7)	(7)
Exchange differences	(32,859)	(48,775)	(2,296)	8	(83,923)
Impairment losses	—	—	—	—	—
Amortization expenses	—	(22,018)	(9,342)	(4,106)	35,466)
Transfers to assets held for sale	—	—	—	—	—
Other	—	(117)	262	(81)	63
Current year (as of December 31, 2018)	705,087	696,273	17,938	9,244	1,428,543

Cost

	Millions of yen				
	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2017)	299,838	251,636	66,051	35,790	653,317
Previous year (as of December 31, 2017)	794,471	821,417	75,625	33,245	1,724,760
Current year (as of December 31, 2018)	761,611	766,094	89,238	25,693	1,642,638

Accumulated Amortization and Accumulated Impairment losses

	Millions of yen				
	Goodwill	Trademarks	Software	Other	Total
Previous year (as of January 1, 2017)	52,516	32,083	50,455	18,773	153,828
Previous year (as of December 31, 2017)	56,523	54,233	51,774	23,548	186,081
Current year (as of December 31, 2018)	56,523	69,821	71,299	16,449	214,094

The above includes leased assets as follows:

Carrying Amount

	Millions of yen		
	Software	Other	Total
Previous year (as of January 1, 2017)	241	—	241
Previous year (as of December 31, 2017)	170	0	170
Current year (as of December 31, 2018)	166	—	166

There are no significant internally generated intangible assets as of the end of the previous year and that of the current year, respectively.

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

Intangible assets with indefinite useful lives are included in the above, and the carrying amounts are ¥2,099 million as of December 31, 2018 (¥5,320 million as of December 31, 2017). They primarily consist of trademarks and land leasehold right. They basically last as long as the business continues, and thereby their useful lives are considered as indefinite.

Significant intangible assets recognized in the consolidated statement of financial position are mainly trademarks derived from the acquisition of Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s. and Kompania Piwowarska S.A. in the previous year and from the acquisition of Birra Peroni S.r.l. in the year ended December 31, 2016. The carrying amount of trademarks recognized due to the acquisition of Plzeňský Prazdroj, a.s. and Plzeňský Prazdroj Slovensko, a.s. are ¥280,407 million (¥308,398 million as of December 31, 2017). The carrying amount of trademarks recognized due to the acquisition of Kompania Piwowarska S.A. is ¥84,833 million (¥95,173 million as of December 31, 2017).

As described in “37. Business Combination,” the provisional accounting treatment of business combinations was completed in the current year (ended December 31, 2018), and with respect to the carrying amount of recognized trademarks, the completion of the provisional accounting treatment has been reflected to the previous year (ended December 31, 2017).

The carrying amount of trademarks recognized due to the acquisition of Birra Peroni S.r.l. in the year ended December 31, 2016 is ¥64,734 million (¥70,602 million as of December 31, 2017).

The above mentioned trademarks are amortized using the straight-line method, the remaining amortization periods of the trademarks related to Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s., Kompania Piwowarska S.A. and Birra Peroni S.r.l. are 38 years.

(2) Impairment

Previous year (ended December 31, 2017)

Segment	Cash-generating unit	Millions of yen	
		Impairment loss amount (Note)	Type of assets
Overseas	Malaysia soft drink business	5,686	Goodwill, Other Intangible assets and others

Due to the reclassification on management unit within the Malaysia soft drink business and Malaysia dairy business, cash-generating unit has been integrated as Malaysia soft drink business in the year ended December 31, 2017.

With regard to impairment losses of the Malaysia soft drink business, the carrying amount of the relevant assets has been reduced to the recoverable amount (¥20,730 million) due to a decline in the future cash flows.

The recoverable amount is measured at value in use. The value in use is calculated as discounted future cash flows to reflect past experience and external information. Future cash flows are estimated based on business plans which have been approved by the management and the growth rates. Growth rates have been determined with reference to factors such as inflation rates in the markets to which cash-generating unit belongs. Discount rates are determined with reference to the pre-tax weighted average cost of capital of cash-generating unit. The discount rate of Malaysia soft drink business used in the calculation of value in use is 15.2%.

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

Current year (ended December 31, 2018)

Omitted due to lack of materiality.

Impairment test for goodwill and intangible assets with indefinite useful lives

As of December 31, 2018, significant items among goodwill and intangible assets with indefinite useful lives allocated to each cash-generating units are as below.

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

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

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 2.0% and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating unit belongs.

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

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

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

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 2.1% and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating unit belongs.

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

Goodwill allocated to the Western Europe (Italy) business in the overseas segment is ¥50,151 million as of December 2018 (¥53,301 million as of December 31, 2017).

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 8.9% (7.9% as of December 31, 2017). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit.

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 1.2% (1.3% as of December 31, 2017) and it has been determined with reference to factors such as inflation rates in the markets to which cash-generating units belong.

The recoverable amount exceeds the carrying amount by ¥6,505 million as of December 31, 2018 (¥22,587 million as of December 31, 2017), however if the discount rate were to increase by 0.4% (1.0% as of December 31, 2017), the carrying amount would exceed the recoverable amount.

The total carrying amount of insignificant items among goodwill and intangible assets with indefinite useful lives allocated to each cash-generating unit is ¥334,010 million as of December 31, 2018 (¥684,646 million as of December 31, 2017) and ¥2,099 million as of December 31, 2018 (¥5,320 million as of December 31, 2017), respectively.

As provisional accounting treatment, the carrying amount of goodwill derived from acquisition of the Central and Eastern European business was not allocated to each cash-generating unit in the previous year.

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

(3) Research and Development Expenses

Research and development expenses recognized on the consolidated statement of profit or loss in the previous year (ended December 31, 2017) and the current year (ended December 31, 2018) are as follows:

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
	11,665	12,365

14. Other Financial Assets

Other financial assets are analyzed as follows:

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Derivative assets	5,468	1,844
Equity instruments	205,415	174,940
Bonds	0	0
Other	15,155	14,773
Total	226,039	191,558
Current assets	6,896	7,025
Non-current assets	219,142	184,533
Total	226,039	191,558

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

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

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

Previous Year (as of December 31, 2017)

	Millions of yen
Description	Fair value
Ting Hsin (Cayman Islands) Holding Corp.	39,064
SPC Kappa Co., LTD	12,724
DAIICHIKOSHO CO., LTD.	11,914
OHSO FOOD SERVICE CORP.	11,069
ORION BREWERIES, LTD.	7,650
IMPERIAL HOTEL, LTD.	7,463
COLOWIDE CO.,LTD	7,072
The Dai-ichi Life Insurance Company, Limited	6,972
SKYLARK CO.,LTD	5,476
CHIMNEY CO., LTD.	5,023
Others	90,983
Total	205,415

Current Year (as of December 31, 2018)

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

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Dividends received	2,122	2,194

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, 2017)			Current year (ended December 31, 2018)		
	Fair value	Cumulative gain or loss	Dividends received	Fair value	Cumulative gain or loss	Dividend received
	11,871	5,098	119	10,695	3,743	95

Cumulative gain or loss previously recognized in other components of equity is reclassified to retained earnings in case that fair value of these financial assets is significantly declined or disposed. Such amount was ¥(2,505) million in the current year (¥(3,578) million in the previous year ended December 31, 2017).

15. Other Assets

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

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Prepaid expenses	22,632	19,760
Other	20,839	22,989
Total	43,472	42,749
Current assets	27,104	25,324
Non-current assets	16,368	17,424
Total	43,472	42,749

16. Trade and Other Payables

Trade and other payables are analyzed as follows:

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Notes and accounts payable	206,342	193,531
Other payables and accrued expenses	227,239	154,285
Refund Liabilities	—	69,025
Total	433,582	416,842

“Notes and accounts payable”, “Other payables” and “accrued expenses” are classified as financial liabilities measured at amortized cost.

Concerning refund liabilities, among consideration received from customers, costs of returned goods, rebates and discounts expected to be paid to customers and other are recognized as refund liabilities. Estimates of such refund liabilities are based on historical records and data currently available as of the end of the fiscal period.

17. Bonds and Borrowings (including Other Financial Liabilities)

(1) Financial Liabilities

“Bonds and borrowings” and “Other financial liabilities” are analyzed as follows:

	Millions of yen			
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)	Average interest rate* (%)	Maturity date
Derivative liabilities	2,137	10,604	—	—
Short-term borrowings	98,208	72,806	0.75	up to Dec. 21, 2019
Current portion of long-term borrowings	98,530	94,848	0.33	up to Dec. 28, 2019
Current portion of bonds	19,984	34,965	0.32	up to Jul. 12, 2019
Commercial paper	143,000	60,000	(0.00)	up to Jan. 31, 2019
Long-term borrowings	382,242	288,837	0.40	up to Nov. 29, 2024
Bonds	519,961	475,931	0.36	up to Jun. 11, 2027
Other	80,084	111,201	—	—
Total	1,344,148	1,149,192	—	—
Current liabilities	388,946	324,647	—	—
Non-current liabilities	955,201	824,544	—	—
Total	1,344,148	1,149,192	—	—

(Note) “Average interest rate” is the weighted average interest rate to the aggregate balance at the end of fiscal period. Borrowings with floating interest rate among the bonds and borrowings stated above amounted to ¥59,244 million (¥70,205 million as of December 31, 2017).

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

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

The table above does not include the carrying amount of financial liabilities included in “Liabilities directly related to assets held for sale.” Please refer to “11. Disposal Groups Held for Sale” regarding the carrying amount of financial liabilities.

(2) Bonds

Millions of yen					
Issuer	Type	Issue date	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)	Maturity date (Interest rate)
the Company	the 2nd Issue of Unsecured Corporate Bond	October 21, 2011	19,984 (19,984)	—	October 19, 2018 (0.76%)
the Company	the 4th Issue of Unsecured Corporate Bond	July 13, 2012	9,982 (—)	9,991 (9,991)	July 12, 2019 (0.55%)
the Company	the 5th Issue of Unsecured Corporate Bond	July 15, 2014	24,949 (—)	24,974 (24,974)	July 12, 2019 (0.23%)
the Company	the 6th Issue of Unsecured Corporate Bond	July 15, 2014	9,964 (—)	9,973 (—)	July 15, 2021 (0.37%)
the Company	the 7th Issue of Unsecured Corporate Bond	May 28, 2015	24,924 (—)	24,949 (—)	May 28, 2020 (0.24%)
the Company	the 8th Issue of Unsecured Corporate Bond	May 28, 2015	9,957 (—)	9,965 (—)	May 27, 2022 (0.35%)
the Company	the 9th Issue of Unsecured Corporate Bond	Jun 13, 2017	99,712 (—)	99,827 (—)	Jun 12, 2020 (0.08%)
the Company	the 10th Issue of Unsecured Corporate Bond	Jun 13, 2017	129,554 (—)	129,653 (—)	Jun 13, 2022 (0.17%)
the Company	the 11th Issue of Unsecured Corporate Bond	Jun 13, 2017	19,907 (—)	19,921 (—)	Jun 13, 2024 (0.23%)
the Company	the 12th Issue of Unsecured Corporate Bond	Jun 13, 2017	29,851 (—)	29,866 (—)	Jun 11, 2027 (0.33%)
the Company	Euro denominated straight corporate bonds due 2021	Sep 19, 2017	80,623 (—)	75,949 (—)	Sep 19, 2021 (0.32%)
the Company	Euro denominated straight corporate bonds due 2025	Sep 19, 2017	80,534 (—)	75,824 (—)	Sep 19, 2025 (1.15%)
Total	—	—	539,945 (19,984)	510,896 (34,965)	

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

(3) Secured liabilities and assets pledged as collateral

The carrying amounts of secured liabilities and assets pledged as collateral are as follows:

Millions of yen		
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Secured liabilities		
Short-term borrowings	1,460	1,880
Current portion of long-term borrowings	1,781	596
Long-term borrowings	967	348
Other current liabilities	—	432
Total	4,209	3,257
Assets pledged as collateral		
Buildings and structures	1,410	1,456
Machinery and vehicles	2,354	682
Land	133	122
Cash and cash equivalents	138	345
Total	4,037	2,606

18. Leases

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

(1) Finance Leases

Finance lease obligations are analyzed as follows:

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Within 1 year		
Minimum lease payments payable	8,612	7,507
Future finance charge	(378)	(336)
Minimum lease payments payable, at present value	8,233	7,171
Between 1 and 5 years		
Minimum lease payments payable	15,204	12,809
Future finance charge	(648)	(530)
Minimum lease payments payable, at present value	14,555	12,278
More than 5 years		
Minimum lease payments payable	211	220
Future finance charge	(10)	(10)
Minimum lease payments payable, at present value	201	210
Total		
Minimum lease payments payable	24,028	20,538
Future finance charge	(1,037)	(877)
Minimum lease payments payable, at present value	22,990	19,660

(2) Operating Leases

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

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Within 1 year	6,931	6,842
Between 1 and 5 years	15,932	15,946
More than 5 years	2,663	14,130
Total	25,527	36,919

Operating lease expenses recognized during the previous year and the current year are ¥29,185 million and ¥30,919 million, respectively.

19. Employee Benefits

(1) Overview of Defined Benefit Plans

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

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

(2) Defined Benefit Plans

(i) Reconciliation

Present value of defined benefit obligation is analyzed as follows:

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Balance at beginning of period	159,909	165,650
Current service cost	6,482	5,866
Interest expense	1,832	997
Remeasurements		
Actuarial gains and losses (Note)	(880)	(461)
Past service cost	455	9
Benefits paid	(6,412)	(4,596)
Decrease on changes of pension plans	—	(44,545)
Other	4,263	(277)
Balance at end of period	165,650	122,644

(Note) Actuarial gains and losses are mainly due to changes in financial assumptions.

Fair value of plan assets is analyzed as follows:

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Balance at beginning of per	159,259	174,845
Interest income	1,578	710
Remeasurements		
Gains on plan asset	8,290	(6,830)
Contribution to plan by employer	6,236	4,253
Contribution to plan by employees	241	—
Benefits paid	(5,585)	(3,716)
Decrease on changes of pension plans	—	(52,662)
Other	4,825	(191)
Balance at end of period	174,845	116,409

(ii) Asset ceiling

Asset ceiling is analyzed as follows:

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Balance at beginning of period	6,197	8,628
Changes in the asset ceiling	2,430	—
Decrease on changes of pension plans	—	(8,628)
Balance at end of period	8,628	—

(iii) Details of Plan Assets

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

Previous Year (as of December 31, 2017)

	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	—	1,319	1,319
Equity instruments	37,790	29,503	67,293
Domestic	31,099	5,664	36,764
Overseas	6,690	23,838	30,529
Debt instruments	16,269	43,273	59,542
Domestic	1,014	3,759	4,774
Overseas	15,254	39,513	54,768
Life insurance - General accounts	—	28,057	28,057
Other	7,417	11,214	18,632
Total	61,477	113,368	174,845

Current Year (as of December 31, 2018)

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

(iv) Significant Actuarial Assumptions

Significant actuarial assumptions are analyzed as follows:

	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Discount rate	1.05%	0.61%

A rise by 0.5% in the discount rate will lead to a decrease of defined benefit obligation by ¥7,159 million at the end of the current year (a decrease of ¥10,408 million at the year end of the previous year). This analysis is based on the assumption that only the discount rate is variable, and no other factors are considered to be variable. Thus actual results may differ as it could be influenced by fluctuations in other variables.

(v) Influence in the Future

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

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

In case that funding is below the minimum funding requirement, additional contribution is required to keep the balance at a certain level. The contribution by the Group is expected to be ¥5,030 million for the year from January 1, 2019 to December 31, 2019. The weighted average duration of the defined benefit obligations is 14.90 years (previous year: 16.49 years).

(3) Other Post-retirement Benefit Plans

Pension cost for the defined contribution plans is ¥3,523 million (previous year: ¥2,312 million).

(4) Employee Benefits Expense

Employee benefits expense recognized in the consolidated statement of profit or loss are ¥225,648 million (previous year: ¥220,663 million).

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

20. Provisions

Provisions are analyzed as follows:

Provisions classified as non-current liabilities are included in "Other non-current liabilities" in the consolidated statement of financial position.

Previous year (ended December 31, 2017)

	Millions of yen				
	Environmental measures	Litigation related	Tax related	Other	Total
Balance as of January 1, 2017	—	1,539	51	3,682	5,272
Increase	212	1,133	1,647	5,864	8,856
Increase owing to business combinations	2,351	1,023	4,223	805	8,402
Utilization	—	(54)	(24)	(1,507)	(1,585)
Reversal	(896)	(19)	(432)	(1,449)	(2,796)
Other	(38)	(103)	(367)	(455)	(963)
Balance as of December 31, 2017	1,629	3,518	5,097	6,940	17,184

Current year (ended December 31, 2018)

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

Environmental Measures

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

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

Litigation Related

These are mainly provisions to prepare for payments of litigation related expenses that may arise, and are reported based on the amount reasonably estimated as necessary at the end of each year.

The timing of the outflow of economic benefits will be affected by future developments in litigation.

Tax Related

These are mainly provisions to prepare for payments such as interest tax and penalties arising from income tax exposure.

The timing of the outflow of economic benefits will be affected by the judgments of each tax authority.

Other

Other includes provisions mainly related to business integration.

21. Other Liabilities

“Other current liabilities” and “Other non-current liabilities” are analyzed as follows;

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Accrued alcohol tax	115,788	111,198
Accrued consumption tax	19,174	19,003
Accrued bonus	4,755	4,799
Other	9,083	8,555
Total	148,802	143,557
Other current liabilities	144,355	140,821
Other non-current liabilities	4,446	2,736
Total	148,802	143,557

22. Equity and Other Equity Interest

(1) Issued Capital and Reserves

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

	Shares authorized (in thousands of shares)	Shares Issued (in thousands of shares)
Previous year (as of January 1 2017)	972,305	483,585
Increase (Decrease)	—	—
Previous year (as of December 31, 2017)	972,305	483,585
Increase (Decrease)	—	—
Current year (as of December 31, 2018)	972,305	483,585

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

Reserves are analyzed as follows:

(i) Share premium

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

(ii) Retained earnings

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

(2) Treasury shares

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

	in thousands of shares	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
	Number of shares	Number of shares
Held by the Company	25,461	25,467
Held by subsidiaries and associates	9	48

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

23. Dividends

Previous Year (ended December 31, 2017)

(1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 28, 2017	Ordinary shares	12,827	28.00	Dec 31, 2016	Mar 29, 2017
Board of Directors held on August 3, 2017	Ordinary shares	13,743	30.00	Jun 30, 2017	Sep 1, 2017

(2) Dividends that will be Effective in the Following Year of the Record Date

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 27, 2018	Ordinary shares	Retained earnings	20,615	45.00	Dec 31, 2017	Mar 28, 2018

Current Year (ended December 31, 2018)

(1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 27, 2018	Ordinary shares	20,615	45.00	Dec 31, 2017	Mar 28, 2018
Board of Directors held on August 2, 2018	Ordinary shares	20,615	45.00	Jun 30, 2018	Sep 3, 2018

Total amount of dividends by a resolution of Board of Directors held on August 2, 2018 include dividends of ¥1 million for shares of the Company held by Japan Trustee Services Bank, Ltd. as the trust assets of a performance-linked stock compensation plan.

(2) Dividends that will be Effective in the Following Year of the Record Date

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 26, 2019	Ordinary shares	Retained earnings	24,738	54.00	Dec 31, 2018	Mar 27, 2019

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

24. Share-based Payments

The Company has implemented Performance-Linked Stock Compensation Plan.

(1) Details of Performance-Linked Share Compensation Plan

In order to increase motivation to work toward sustainable growth and increase corporate value over the mid- to long-term of the Group, the Company introduced a 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 on their retirement in exchange for the cumulative number of share points granted to them. Shares are distributed or payments are made in cash as compensation under the Plan, therefore there is no exercise price under the Plan.

The number of points to be granted is calculated based on the Share Distribution Regulations. The regulation stipulates 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 an approval of 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 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 they complete the beneficiary determination procedures as prescribed on their retirement. However, a certain proportion of such shares will be sold and converted into cash by the Trust, and will be distributed in cash instead of the shares to directors. Also, the Trust is allowed to make a distribution in cash instead of shares when shares of the Company held by the Trust are sold for a tender offer or any other reasons.

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 ¥49 million (previous year: ¥48 million) as share-based payment expense in selling, general and administrative expenses in the current year, and recognized in capital surplus. The Company recognized ¥12 million (previous year: ¥12 million) as cash-based payment expense in selling, general and administrative expenses in the current year, and ¥34 million (previous year: ¥24 million) were recognized in other non-current liabilities, respectively.

(2) Change in Number of Share Points and Weighted Average Fair Value of the Share Points

The number of share points and the weighted average fair value of the share points for each year are as follows. Due to the fact that the fair value on the date that the share points are granted is approximately the same as the stock price on the date that the share points are granted, the share price on the date that the share points are granted has been used.

In the year ended December 31, 2017, approximate number of share points were granted as the Trust had not been established. Therefore, information about the number of share points and the weighted average fair value of the share points have been omitted. The number of share points have been finalized with the establishment of the Trust in the year ended December 31, 2018.

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Change in number of share points:		
Unexercised balance at beginning of year	11,008 Points	26,322 Points
Increase due to grant of share points	15,314 Points	12,465 Points
Decrease due to exercise of share points	—	—
Decrease due to lapse of share points	—	—
Unexercised balance at end of year	26,322 Points	38,787 Points
Exercisable balance at end of year	26,322 Points	38,787 Points
Weighted average fair value:	¥5,590	¥4,269

25. Revenue

(1) Revenue Analysis and Relation to Segment Revenue

Current Year (ended December 31, 2018)

Millions of yen						
	Manufacture and sales of alcohol beverages	Manufacture and sales of soft drinks	Manufacture and sales of food and pharmaceuticals	Other	Elimination of intersegment revenue	Total
Alcohol Beverages	870,778	22,331	—	26,300	(32,670)	886,740
Soft Drinks	4,832	363,921	—	—	(8,463)	360,290
Food	—	—	115,973	—	(1,321)	114,652
Overseas Europe	460,743	—	—	—	—	460,743
Oceania	84,393	90,325	—	—	—	174,719
Overseas Other	26,133	51,663	—	—	(2,876)	74,920
	571,271	141,989	—	—	(2,876)	710,384
Other	—	—	—	109,467	(61,243)	48,223
Consolidated	1,446,883	528,242	115,973	135,768	(106,575)	2,120,291

The Group has broken down the reportable segments of “Alcohol Beverages,” “Soft Drinks,” “Food,” and “Overseas,” into the categories of “Manufacture and sales of alcohol beverages,” “Manufacture and sales of soft drinks,” “Manufacture and sales of food and pharmaceuticals,” and “Other,” depending on the type of goods and services.

The “Other” category includes operation of restaurants and others in the Alcohol Beverages segment.

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

(2) Transaction Price Allocated to Remaining Performance Obligations

Due to the fact that the Group does not have material transactions whose expected contract periods exceed on year individually, the Group uses the practical expedient, and has omitted information regarding remaining performance obligations.

In addition, among consideration arising from contracts with customers, there are no material amounts not included in transaction price.

26. Selling, General and Administrative Expenses

Selling, general and administrative expenses are analyzed as follows:

Millions of yen		
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Promotion expense (Note)	128,582	125,713
Advertising	60,284	63,559
Transportation	71,796	74,900
Employee benefits expense	154,199	159,014
Depreciation and amortization expenses	49,276	55,897
Other	128,968	116,575
Total	593,108	595,661

(Note) With the application of IFRS 15, “Sales commissions” which had been shown in the breakdown of selling, general and administrative expenses for the previous year, was changed to “Promotion expense” from this fiscal year in order to more clearly reflect the actual situation.

To reflect this change in presentation method, the ¥128,582 million of “Sales commissions” in the previous fiscal year is shown as “Promotion expense.”

27. Other Operating Income and Expense

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

(1) Other Operating Income

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Gains on sales of property, plant and equipment	1,005	1,440
Gains on sales of shares of subsidiaries and associates	10,542	—
Gains on remeasurement of shares of subsidiaries and associates	—	1,443
Other	981	1,485
Total	12,530	4,369

(2) Other Operating Expense

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Losses on disposals of property, plant and equipment	6,475	5,589
Impairment losses	10,128	294
Other	9,102	8,096
Total	25,706	13,980

28. Finance Income and Finance Costs

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

(1) Finance Income

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Interest received		
Financial assets measured at amortized cost	852	920
Dividends received		
Financial assets measured at fair value through other comprehensive income	2,122	2,194
Gains on change in fair value of derivatives		
Financial assets measured at fair value through profit or loss	2,231	575
Foreign exchange gain	—	4,557
Other	—	34
Total	5,206	8,282

(2) Finance Costs

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Interest paid		
Financial liabilities measured at amortized cost	6,725	6,753
Loss on change in fair value of derivatives		
Financial liabilities measured at fair value through profit or loss	2,232	5,978
Foreign exchange loss	1,382	—
Other	27	—
Total	10,368	12,731

In the previous consolidated fiscal year, “Losses on change in fair value of derivatives: Financial liabilities measured at fair value through profit or loss” was included in “Other,” but because of increasing materiality in quantity, it is separately presented from the current consolidated fiscal year. The items for the previous consolidated fiscal year have been reclassified to reflect this change in presentation method.

29. Income Taxes**(1) Deferred Tax Assets and Deferred Tax Liabilities**

‘Deferred tax assets’ and ‘Deferred tax liabilities’ are mainly composed of the followings:

Previous Year (ended December 31, 2017)

	Millions of yen				
	Balance as of January 1, 2017	Recognized in profit or loss	Recognized in Other Comprehensive Income	Other (Note)	Balance as of December 31, 2017
Deferred tax assets					
Loss allowance for credit losses	2,659	(691)	—	(631)	1,336
Retirement benefits	6,025	1,180	(2,312)	1,025	5,919
Property, plant and equipment and intangible assets	42,196	3,273	—	508	45,977
Unused tax losses	3,890	(2,529)	—	(406)	954
Income tax payable-enterprise tax	3,071	(1,747)	—	440	1,765
Accrued bonus	1,228	45	—	362	1,637
Other	14,806	11,745	959	5,185	32,696
Total of Deferred tax assets	73,878	11,276	(1,352)	6,485	90,287
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(72,866)	3,748	—	(115,575)	(184,693)
Equity instruments	(19,946)	—	(6,169)	—	(26,115)
Retained earnings of subsidiaries and associates	(15,730)	11,708	(4,630)	—	(8,653)
Other	(3,762)	(1,369)	43	(11,128)	(16,217)
Total of Deferred tax liabilities	(112,306)	14,086	(10,756)	(126,703)	(235,679)
Net amount of Deferred tax assets and Deferred tax liabilities	(38,427)	25,363	(12,108)	(120,217)	(145,391)

(Note) Amounts in the column ‘Other’ are primarily deferred tax assets and deferred tax liabilities recognized through business combination. Exchange rate fluctuations are also included in ‘Other’.

Current Year (ended December 31, 2018)

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

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

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

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Deductible temporary differences	236,104	263,112
Unused tax losses		
Expires within 1 year	101	4,554
Expires between 1 and 5 years	5,700	3,121
Expires after 5 years	12,478	9,264
Total	18,280	16,940
Unused tax credits		
Expires within 1 year	0	—
Expires between 1 and 5 years	—	—
Expires after 5 years	—	—
Total	0	—

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 ¥437,167 million (¥521,829 million in the previous year ended December 31, 2017).

(2) Tax Expense

Tax expense is analyzed as follows:

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Current tax expense		
Current year	83,499	62,732
Total of current tax expense	83,499	62,732
Deferred tax expense		
Recognition and reversal of temporary differences	(26,189)	(4,176)
Revision of recoverability of deferred tax assets	731	(14)
Change in tax rate	94	(2,170)
Total deferred tax expense	(25,363)	(6,362)
Total	58,135	56,370

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

	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Effective statutory tax rate	30.9%	30.9%
Tax rate effect of foreign subsidiaries	(2.5)%	(3.7)%
Tax effect of non-taxable or non-deductible items for tax purposes	0.9%	0.8%
Profit (loss) of entities accounted for using equity method	(0.2)%	(0.1)%
Gain (loss) on sales of investments accounted for using equity method	5.4%	4.6%
Tax effect from change in tax rate	0.0%	(1.0)%
Impairment of goodwill and other items	1.6%	—
Retained earnings of subsidiaries and associates	(5.9)%	(4.9)%
Other	(0.7)%	0.8%
Average effective tax rate	29.5%	27.2%

Income tax, inhabitant tax and enterprise tax are main components of income taxes imposed on the Group, and the effective statutory tax rate based on those taxes is 30.9% for the previous year and 30.9% for the current year, respectively. Foreign subsidiaries are subject to income taxes in the tax jurisdiction that it is located.

30. Earnings per Share**(1) Basic and Diluted Earnings per Share**

	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Basic earnings per share (Yen)	307.78	329.80
Diluted earnings per share (Yen)	307.78	329.79

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

	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Profit attributable to owners of parent (Millions of yen)	141,003	151,077
Weighted average number of ordinary shares outstanding (Shares)	458,128,279	458,088,184
Effect of dilution (Shares):		
Trust for share issuance to executives	8,937	21,057
Adjusted weighted average number of ordinary shares outstanding (Shares)	458,137,216	458,109,241
Description of equity instruments not included in calculation of diluted earnings per share because they were not dilutive for the year	—	—

31. Other Comprehensive Income

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

	Millions of yen					
	Previous year (ended December 31, 2017)			Current year (ended December 31, 2018)		
	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	29,068	(5,984)	23,083	(21,995)	6,130	(15,865)
Changes	29,068	(5,984)	23,083	(21,995)	6,130	(15,865)
Remeasurements of defined benefit plans						
Increase and decrease	7,502	(2,347)	5,154	(6,368)	1,966	(4,401)
Changes	7,502	(2,347)	5,154	(6,368)	1,966	(4,401)
Share of other comprehensive income of entities accounted for using equity method Increase and decrease	(6)	—	(6)	—	—	—
Changes	(6)	—	(6)	—	—	—
Items that might be reclassified to profit or loss						
Cash flow hedges						
Increase and decrease	(19,641)	6,106	(13,535)	43	(215)	(172)
Reclassification to profit or loss	1,791	(621)	1,170	(56)	16	(39)
Changes	(17,850)	5,485	(12,364)	(12)	(199)	(211)
Costs of hedging						
Increase and decrease	(1,663)	509	(1,153)	(913)	279	(633)
Reclassification to profit or loss	(37)	11	(25)	(37)	11	(25)
Changes	(1,700)	520	(1,179)	(951)	291	(659)
Translation differences on foreign operations						
Increase and decrease	157,256	289	157,546	(89,406)	(729)	(90,136)
Reclassification to profit or loss	730	(14)	716	749	—	749
Changes	157,987	275	158,263	(88,657)	(729)	(89,386)
Share of other comprehensive income of entities accounted for using equity method						
Increase and decrease	9,934	(3,282)	6,652	(100)	—	(100)
Reclassification to profit or loss	3,864	(1,336)	2,528	3,503	(1,019)	2,484
Changes	13,798	(4,618)	9,180	3,402	(1,019)	2,383
Total other comprehensive income	188,799	(6,668)	182,131	(114,582)	6,439	(108,142)

32. Financial Instruments

(1) Capital Management

The Group's purpose for capital management is to maintain its ability to continue as a going concern in order to provide returns to shareholders, grant benefits to other stakeholders and maintain the most appropriate capital structure for reducing capital cost.

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

The Group monitors the capital based on the capital and liabilities ratio. This ratio is calculated by dividing the amount of net liabilities by the capital. The amount of net liabilities is calculated by deducting cash and cash equivalents from interest-bearing debts. The capital shall be the "equity" presented in the consolidated statement of financial position (equity attributable to owners of parent).

The capital and liabilities ratios are as follows:

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Interest-bearing debts	1,321,801	1,084,185
Less: Cash and cash equivalents	(58,054)	(57,317)
Net liabilities	1,263,746	1,026,867
Equity attributable to owners of parent	1,145,135	1,146,420
The capital and liabilities ratio	110.4%	89.6%

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

(2) Risk Management

The Group's activities are exposed to various financial risks such as market risks (including foreign exchange risk, price risk and interest rate risk), credit risks and liquidity risks. The Group's risk management policy focuses on the unpredictability of financial markets and minimize the potentially adverse impact on the Group's financial performance. The Group uses derivative transactions to hedge certain risk exposures.

The Company and its principal consolidated subsidiaries procure necessary funds via loans from financial institutions and by issuing commercial papers and bonds, while taking into account the balance between direct and indirect financing or the balance between short- and long-term debt from the perspective of fund procurement cost and risk diversification in response to changes in the business environment. To use funds efficiently in the entire Group, the Company and its principal consolidated subsidiaries have introduced a cash management system to reduce consolidated interest-bearing debt. If surplus funds are generated temporarily, the Company invests it only in safe financial instruments.

The Group uses derivative transactions to the extent of balances of foreign currency denominated assets and liabilities and bonds and borrowings, as means to mitigate foreign exchange risk, price risk of raw materials and others and interest rate risk, as well as to reduce fund procurement cost. When using derivative transactions, the Company trades with financial institutions only with high credit ratings.

At the Company, the Finance Section is in charge of executing and managing derivative transactions, in accordance with internal rules. Contracts on each derivative transaction are entered into after approval is received in accordance with the internal authorization criteria.

The Finance Section reviews the status of derivative transactions including the content and balances, and reports it to the General Manager of the Finance Section and Directors in charge of finance as needed.

The consolidated subsidiaries also enter into such agreements in accordance with the Group's authorization criteria, and the Company reviews their status based on reports submitted by them on regular basis.

(i) Market Risks

a. Foreign Exchange Risk

The Group conducts business activities internationally and is exposed to foreign exchange risk mainly related to US dollar, euro, Czech Koruna and Australian dollar. Foreign exchange risk arises from forecast transactions such as future purchase, sale, financing and repayment or assets and liabilities that have already been recognized.

The Group uses foreign exchange contracts and currency swaps to mitigate foreign exchange risk. Hedge accounting is applied to the transactions that qualify for hedge accounting. When designating hedging instruments, currency basis spreads for currency swap are excluded as costs of hedging.

Although receivables, payables and others denominated in a foreign currency have a risk of foreign exchange fluctuations, the impact is limited since the risk is offset with the exchange contracts.

Exposure to Foreign Exchange Risk

The exposure to the US dollar, Euro, Czech koruna and Australian dollar, major foreign currencies of the companies in the Group which use Japanese yen as the functional currency, is as follows. These amounts do not include amounts associated with foreign exchange risk which is hedged by derivative transactions, etc.

Functional currency: Japanese yen

	Millions of yen			
	Previous year (as of December 31, 2017)			
	US dollar	Euro	Czech koruna	Australian dollar
Net exposure	956	196	14	191

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

In addition to the above, the major exposure to foreign exchange risk of subsidiaries that use Euro as the functional currency is described below.

Functional currency: Euro

	Millions of yen	
	Previous year (as of December 31, 2017)	
	US dollar	Czech koruna
Net exposure	(976)	15,101

	Millions of yen	
	Current year (as of December 31, 2018)	
	US dollar	Czech koruna
Net exposure	(630)	1,784

Sensitivity Analysis

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

Functional currency: Japanese yen

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
US dollar	(9)	(14)
Euro	(1)	(6)
Czech koruna	(0)	0
Australian dollar	(1)	(59)

Assuming that the Euro appreciates by 1% against the US dollar and Czech koruna, it will affect profit before tax of the Group as follows.

The effect will be reversed in case of depreciation by 1% given that all other variables remain constant.

Functional currency: Euro

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
US dollar	9	6
Czech koruna	(151)	(17)

b. Price Risk

The Group is exposed to price risk of equity instruments since it holds investments classified as the category measured at fair value in the consolidated statement of financial position. To manage price risk arising from investments in equity instruments, the Group regularly keeps track of fair value, financial conditions of issuers and others, and also reviews the overall status on an ongoing basis.

The Group has no equity instruments held for short-term trading and does not intend to actively trade these investments.

With an increase or a decrease in share price of 5% and all other variables remaining constant, other components of equity (before tax) will increase or decrease by ¥5,144 million (previous year: ¥6,016 million) as a result of changes in fair value.

Furthermore, the Group is exposed to price risk of raw materials since prices of major raw materials used in its products fluctuate according to weather, natural disaster and other factors. The Group engages in commodity swap transactions to mitigate risks of fluctuations in raw materials prices. Although commodity swap transactions used by the Group have risks of fluctuations in market prices of commodities, price risk is limited because these risks are offset with risks of fluctuations in market prices of commodities in association with trade payables of those commodities that the Group has.

c. Interest Rate Risk

The Group raises funds with variable interest rates and is exposed to interest rate risk. Interest rate risk mainly arises from non-current borrowings.

The Group uses interest rate swaps, which substantially fix interest rates, to mitigate interest rate risk. Hedge accounting is applied to the transactions that qualify for hedge accounting.

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

Millions of yen

	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Profit before tax	337	931

(ii) Credit Risk

The Group is exposed to credit risks for trade receivables (notes and accounts receivable-trade), other receivables (accounts receivable-other) and other financial assets (operating loans and others).

In accordance with the accounting regulations, the Group regularly monitors the status of major business partners for trade receivables and operating loans and routinely checks the management status of deadlines and balances for each business partner. The Group also monitors credit-impaired financial assets and their collection status.

When executing derivative transactions, the Group trades with financial institutions only with high credit ratings to mitigate credit risk. The Group classifies receivables based on credit risk profile to calculate loss allowance.

For trade receivables, loss allowance is always recognized at the amount equal to lifetime expected credit losses. For receivables other than trade receivables, loss allowance is recognized at the amount equal to 12-month expected credit losses, in principle. However, in cases such as overdue, because the credit risk is considered to have significantly increased from the initial recognition, loss allowance is recognized at the amount equal to lifetime expected credit losses. For those receivables other than trade receivables which calculate loss allowance equal to 12-month expected credit losses are all calculated in a collective basis.

The amount of loss allowance is calculated as follows:

- Trade receivables

The simplified approach is applied. The Group categorizes receivables according to credit risk profile of the counterparty and calculates loss allowance by multiplying the receivables by the provision rate, which is determined by adding projection of future economic conditions and others to the historical rate of credit losses calculated according to the category.

- Receivables other than trade receivables

The general approach is applied. Loss allowance for receivables for which the credit risk is not considered to have significantly increased is calculated by multiplying the carrying amount by the provision rate, which is determined by adding projection of future economic conditions and others to the historical rate of credit losses for similar assets. For assets for which the credit risk is considered to have significantly increased and credit-impaired financial assets, loss allowance is calculated as difference between the amount of the present value, which is computed by discounting estimated future cash flows using the original effective interest rate of the asset, and the carrying amount.

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

The table below includes the carrying amount included in “Assets held for sale.”

Trade and Other Receivables

Carrying amount	Millions of yen		
	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses	Financial assets to which the simplified approach is applied
Previous year (as of January 1, 2017)	13,491	240	384,529
Previous year (as of December 31, 2017)	14,523	838	425,086
Current year (as of December 31, 2018)	16,544	507	413,032

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

Credit Risk Rating

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

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

Loss allowance	Millions of yen		
	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses	Financial assets to which the simplified approach is applied
Previous year (as of January 1, 2017)	1	219	700
Increase	6	98	2,129
Utilization	—	(163)	(254)
Reversal	(1)	—	(742)
Other	70	(10)	1,029
Previous year (as of December 31, 2017)	77	144	2,862
Increase	264	22	1,131
Utilization	(46)	(105)	(324)
Reversal	(243)	(43)	(1,488)
Other	64	359	125
Current Year (as of December 31, 2018)	117	378	2,307

Other Financial Assets

Carrying amount	Millions of yen	
	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses
Previous year (as of January 1, 2017)	9,443	6,490
Previous year (as of December 31, 2017)	9,239	1,866
Current year (as of December 31, 2018)	8,408	2,051

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	Financial assets with loss allowance measured at lifetime expected credit losses
Previous year (as of January 1, 2017)	233	3,451
Increase	158	11
Utilization	(84)	(2,300)
Reversal	(152)	(221)
Other	8	(239)
Previous year (as of December 31, 2017)	162	702
Increase	91	95
Utilization	—	(1)
Reversal	(90)	(176)
Other	(162)	286
Current year (as of December 31, 2018)	0	905

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

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

Maximum Exposure to Credit Risk

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

Guarantees	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Guarantees	2,981	892

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

The amount of collateral and other credit enhancement held as a guarantee for the credit-impaired financial assets at the end of the fiscal period is ¥3,021 million at the end of the current year (¥4,578 million in the previous year ended December 31, 2017).

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

(iii) Liquidity Risk

The Group raises funds via loans and by issuing commercial papers and bonds, and is exposed to liquidity risk, which means there is a possibility the Group fails to make payment on the due date due to deterioration in the fund procurement environment.

Since the Company and its principal consolidated subsidiaries have introduced the cash management system, the Company manages liquidity risks of those companies participating in this system.

Based on reports from each Group company, the Company creates its cash management plan and updates the plan on a timely basis. The Group monitors an ongoing forecast for fund demand, while always maintaining sufficient margin in the unused portion of the contractual credit line and ensuring that all loan agreements do not conflict with the borrowing limits or covenants (if applicable). In these forecasts, the Group takes into account its borrowing and financing plan, compliance with covenants, adherence to internal targets for the statements of financial position ratio as well as applicable external regulatory and statutory requirements, such as a regulation of currency, if any.

Surplus that the Company and its principal consolidated subsidiaries hold in excess of the balance necessary for management of working capital is managed at the Group level under the cash management system. The Group chooses financial instruments with appropriate maturity and liquidity, and makes investments in current deposits, time deposits, money market deposits and marketable securities to ensure a sufficient margin determined in the above forecast.

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

Previous Year (as of December 31, 2017)

The table below includes the carrying amount included in “Liabilities directly related to assets held for sale.” Please refer to “11. Disposal Groups Held for Sale” regarding the carrying amount.

	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	437,070	437,070	437,070	—	—	—	—	—
Bonds and borrowings	1,274,659	1,288,612	365,243	134,234	229,534	262,079	153,558	143,964
Derivative liabilities	2,137	2,137	2,105	30	1	—	—	—

Current Year (as of December 31, 2018)

	Millions of yen							
	Carrying amount	Contractual cash flow	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
Trade and other payables	416,842	416,842	416,842	—	—	—	—	—
Bonds and borrowings	1,027,388	1,038,737	265,274	226,951	252,489	154,461	5,893	133,669
Derivative liabilities	10,604	10,604	3,367	289	2,561	85	—	4,300

(3) Fair Value of Financial Instruments

In fair value measurement, the Group uses observable market data whenever available. The fair value measurement is categorized into any of the following levels based on the level of the input:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: Input consisting of directly or indirectly observable prices other than market prices used in level 1

Level 3: Input that is not based on observable market data

Reclassification between levels in the fair value hierarchy is recognized on the date of the event or change in circumstances that caused the reclassification.

The carrying amounts and fair values of financial instruments not measured at fair value in the financial statements are as follows:

The table below includes the carrying amount included in “Liabilities directly related to assets held for sale”.

	Millions of yen			
	Previous year (as of December 31, 2017)		Current year (as of December 31, 2018)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans receivable	1,485	1,445	1,404	1,338
Long-term borrowings	492,456	492,372	383,686	383,786
Bonds	539,945	542,279	510,896	510,512
Lease obligations	22,990	23,385	19,660	19,756

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

Financial instruments for which the carrying amount is reasonably approximate to the fair value are not included in the table above.

The fair value of long-term loans receivable is calculated by discounting the expected amount of principal and interest receivable by the interest rate expected if a similar new loan were to be issued, thereby deriving the present value.

The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest by the interest rate expected if a similar new borrowing were to be taken out, thereby deriving the present value.

The fair value of bonds is set to market prices when market prices are available.

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

In the above fair value measurement, bonds are classified into Level 2, while others are classified into Level 3. For bonds in Level 2, fair value is estimated using the reference trading statistics of Japan Securities Dealers Association and others. Fair value of financial instruments in Level 3 is measured by discounting contractual cash flows using the market interest rate, and the difference with carrying amount is due to a difference between the market interest rate and the contractual interest rate.

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

Previous Year (as of December 31, 2017)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	4,339	—	4,339
Derivatives not designated as hedging instruments	—	1,128	—	1,128
Equity instruments	120,336	78	85,001	205,415
Others	146	649	—	795
Total assets	120,482	6,195	85,001	211,679
Liabilities				
Derivatives designated as hedging instruments	—	1,526	—	1,526
Derivatives not designated as hedging instruments	—	610	—	610
Total liabilities	—	2,137	—	2,137

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

Current Year (as of December 31, 2018)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives designated as hedging instruments	—	1,374	—	1,374
Derivatives no designated as hedging instruments	—	469	—	469
Equity instruments	102,888	72	71,979	174,940
Others	1	743	—	744
Total assets	102,889	2,660	71,979	177,529
Liabilities				
Derivatives designated as hedging instruments	—	8,633	—	8,633
Derivatives not designated as hedging instruments	—	1,970	—	1,970
Total liabilities	—	10,604	—	10,604

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

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

The fair value of financial instruments that are not traded in an active market (for example, interest rate swaps and foreign exchange contracts) is determined by using another valuation technique which maximizes the use of observable market input and minimizes the use of entity specific estimates as much as possible. Derivative financial instruments are primarily valued based on the price indicated from financial institutions. If all significant inputs are observable, the financial instrument is categorized into Level 2. If one or more of the significant inputs is not based on observable market data, the financial instrument (for example, an equity instrument that is not traded in an active market) is categorized into Level 3. These financial instruments are primarily valued with the comparable company analysis method or the discounted cash flow method, using inputs that are reasonably available and that many market participants consider reasonable.

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 company analysis method, which is distributed in a rage from 0.7 times to 1.6 times (from 1.2 times to 2.1 times in the previous year).

Each calculation model used for fair value measurement is annually reviewed by the Finance Section. The Group also engages a review, if necessary, by an external independent specialist of fair value measurement. The Group sometimes use internal estimates in fair value measurement. Various 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 case that an unobservable input is replaced by a reasonable alternative assumption.

Financial instruments categorized into Level 3 are analyzed as follows:

Previous Year (ended December 31, 2017)

	Millions of yen	
	Equity instruments measured at fair value through other comprehensive income	Derivatives
Balance at beginning of period	69,588	—
Gains (losses) recognized in profit or loss	—	—
Gains (losses) recognized in other comprehensive income	16,006	—
Purchases	8	—
Sales	(619)	—
Settlements	—	—
Transfers into/out of Level 3	(25)	—
Other	43	—
Balance at end of period	85,001	—
Of gains (losses) recognized in profit or loss:		
Gains (losses) for assets held at end of period	—	—

Current Year (ended December 31, 2018)

	Millions of yen	
	Equity instruments measured at fair value through other comprehensive income	Derivatives
Balance at beginning of period	85,001	—
Gains (losses) recognized in profit or loss	—	—
Gains (losses) recognized in other comprehensive income	(12,737)	—
Purchases	305	—
Sales	(541)	—
Settlements	—	—
Transfers into/out of Level 3	2	—
Other	(51)	—
Balance at end of period	71,979	—
Of gains (losses) recognized in profit or loss:		
Gains (losses) for assets 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 the fair value are reported to Chief Financial Officer, and then the Officer reviews them and reports to the Board of Directors as necessary.

(4) Derivatives and Hedge Accounting

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

(i) Effect on the Consolidated Statement of Financial Position

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

Previous Year (as of December 31, 2017)

Hedge type	Hedging instrument	Notional Amount (Millions of yen)	Carrying amount (fair value)	
			Assets (Millions of yen)	Liabilities (Millions of yen)
Cash flow hedge	Foreign exchange contract	50,958	569	803
	Currency swap	161,560	3,434	52
	Commodity swap	5,222	334	3
	Interest rate swap	2,875	0	3
	Forward contract	106,373	—	665
Total		326,989	4,339	1,526
Hedges of net investments in foreign operations	Euro denominated borrowings (Euro 300 million)	40,482	—	40,482

The average rates applied to the foreign exchange contracts are ¥110.56 per US dollar, ¥123.65 per Euro and Euro 0.23 per Polish Zloty. The average rates applied to the currency swap is ¥130.50 per Euro. The average interest rate applied to the interest swaps is 0.49%. Forward price to apply to forward contracts are US 847 million dollar and HK 735 million dollar.

Current Year (as of December 31, 2018)

Hedge type	Hedging instrument	Notional Amount (Millions of yen)	Carrying amount (fair value)	
			Assets (Millions of yen)	Liabilities (Millions of yen)
Cash flow hedge	Foreign exchange contract	67,739	1,272	510
	Currency swap	160,195	59	6,710
	Commodity swap	22,801	42	1,413
	Interest rate swap	—	—	—
	Forward contract	—	—	—
Total		250,736	1,374	8,633
Hedges of net investments in foreign operations	Euro denominated borrowings (Euro 300 million)	38,100	—	38,100

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

Hedge transactions conducted by the Group hedge all hedged items, and there are no transactions that only hedge certain risk elements. The periods for which the foreign exchange contract, currency swap and commodity swap would hedge cash flow fluctuations are approximately 4 years, 7 years and 4 years at the longest, respectively.

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

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

	Millions of yen			
	Previous year (as of December 31, 2017)		Current year (as of December 31, 2018)	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange contract	31	532	0	10
Currency swap	1,030	—	465	1,952
Commodity swap	66	78	4	7
Total	1,128	610	469	1,970

Reserve of cash flow hedges, reserve of costs of hedging and hedges of net investments in foreign operations are as follows:

There is no reserve of cash flow hedges arising from hedging relationships for which their hedge accounting is discontinued.

Millions of yen

	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
Reserve of cash flow hedges		
Foreign exchange contract	(270)	305
Currency swap	(156)	145
Commodity swap	262	(1,092)
Interest rate swap	0	—
Forward contracts	(459)	—
Total	(624)	(641)
Reserve of costs of hedging		
Currency swap (period-related)	(1,179)	(1,839)
Hedges of net investments in foreign operations		
Euro denominated borrowings	(641)	1,011

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

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

Effect on profit or loss and comprehensive income of derivatives designated as hedging instruments in cash flow hedges, costs of hedging and hedges of net investments in foreign operations are as follows:

Previous Year (ended December 31, 2017)

Millions of yen

Risk type	Gains (losses) recognized in other comprehensive income (Note)	Amount reclassified from other equity interest to profit or loss (Note)	Line item in profit or loss on reclassification
Cash flow hedges			
Foreign exchange risk	(17,493)	(56)	Finance costs
Price risk	(2,152)	1,808	Gain (loss) on sales of investments accounted for using equity method
Interest rate risk	3	39	Finance costs
Total	(19,641)	1,791	
Costs of hedging			
Foreign exchange risk (period-related)	(1,663)	(37)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	(923)	—	

(Note) The amounts are gross values before tax.

Current Year (ended December 31, 2018)

Risk type	Millions of yen		Line item in profit or loss on reclassification
	Gains (losses) recognized in other comprehensive income (Note)	Amount reclassified from other equity interest to profit or loss (Note)	
Cash flow hedges			
Foreign exchange risk	1,080	(56)	Finance costs
Price risk	(1,036)	—	
Interest rate risk	—	—	
Total	43	(56)	
Costs of hedging			
Foreign exchange risk (period-related)	(913)	(37)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	2,382	—	

(Note) The amounts are gross values before tax.

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

There are ¥(441) million (previous year: ¥11,800 million) of foreign exchange risks and ¥ 80 million (previous year: ¥(5) million) of price risks, among the amounts reclassified to the cost.

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

33. Significant Non-cash Transactions

Previous Year (ended December 31, 2017)

There are no significant non-cash transactions.

Current year (ended December 31, 2018)

There are no significant non-cash transactions.

34. Changes in Ownership Interests in Subsidiaries

(1) Earnings and Expenses on Acquisitions of Subsidiaries

Previous Year (ended December 31, 2017)

The Group acquired shares in Plzeňský Prazdroj, a.s. and 15 other companies which resulted in their addition to the scope of consolidation. The main assets and liabilities of investees on commencement of consolidation as well as the relationship between the acquisition cost of shares, etc. and net consideration paid are analyzed as follows:

	Millions of yen
Current assets	54,228
Non-current assets	133,792
Intangible assets	484,665
Goodwill	427,995
Current liabilities	(97,561)
Non-current liabilities	(103,741)
Non-controlling interests	(300)
Acquisition cost of shares, etc.	899,077
Cash and cash equivalents of acquired companies	(7,521)
Net cash used for acquisition of acquired companies	891,555

(Note) Goodwill, acquired assets and liabilities assumed in the business combination were provisional as of December 31, 2017 because the review to verify the identifiable assets and liabilities at the date of business combination was still in progress and the allocation of consideration was yet to be completed. These amounts have been completed in the year ended December 31, 2018 and revisions have been made.

Current year (ended December 31, 2018)

There are no significant transactions.

(2) Earnings and Expenses on Sales of Subsidiaries**Previous Year (ended December 31, 2017)**

The Group sold shares in LB Co., Ltd and Masuda Co., Ltd. and 4 other companies. Main assets and liabilities associate with the loss of control of a subsidiaries, as well as the relationship between the considerations received and earnings and expenses on sales are analyzed as follows:

	Millions of yen
Current assets	8,850
Non-current assets	7,901
Current liabilities	(8,358)
Non-current liabilities	(801)
Gains (Losses) on sales of shares of subsidiaries and associates	9,592
Income from sale of shares, etc	17,183
Cash and cash equivalents of assets of the subsidiary when control was lost	(1,586)
Other receivables	(279)
Net cash used for earnings and expenses on sales of shares of subsidiaries and associates	15,318

Current Year (ended December 31, 2018)

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

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

35. Changes in Liabilities Arising from Financing Activities

Previous Year (ended December 31, 2017)

Millions of yen

Item	Balance as of January 1, 2017	Change owing to financing cash flow	Non-cash changes							Balance as of December 31, 2017
			Acquisition	Long- and short-term transfer	Change in scope of consolidation	Exchange differences	Changes in fair value	Transfer to liabilities directly related to assets held for sale	Other	
Short-term borrowings (Note)	199,972	41,076	—	—	(280)	1,490	—	(1,050)	—	241,208
Lease obligations	25,795	(9,851)	7,012	—	—	34	—	—	—	22,990
Current portion of long-term borrowings	63,916	(62,600)	—	98,660	—	(197)	—	(1,249)	—	98,530
Long-term borrowings	188,819	303,378	—	(98,660)	—	(861)	—	(10,434)	—	382,242
Current portion of bonds	17,980	(18,000)	—	19,983	—	—	—	—	21	19,984
Bonds	99,670	434,702	—	(19,983)	—	5,324	—	—	248	519,961
Derivative liabilities (assets) held to hedge liabilities arising from financing activities	—	—	—	—	—	—	(3,278)	—	—	(3,278)
Total	596,152	688,705	7,012	—	(280)	5,790	(3,278)	(12,733)	269	1,281,637

(Note) Short-term borrowings include commercial papers.

Current year (ended December 31, 2018)

Millions of yen

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

(Note) Short-term borrowings include commercial papers.

36. Related Party Transactions

(1) Transactions and Outstanding Balances with Related Parties

There are no material transactions with related parties.

(2) Key Management Personnel Compensation

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

Millions of yen

	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Short-term employee benefits expense	613	722
Share-based Payments	60	62
Total	673	784

37. Business combination

(1) Business combination

Previous year (ended December 31, 2017)

(i) Outline of the transaction

a. Name and business of the acquiree

Company name	Business
Plzeňský Prazdroj, a.s.	Manufacture and sales of beer
Plzeňský Prazdroj Slovensko, a.s.	Manufacture and sales of beer
Kompania Piwowska S.A.	Manufacture and sales of beer
Ursus Breweries SA	Manufacture and sales of beer
Dreher Sörgyárak Zrt.	Manufacture and sales of beer

The other 11 entities are primarily engaged in manufacturing, sale and distribution of beer

b. Purpose of the transaction

With regard to the newly renewed Long-Term Vision, as a comprehensive beverage and food business group with the alcohol beverages business at its core, the Group 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 Medium-Term Management Policy, which has been developed to realize the Long-Term Vision, 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.

As part of these strategies, in October 2016, the Company acquired the Italian, Dutch and British businesses and other related assets of SABMiller plc (hereinafter referred to as "SABMiller") prior to its combination with Anheuser-Busch InBev SA/NV (hereinafter referred to as "AB InBev"), thereby acquiring a strong business platform in Western Europe, centered on the "Peroni" and "Grolsch" premium global brands.

Through this transaction, the Company acquired businesses and operations in 5 countries in Central and Eastern Europe that were owned by SABMiller prior to its combination, as well as intellectual property rights* for "Pilsner Urquell" and other strong brands, which will enable the Company to build a solid network for growth across Europe as a whole, with a high level of affinity with its businesses in Western Europe.

In addition to owning the "Pilsner Urquell" global brand, the original pilsner beer, the Target Business also maintains 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 its strong business platform.

Through these acquisitions, the Company aims to establish its distinct position as a global player, with growth centered on strong premium brands, together with brands such as "Super Dry", "Peroni" and "Grolsch".

In addition, the Company's policy is to increase its ability to generate cash flow, partly by enhancing synergies in Europe, the Group's largest business after Japan, while also combining its "strengths", including its brand strength built in Japan and cost-competitiveness, and thereby enhance the "earnings power" of the Overseas business.

* Shares and assets purchased: All shares of the company comprising the businesses owned by SABMiller prior to its combination with AB InBev in the markets of 5 countries in Central and Eastern Europe and other related businesses, together with intellectual property rights including the "Pilsner Urquell", "Kozel" and "Tyskie" brands (however, this excludes intellectual property rights related to the "Pilsner Urquell", "Tyskie" and "Lech" brands in the US and Puerto Rico, intellectual property rights related to the "Miller" brand in the markets of 5 countries in Central and Eastern Europe, intellectual property rights related to the "Redd's" brand outside the markets of 5 countries in Central and Eastern Europe, etc.) and other related assets.

c. Acquisition date of the business combination

March 31, 2017

d. Legal form of the business combination

The Group purchased shares with cash consideration.

e. Proportion of voting rights acquired

Company name	Proportion of voting rights
Plzeňský Prazdroj, a.s.	100.00%
Plzeňský Prazdroj Slovensko, a.s.	100.00%
Kompania Piwowarska S.A.	100.00%
Ursus Breweries SA	98.68%
Dreher Sörgyárak Zrt.	99.78%

Proportion of voting rights in the other 11 entities are 100%.

(ii) Effect on the Group

Revenue and profit generated by Plzeňský Prazdroj, a.s. and the other 15 entities since the acquisition date amounted to ¥237,427 million and ¥36,034 million, respectively.

Assuming the business combination was conducted at the beginning of the period, revenue and operating profit for the period would be ¥2,134,546 million and ¥193,935 million, respectively. This note is unaudited by the independent auditor.

(iii) Consideration transferred and its details

The consideration transferred was ¥899,077 million, all of which was paid in cash.

(iv) Acquisition-related costs

Acquisition-related costs amounted to ¥2,763 million were included in "Selling, general and administrative expenses"

(v) Acquired receivables

The gross contractual amount of trade and other receivables acquired was ¥31,751 million in aggregate, and was ¥29,818 million at fair value on the acquisition date.

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

	Millions of yen
Cash and cash equivalents	7,521
Trade and other receivables	29,818
Other	16,887
Total current assets	54,228
Property, plant and equipment	125,376
Intangible assets	484,665
Other	8,416
Total non-current assets	618,457
Total assets	672,685
Trade and other payables	(70,291)
Other	(27,270)
Total current liabilities	(97,561)
Total non-current liabilities	(103,741)
Total liabilities	(201,303)
Non-controlling interests	(300)
Consideration transferred	(899,077)
Goodwill	427,995

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

In the current year (ended December 31, 2018), the provisional accounting treatment in the previous year (ended December 31, 2017) was completed. With the exception of the details noted in "7. Segment Information" and "13. Goodwill and Intangible Assets", there were no changes due to the completion of the provisional accounting treatment in the current year from the provisional accounting treatment in the previous year (ended December 31, 2017).

38. Interest in Other Entities

(1) Interest in Subsidiaries

Subsidiaries included in the consolidated financial statements are as follows:

Previous Year (ended December 31, 2017)

Name	Location	Proportion of ownership interest (%)
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	100.00
NADAMAN CO., LTD	Shinjuku-ku, Tokyo	100.00 (100.00)
The Nikka Whiskey Distilling Co., Ltd.	Minato-ku, Tokyo	100.00 (100.00)
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanashi	100.00 (100.00)
ENOTECA CO.,LTD.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	100.00
Calpis Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Soft Drink Sales Co., Ltd.	Taito-ku, Tokyo	100.00 (100.00)
Asahi Group Foods, Ltd.	Shibuya-ku, Tokyo	100.00
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	100.00
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.	Sumida-ku, Tokyo	100.00 (100.00)
AI Beverage. Holding Co., Ltd.	Sumida-ku, Tokyo	100.00
Asahi Holdings(Australia) Pty Ltd	Victoria, Australia	100.00
Asahi Beverages Pty Ltd	Victoria, Australia	100.00 (100.00)
Independent Liquor (NZ) Limited	Papakura, New Zealand	100.00 (100.00)
Asahi Group Holdings Southeast Asia Pte. Ltd.	Singapore	100.00
Etika Beverages Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Asahi Loi Hein Company Limited	Yangon, Myanmar	51.00 (51.00)
Asahi Europe Ltd	Woking, United Kingdom	100.00
Birra Peroni S.r.l.	Roma Italy	100.00 (100.00)
Royal Grolsch NV	Enschede Netherlands	100.00 (100.00)
Meantime Brewing Company Ltd.	London United Kingdom	100.00 (100.00)
Asahi UK Ltd	London United Kingdom	100.00 (100.00)
Asahi Breweries Europe Ltd	Woking, United Kingdom	100.00
Plzeňský Prazdroj, a.s.	Pilsen Czech Republic	100.00 (100.00)
Pivovary Topvar a.s.	Velký Šariš Slovakia	100.00 (100.00)
Kompania Piwowarska S.A.	Wielkopolskie Poland	100.00 (100.00)
Ursus Breweries SA	Buzau Romania	98.68 (98.68)
Dreher Sörgyárak Zrt.	Budapest Hungary	99.78 (99.78)

Asahi Logistics, Ltd.	Minato-ku, Tokyo	100.00
Asahi Professional Management Co., Ltd.	Sumida-ku, Tokyo	100.00
Other 112 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. An absorption-type merger was conducted with Asahi Group Foods, Ltd., a wholly owned subsidiary of the Company, as the surviving company, and the three food business companies of Asahi Food & Healthcare Co., Ltd., Wakodo Co., Ltd. and Amano Jitsugyo Co., Ltd. as the absorbed companies.

4. In the current year (ended December 31, 2017), the Company sold all shares of consolidated subsidiaries LB Co., Ltd., Masuda Co., Ltd., and 4 other companies. The gain and loss on the sale recognized in regard to the changes in ownership interests accompanied by a loss of control of consolidated subsidiaries owing to these sale transactions are included in "Other operating income" and "Other operating expense", respectively. Gains on the sales are described in "27. Other Operating Income and Expense",

5. The company name of Schweppes Australia Pty Ltd. was changed to Asahi Beverages Pty Ltd in 2017.

Current Year (ended December 31, 2018)

Name	Location	Proportion of ownership interest (%)
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	100.00
NADAMAN CO., LTD	Shinjuku-ku, Tokyo	100.00 (100.00)
The Nikka Whiskey Distilling Co., Ltd.	Minato-ku, Tokyo	100.00 (100.00)
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanash	100.00 (100.00)
ENOTECA CO.,LTD.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	100.00
Calpis Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Soft Drink Sales Co., Ltd.	Taito-ku, Tokyo	100.00 (100.00)
Asahi Group Foods, Ltd.	Shibuya-ku, Tokyo	100.00
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	100.00
Beijing Beer Asahi Co., Ltd.	Beijing, China	90.00
China Foods Investment Corp.	Sumida-ku, Tokyo	100.00 (100.00)
AI Beverage. Holding Co., Ltd.	Sumida-ku, Tokyo	100.00
Asahi Holdings(Australia) Pty Ltd	Victoria, Australia	100.00
Asahi Beverages Pty Ltd	Victoria, Australia	100.00 (100.00)
Independent Liquor (NZ) Limited	Papakura, New Zealand	100.00 (100.00)
Asahi Group Holdings Southeast Asia Pte. Ltd.	Singapore	100.00
Etika Beverages Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Asahi Loi Hein Company Limited	Yangon, Myanmar	51.00 (51.00)
Asahi Europe Ltd	Woking, United Kingdom	100.00
Birra Peroni S.r.l.	Roma Italy	100.00 (100.00)
Royal Grolsch NV	Enschede Netherlands	100.00 (100.00)
Meantime Brewing Company Ltd.	London United Kingdom	100.00 (100.00)
Asahi UK Ltd	London United Kingdom	100.00 (100.00)
Asahi Breweries Europe Ltd	Woking, United Kingdom	100.00
Plzeňský Prazdroj, a.s.	Pilsen Czech Republic	100.00 (100.00)
Plzeňský Prazdroj Slovensko, a.s	Veľký Šariš Slovakia	100.00 (100.00)
Kompania Piwowarska S.A.	Wielkopolskie Poland	100.00 (100.00)

Ursus Breweries SA	Buzau Romania	98.68 (98.68)
Dreher Sörgyárak Zrt.	Budapest Hungary	99.78 (99.78)
Asahi Logistics, Ltd.	Minato-ku, Tokyo	100.00
Asahi Professional Management Co., Ltd.	Sumida-ku, Tokyo	100.00
Other 109 Subsidiaries	—	—

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

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

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

(2) Interests in Associates

(i) Associates

The carrying amount of interests, share of profit of and share of other comprehensive income of associates are as follows. There are no associates that are material to the Group.

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
The carrying amount of interests	4,846	8,250

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, 2017)	Current year (ended December 31, 2018)
Profit	434	887
Other comprehensive income	69	(307)
Total comprehensive income	503	580

(Note) As total shares held for Tsingtao Brewery Co., Ltd., which was the associate of the Group that held voting rights of Yantai Beer Tsingtao Asahi Co., Ltd., was sold, Yantai Beer Tsingtao Asahi Co., Ltd became an equity-accounted investee from a consolidated subsidiary because voting rights including voting rights held by associates of the Group became less than the majority, and the Group lost the control of Yantai Beer Tsingtao Asahi Co., Ltd.

(ii) Joint Ventures

The carrying amount of interests, share of profit of and share of other comprehensive income of joint ventures are as follows. There are no joint ventures that are material to the Group.

	Millions of yen	
	Previous year (as of December 31, 2017)	Current year (as of December 31, 2018)
The carrying amount of interests	—	417

	Millions of yen	
	Previous year (ended December 31, 2017)	Current year (ended December 31, 2018)
Profit	—	0
Other comprehensive income	—	0
Total comprehensive income	—	0

39. Commitments

There are no significant commitments regarding acquisition of assets.

40. Contingencies

There are no significant contingencies.

41. Subsequent Events

(Acquisition of the beer and cider business of Fuller, Smith & Turner P.L.C.)

Asahi Europe Ltd. (hereinafter referred to as “AEL”), a wholly-owned subsidiary of the Company, reached an agreement to acquire the premium beer/cider business and other related assets (hereinafter referred to as the “Target Business”) held by Fuller, Smith & Turner P.L.C. (hereinafter referred to as “Fuller’s”).

Fuller’s is listed on the London Stock Exchange and operates the pubs/hotels business and the premium beer/cider business. On January 25, 2019, AEL concluded the Sale and Purchase Agreement of the stocks with Fuller’s.

(1) Rationale for the Proposed Transaction

The Company has re-established the new group philosophy “Asahi Group Philosophy” (hereinafter referred to as the “AGP”), introduced in January 2019. The AGP articulates our mission of “Deliver on our great taste promise and bring more fun to life” and our vision of “Be a value creator globally and locally, growing with high-value-added brands.” Under the AGP, the Company will develop high-value-added brands in Japan and other countries and aims to expand our global platform for further growth as a global player by creating integration synergies in each area where the Company has entered into.

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

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

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

(2) Overview of the Proposed Transaction

Overview of the Sale and Purchase Agreement of the stocks concluded by AEL with regard to the acquisition of the Target Business is as follows:

- 1) Contract parties: Fuller’s (seller), AEL (purchaser)
- 2) Target shares and assets: All shares of the company group consisting of the premium beer/cider business and other related businesses held by Fuller’s, intellectual property rights including Fuller’s brands (trademark rights) and other related assets
- 3) Scheme for the Proposed Transaction: Fuller’s will establish a new company, The Fuller’s Beer Company Limited (hereinafter referred to as the “FBC”), to which it will transfer the target beer business. AEL will then acquire all the shares of FBC and the existing three subsidiaries
- 4) Purchase price: GBP 250 million on a cash free and debt free enterprise value basis
- 5) Condition precedent to completion: The completion of a corporate reorganization by Fuller’s to transfer the Target Business to FBC, the approvals at Fuller’s Extraordinary General Meeting, and receipt of the relevant confirmations from the Competition and Markets Authority in the United Kingdom

(3) Overview of the Seller

1) Company name	Fuller, Smith & Turner P.L.C.
2) Registered head office	London, United Kingdom
3) Representative	Simon Emeny, CEO
4) Business description	Manufacturing, sales and distribution of beer and cider, and operation of managed and tenanted pubs and hotels
5) Capital amount	GBP 23 million
6) Established	August 22, 1929

(4) Expected schedule of the Proposed Transaction

The schedule towards the completion of the acquisition is as follows.

1) Execution of the Sale and Purchase Agreement of the stocks with Fuller's	January 25, 2019
2) Completion of the Proposed Transaction upon fulfilment of condition precedents	Estimated in the first half of 2019

(5) Impact on the Company's financial performance

Proposed Transaction is not expected to have a material impact on the Company's financial performance for the fiscal year ending 2019.

Independent Auditor's Report

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, 2018, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Asahi Group Holdings, Ltd. and its consolidated subsidiaries as at December 31, 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG AZSA LLC

March 26, 2019
Tokyo, Japan



Asahi Group Holdings, Ltd.

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