



# FINANCIAL SECTION 2020

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Asahi Group Holdings, Ltd.

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## Consolidated Statement of Financial Position

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
As of December 31, 2019 and December 31, 2020

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

See accompanying notes.

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

See accompanying notes.

## Consolidated Statement of Profit or Loss

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
For the years ended December 31, 2019 and 2020

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

See accompanying notes.

## Consolidated Statement of Comprehensive Income

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
For the years ended December 31, 2019 and 2020

Millions of yen			
	Notes	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
<b>Profit</b>		141,290	<b>92,584</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Changes in fair value of financial instruments measured at fair value through other comprehensive income	31	13,785	<b>(22,267)</b>
Remeasurements of defined benefit plans	19 31	2,298	<b>710</b>
<b>Items that might be reclassified to profit or loss</b>			
Cash flow hedges	31 32	33,806	<b>(42,088)</b>
Costs of hedging	31 32	714	<b>351</b>
Translation differences on foreign operations	31	(41,963)	<b>118,458</b>
Share of other comprehensive income of entities accounted for using equity method	31	(211)	<b>13</b>
Total other comprehensive income	31	8,430	<b>55,178</b>
Total comprehensive income		149,721	<b>147,763</b>
<b>Total comprehensive income attributable to:</b>			
Owners of parent		150,815	<b>148,151</b>
Non-controlling interests		(1,094)	<b>(388)</b>

See accompanying notes.

## Consolidated Statement of Changes in Equity

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
For the years ended December 31, 2019 and 2020

Millions of yen							
Notes	Equity attributable to owners of parent				Other components of equity		
	Issued capital	Share premium	Retained earnings	Treasury shares	Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
<b>Balance as of January 1, 2019</b>	182,531	119,128	821,120	(76,997)	53,015	—	(641)
Cumulative effects of changes in accounting policies			(1,993)				
Restated Balance	182,531	119,128	819,126	(76,997)	53,015	—	(641)
<b>Comprehensive income</b>							
Profit			142,207				
Other comprehensive income					13,785	2,300	33,831
<b>Total comprehensive income</b>	—	—	142,207	—	13,785	2,300	33,831
<b>Transfer to non-financial assets</b>							(392)
<b>Transactions with owners</b>							
Dividends	23		(48,556)				
Purchase of treasury shares				(31)			
Disposal of treasury shares		0		17			
Changes through sales of consolidated subsidiaries	34						
Change in scope of consolidation							
Share-based payment transaction	24	34					
Transfer from other components of equity to retained earnings			5,746		(3,446)	(2,300)	
Other increase (decrease)							
<b>Total contributions by owners and distribution to owners</b>	—	34	(42,809)	(14)	(3,446)	(2,300)	—
<b>Total transactions with owners</b>	—	34	(42,809)	(14)	(3,446)	(2,300)	—
<b>Balance as of December 31, 2019</b>	182,531	119,163	918,523	(77,011)	63,354	—	32,797

See accompanying notes.

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

See accompanying notes.

## Consolidated Statement of Cash Flows

Asahi Group Holdings, Ltd. and Consolidated Subsidiaries  
For the years ended December 31, 2019 and 2020

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

See accompanying notes.

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

See accompanying notes.

Notes	Millions of yen	
	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
<b>Cash flows from (used in) operating activities</b>		
Profit before tax	197,391	125,399
Depreciation and amortization expenses	113,036	123,277
Impairment losses	57	8,819
Interest and dividend income	(3,103)	(3,536)
Interest expenses	7,390	11,164
Share of loss (profit) of investments accounted for using equity method	(872)	(285)
Loss (gain) on sales of investments accounted for using equity method	—	2,300
Gains on sales of shares of subsidiaries and associates	(298)	—
Loss (gain) on sales and disposals of property, plant and equipment	3,926	(1,839)
Decrease (increase) in trade receivables	22,881	48,666
Decrease (increase) in inventories	(10,722)	3,306
Increase (decrease) in trade payables	2,955	(3,302)
Increase (decrease) in accrued alcohol tax	(9,214)	(16,609)
Increase (decrease) in net defined benefit assets and liabilities	1,338	1,627
Other	(14,572)	37,994
Subtotal	310,192	336,982
Interest and dividends received	3,818	4,182
Interest paid	(6,875)	(10,049)
Income taxes paid	(53,666)	(55,256)
Net cash flows from (used in) operating activities	253,469	275,859
<b>Cash flows from (used in) investing activities</b>		
Purchase of property, plant and equipment	(74,312)	(80,775)
Proceeds from sales of property, plant and equipment	4,564	12,095
Purchase of intangible assets	(11,009)	(9,968)
Purchase of investment securities	(5,841)	(10,237)
Proceeds from sales of investment securities	8,856	11,869
Proceeds from sales of investment in an entity accounted for using equity method	—	1,552
Purchase of shares of subsidiaries and others resulting in change in scope of consolidation	34	(23,942)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	34	741
Other	(2,721)	(2,017)
Net cash flows from (used in) investing activities	(103,666)	(1,243,372)
<b>Cash flows from (used in) financing activities</b>		
Increase (decrease) in short-term borrowings	35	38,736
Payments of lease liabilities	35	(22,113)
Proceeds from long-term borrowings	35	1,579
Repayments of long-term borrowings	35	(94,569)
Proceeds from issuance of bonds	35	—
Redemption of bonds	35	(35,000)
Proceeds from issuance of shares	22	—
Purchase of treasury shares		(31)
Proceeds from disposal of treasury shares	22	17
Dividends paid	23	(48,556)
Proceeds from share issuance to non-controlling shareholders		—
Other		1,096
Net cash flows from (used in) financing activities	(158,841)	956,759
<b>Effect of exchange rate changes on cash and cash equivalents</b>	209	10,725
<b>Net increase (decrease) in cash and cash equivalents</b>	(8,828)	(29)
<b>Cash and cash equivalents at beginning of period</b>	8	57,317
<b>Cash and cash equivalents at end of period</b>	8	48,489

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

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

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

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

## 3. Changes in Standards and Interpretations

(Leases)

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

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

The standard that has been newly issued or amended by the approval date of the consolidated financial statements and will be effective and applied in the future periods is as follows. The impact of the standard to be applied on the Group’s consolidated financial statements is under review, and not estimable at this moment.

No.	Title	Mandatory Application	The First Application by the Group	Description of the New Standard or the Amendment
IFRS 17	Insurance Contracts	Annual periods beginning on or after January 1, 2023	The annual period ending December 31, 2023	Formulate consistent accounting model for insurance contracts

## 5. Significant Accounting Policies

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

### (1) Consolidation

#### (i) Subsidiaries

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

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

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

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

#### (ii) Associates and Joint Ventures

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

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

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

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

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

### (2) Business Combinations

The Group applies the acquisition method to business combinations. The consideration is measured at fair value on the acquisition date which represents the total fair value of the assets transferred, the liabilities assumed and the equity instruments issued by the Group. The Group recognizes goodwill for the excess of total consideration paid, amount of non-controlling interest in the combined company, and the fair value of equity interest held by the combined company over the net value of identifiable assets and assumed liabilities as of the date of the combination. Negative goodwill is recognized immediately as profit or loss.

The Group elects to recognize non-controlling interests in the acquiree for each business combination, either at fair value or at the proportionate share of the identifiable net assets at the acquisition date, elected on a transaction-by-transaction basis.

Acquisition-related costs are expensed as incurred. Additional acquisition of non-controlling interest after the control obtained is accounted as equity transactions, and goodwill does not arise from such transactions accordingly.

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

### (3) Foreign Currency Translation

#### (i) Functional currency and presentation currency

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

## (ii) Transactions and Balances

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

## (iii) Foreign operation

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

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

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

## (4) Property, Plant and Equipment

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

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

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

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

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

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

## (5) Borrowing Costs

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

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

## (6) Goodwill and Intangible Assets

### (i) Goodwill

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

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

## (ii) Trademarks

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

## (iii) Software

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

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

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

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

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

## (iv) Other Intangible Assets

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

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

## (7) Leases

### (i) Leases as Lessee

A right-of-use asset is initially measured at cost. The cost of the right-of-use asset is measured using the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. In its consolidated statement of financial position, the Group presents right-of-use assets in "Property, plant and equipment" and lease liabilities in "Other financial liabilities."

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of the equivalent property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group applies the recognition exemption on short-term leases and leases for which the underlying asset is of low value. Furthermore, the Group has adopted "COVID-19-Related Rent Concessions (Amendment to IFRS 16)." When the practical expedient is applied, eligible rent concessions that are direct consequences of the COVID-19 pandemic do not require an assessment of whether the concessions are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions to which the Group chooses not to apply the practical expedient or that do not qualify for the practical expedient, the Group assesses whether there is lease modification.

## (ii) Leases as Lessor

For leases where the Group is the lessor, it determines whether each lease is a finance lease or an operating lease at contract inception.

When classifying each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards of ownership of the underlying asset. The lease is classified as a finance lease in cases where the risks and rewards are transferred and as an operating lease in cases where they are not transferred. As part of this assessment, the Group considers certain indicators, such as whether the lease term covers the major part of the economic useful life of the underlying asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification by reference to right-of-use assets arising from the head lease, not by reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease. In its consolidated statement of financial position, the Group presents finance leases as a lessor pertaining to the subleases under “trade and other receivables” and “other non-current assets.”

## (8) Impairment of Non-financial Assets

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

## (9) Financial Instruments

### (i) Financial Assets

#### a. Initial Recognition and Measurement

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

Financial assets measured at fair value through profit or loss are initially recognized at fair value. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. However, trade receivables that do not contain a significant financing component are initially recognized at the transaction price.

#### (a) Financial Assets measured at Amortized Cost

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

#### (b) Financial Assets measured at Fair Value

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

With regard to financial assets measured at fair value, the Group decides to irrevocably designate each financial instrument as measured at fair value through other comprehensive income, except for equity instruments held for trading, which must be measured at fair value through profit or loss. Equity instruments that are not designated are measured at fair value through profit or loss.

Information on derivatives is provided in ‘(V) Derivatives and Hedge Accounting’.

#### b. Subsequent Measurement

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

##### (a) Financial Assets measured at Amortized Cost

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

## (b) Financial Assets measured at Fair Value

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

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

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

## c. Derecognition

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

## (ii) Impairment of Financial Assets

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

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

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

If all or part of a financial asset cannot be recovered, or is judged to be extremely unlikely to be recovered, it is deemed to be in default.

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

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

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. Subsequent changes in loss allowance are recognized as impairment gains or impairment losses in profit or loss.

## (iii) Financial Liability

### a. Initial Recognition and Measurement

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

### b. Subsequent Measurement

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

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

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

#### (b) Financial Liabilities measured at Amortized Cost

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

## c. Derecognition

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

#### (iv) Offset of Financial Instruments

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

#### (v) Derivatives and Hedge Accounting

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

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

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

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

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

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

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

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

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

#### (10) Cash and Cash Equivalents

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

#### (11) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is calculated mainly using the weighted-average method for merchandise, finished goods and semi-finished goods, and mainly using the moving-average method for raw materials and supplies. The cost of merchandise, finished goods and semi-finished goods consists of raw material costs, direct labor costs, other direct costs and related production overhead costs (based on the normal production capacity). Net realizable value is determined at the estimated selling price in the ordinary course of business less the relevant estimated selling expenses.

#### (12) Assets or Disposal Groups Held for Sale

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

#### (13) Employee Benefits

##### (i) Post-employment Benefits

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

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

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

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

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

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

##### (ii) Short-term Employee Benefits

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

#### (14) Share-based Payment

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

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

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

#### (15) Provisions

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

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



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

#### (16) Equity

Ordinary shares are classified as equity.

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

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

#### (17) Revenue

The Group recognizes revenue based on the following five step approach.

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the entity satisfies a performance obligation

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

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

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

#### (18) Government Grants

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

#### (19) Dividends

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

#### (20) Income Tax

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

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

Deferred tax is recognized on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, a deferred tax liability is not recognized for a temporary difference arising from the initial recognition of goodwill. Similarly, a deferred tax asset or liability is not recognized for a temporary difference arising from initial

recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable profit (tax loss). Deferred tax is measured at tax rates that have been enacted or substantively enacted at end of the reporting date and expected to apply in the period when the related deferred income tax asset is realized or the deferred income tax liability is settled under applicable tax laws.

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

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

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

#### (21) Accounting for Consumption Tax

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

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## 6. Significant Accounting Estimates and Judgments

In the preparation of the consolidated financial statements, management makes judgments, estimates and assumptions that affect the application of the accounting policies and the reporting amounts of assets, liabilities, revenue and expenses. The estimates and the underlying assumptions are reviewed on an ongoing basis. The effects of a change in accounting estimates are recognized in the period in which the estimate is revised and in the future periods. As of the end of this fiscal year, the Group has also made estimates and judgments that have significant impact on the amounts of the consolidated financial statements, based on the assumption that the impact of COVID-19 continues in the following years. The estimates and the underlying assumptions that have significant risks which could result in a material adjustment to the carrying amounts of assets and liabilities within the next year are as follows:

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

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## 7. Segment Information

### (1) General Information

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

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

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

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

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

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

Previous Year (ended December 31, 2019)

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

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

Adjustments to segment profit or (loss) of ¥(22,760) million include overhead costs of ¥(23,203) million, which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥443 million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company. The price in intersegment transactions is in accordance with the transaction price with external customers.

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

Current Year (ended December 31, 2020)

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

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

Adjustments to segment profit or (loss) of ¥(24,028) million include overhead costs of ¥(24,482) million, which are not allocated to the reportable segments, and elimination of intersegment transactions of ¥453 million. Overhead costs are primarily group management expenses incurred at the Company that is a pure holding company. The price in intersegment transactions is in accordance with the transaction price with external customers.

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

(Note for changes in reporting segments)

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

Accordingly, the amount shown in segment information for the previous year reflected these changes in reporting segments.

(2) Information about Products and Services

Please refer to (1) General Information.

(3) Information about Geographical Areas

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

Revenue from External Customers

Millions of yen		
	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Japan	1,380,376	1,223,159
Overseas	708,671	804,602
Of which, Australia	143,716	305,472
Total	2,089,048	2,027,762

Non-current Assets

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

(4) Information about Major Customers

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

8. Cash and Cash Equivalents

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

Cash and cash equivalents are analyzed as follows:

	Millions of yen	
	Previous year (as of December 31, 2019)	Current year (as of December 31, 2020)
Cash and cash equivalents	48,489	<b>48,460</b>
Total	48,489	<b>48,460</b>

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

## 9. Trade and Other Receivables

Trade and other receivables are analyzed as follows:

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

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

## 10. Inventories

Inventories are analyzed as follows:

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

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

The Group recognized ¥1,182,023 million of inventories as an expense in the current year (Previous year: ¥1,195,350 million). It is included in "Cost of sales".

No inventory is pledged as collateral for liabilities.

'Cost of sales' includes cost of raw materials amounting to ¥449,916 million (Previous year: ¥482,984 million).

## 11. Disposal Groups Held for Sale

Disposal groups held for sale are analyzed as follows:

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

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

## 12. Property, Plant and Equipment

Property, plant and equipment is analyzed as follows:

### Carrying Amount

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Previous year (as of January 1, 2019)	200,792	205,740	121,038	135,395	27,016	0	689,985
Adjustment due to application of IFRS 16	37,339	8,543	(9,602)	—	—	—	36,281
Previous year (as of January 1, 2019)	238,132	214,284	111,436	135,395	27,016	0	726,266
Separate acquisitions	21,005	22,591	23,346	226	33,519	—	100,690
Acquisitions through business combinations	5,934	2,468	693	—	106	—	9,203
Disposals	(3,836)	(2,646)	(2,033)	(2,994)	(200)	—	(11,712)
Exchange differences	(1,700)	(2,754)	(1,458)	(737)	(640)	—	(7,291)
Transfers from construction in progress	7,263	24,172	3,121	—	(34,556)	—	—
Impairment losses (Note)	(37)	—	—	—	—	—	(37)
Depreciation expenses	(25,136)	(34,315)	(22,946)	—	—	(0)	(82,398)
Other	466	1,026	(100)	(226)	(863)	—	301
Previous year (as of December 31, 2019)	242,092	224,826	112,057	131,663	24,381	0	735,022
Separate acquisitions	<b>18,615</b>	<b>17,974</b>	<b>20,206</b>	<b>53</b>	<b>40,511</b>	<b>0</b>	<b>97,361</b>
Acquisitions through business combinations	<b>19,625</b>	<b>27,121</b>	<b>5,354</b>	<b>13,933</b>	<b>4,460</b>	—	<b>70,495</b>
Disposals	<b>(2,293)</b>	<b>(2,902)</b>	<b>(2,684)</b>	<b>(2,252)</b>	<b>(214)</b>	—	<b>(10,348)</b>
Exchange differences	<b>2,993</b>	<b>3,917</b>	<b>757</b>	<b>1,527</b>	<b>(152)</b>	<b>0</b>	<b>9,044</b>
Transfers from construction in progress	<b>6,293</b>	<b>23,536</b>	<b>4,034</b>	<b>385</b>	<b>(34,250)</b>	—	—
Impairment losses (Note)	<b>(906)</b>	—	<b>(81)</b>	<b>(190)</b>	—	—	<b>(1,179)</b>
Depreciation expenses	<b>(26,325)</b>	<b>(38,480)</b>	<b>(23,216)</b>	—	—	<b>(0)</b>	<b>(88,022)</b>
Other	<b>(2,296)</b>	<b>392</b>	<b>(1,559)</b>	<b>1,618</b>	<b>(265)</b>	<b>(0)</b>	<b>(2,110)</b>
Current year (as of December 31, 2020)	<b>257,798</b>	<b>256,387</b>	<b>114,868</b>	<b>146,739</b>	<b>34,470</b>	<b>0</b>	<b>810,264</b>

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

### Cost

	Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Previous year (as of January 1, 2019)	497,798	643,311	258,535	139,504	27,016	1	1,566,167
Previous year (as of December 31, 2019)	561,184	688,414	300,966	134,652	24,381	1	1,709,599
Current year (as of December 31, 2020)	<b>592,708</b>	<b>738,194</b>	<b>267,179</b>	<b>147,848</b>	<b>34,470</b>	<b>1</b>	<b>1,780,403</b>

### Accumulated Depreciation and Accumulated Impairment losses

	Millions of yen						Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	
Previous year (as of January 1, 2019)	297,005	437,570	137,496	4,109	—	0	876,182
Previous year (as of December 31, 2019)	319,091	463,587	188,908	2,988	—	0	974,576
Current year (as of December 31, 2020)	<b>334,910</b>	<b>481,807</b>	<b>152,311</b>	<b>1,109</b>	—	<b>0</b>	<b>970,139</b>

The carrying amount of property, plant and equipment includes the carrying amount of right-of-use assets as follows:

	Millions of yen					Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land		
Right-of-use assets						
Previous year (as of January 1, 2019)	38,188	9,678	7,927	—	—	55,793
Current year (as of January 1, 2020)	<b>41,392</b>	<b>11,479</b>	<b>7,352</b>	—	—	<b>60,224</b>
Current year (as of December 31, 2020)	<b>55,361</b>	<b>12,149</b>	<b>7,698</b>	<b>18</b>	—	<b>75,228</b>

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

### Cost

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

### Accumulated Amortization and Accumulated Impairment losses

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

The carrying amount of intangible assets includes the carrying amount of right-of-use assets as follows:

	Millions of yen		
	Software	Other	Total
Previous year (as of January 1, 2019)	166	—	166
Previous year (as of December 31, 2019)	123	—	123
Current year (as of December 31, 2020)	<b>102</b>	—	<b>102</b>

There are no significant internally generated intangible assets as of the end of the previous year and that of the current year, respectively. Amortization expenses are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Intangible assets with indefinite useful lives are included in the above, and the carrying amounts are ¥5,571 million as of December 31, 2020 (¥2,060 million as of December 31, 2019). These assets primarily consist of trademarks and land leasehold right, which basically last as long as the business continues, and thereby their useful lives are considered as indefinite.

Significant intangible assets recognized in the consolidated statement of financial position are mainly trademarks derived from the acquisition of CUB Australia Holding Pty Ltd (which changed its name from ABI Australia Holding Pty Ltd on August 7, 2020.) in the year ended December 31, 2020 and from the acquisition of Plzeňský Prazdroj, a.s., Plzeňský Prazdroj Slovensko, a.s. and Kompania Piwowarska S.A. in the year ended December 31, 2017.

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

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

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

### (2) Impairment

#### Previous Year (ended December 31, 2019)

Omitted due to lack of materiality.

#### Current Year (ended December 31, 2020)

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

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

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

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

#### Impairment test for goodwill and intangible assets with indefinite useful lives

As of December 31, 2020, significant items among goodwill and intangible assets with indefinite useful lives allocated to each cash generating unit (cash generating unit group) are as below.

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

The recoverable amount is measured at fair value less costs of disposal and the fair value hierarchy is classified into Level 3. The fair value less costs of disposal is calculated by discounting the future cash flows at 9.3% (11.5% as of December 31, 2019). Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash generating unit (cash generating unit group).

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 2.5% (2.5% as of December 31, 2019) and it has been determined with reference to factors such as inflation rates in the markets to which cash generating unit (cash generating unit group) belongs.

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

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

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

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

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 2.1% (1.3% as of December 31, 2019) and it has been determined with reference to factors such as inflation rates in the markets to which cash generating unit (cash generating unit group) belongs.

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

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

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

The future cash flows are based on business plans for 5 years or less and growth rates that reflect past experience and external information and have been approved by the management. Growth rate is 1.0% (2.0% as of December 31, 2019) and it has been determined with reference to factors such as inflation rates in the markets to which cash generating unit (cash generating unit group) belongs.

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

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

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

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

#### (3) Research and Development Expenses

Research and development expenses recognized on the consolidated statement of profit or loss in the previous year (ended December 31, 2019) and the current year (ended December 31, 2020) are as follows:

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

#### 14. Other Financial Assets

Other financial assets are analyzed as follows:

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

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

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

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

#### Previous Year (as of December 31, 2019)

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

Current Year (as of December 31, 2020)

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

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

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

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

Cumulative gain or loss previously recognized in other components of equity is reclassified to retained earnings in case that fair value of these financial assets is significantly declined or disposed. Such amount was ¥(1,482) million in the current year (¥(3,446) million in the previous year ended December 31, 2019).

## 15. Other Assets

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

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

## 16. Trade and Other Payables

Trade and other payables are analyzed as follows:

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

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

(Note) “Average interest rate” is the weighted average interest rate to the aggregate balance at the end of fiscal period. Borrowings with floating interest rate among the bonds and borrowings stated above amounted to ¥487,360 million (¥79,421 million as of December 31, 2019).

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

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

## (2) Bonds

Millions of yen					
Issuer	Type	Issue date	Previous year (as of December 31, 2019)	Current year (as of December 31, 2020)	Maturity date (Interest rate)
the Company	the 6th Issue of Unsecured Corporate Bond	July 15, 2014	9,982 (—)	<b>9,991</b> <b>(9,991)</b>	July 15, 2021 (0.37%)
the Company	the 7th Issue of Unsecured Corporate Bond	May 28, 2015	24,974 (24,974)	—	May 28, 2020 (0.24%)
the Company	the 8th Issue of Unsecured Corporate Bond	May 28, 2015	9,974 (—)	<b>9,982</b> <b>(—)</b>	May 27, 2022 (0.35%)
the Company	the 9th Issue of Unsecured Corporate Bond	Jun 13, 2017	99,942 (99,942)	—	Jun 12, 2020 (0.08%)
the Company	the 10th Issue of Unsecured Corporate Bond	Jun 13, 2017	129,751 (—)	<b>129,850</b> <b>(—)</b>	Jun 13, 2022 (0.17%)
the Company	the 11th Issue of Unsecured Corporate Bond	Jun 13, 2017	19,935 (—)	<b>19,949</b> <b>(—)</b>	Jun 13, 2024 (0.23%)
the Company	the 12th Issue of Unsecured Corporate Bond	Jun 13, 2017	29,882 (—)	<b>29,897</b> <b>(—)</b>	Jun 11, 2027 (0.33%)
the Company	Euro denominated straight corporate bonds due 2021	Sep 19, 2017	73,364 (—)	<b>78,259</b> <b>(78,259)</b>	Sep 19, 2021 (0.32%)
the Company	Euro denominated straight corporate bonds due 2025	Sep 19, 2017	73,202 (—)	<b>73,745</b> <b>(—)</b>	Sep 19, 2025 (1.15%)
the Company	The 1st unsecured subordinated bonds with optional interest payment deferral and early redemption provisions (with a subordination provision)	Oct 15, 2020	—	<b>297,854</b> <b>(—)</b>	Oct 15, 2080 (0.97%)
the Company	the 13th Issue of Unsecured Corporate Bond	Oct 15, 2020	—	<b>99,705</b> <b>(—)</b>	Oct 13, 2023 (0.001%)
the Company	the 14th Issue of Unsecured Corporate Bond	Oct 15, 2020	—	<b>9,947</b> <b>(—)</b>	Oct 15, 2025 (0.12%)
the Company	Euro denominated straight corporate bonds due 2024	Oct 23, 2020	—	<b>101,164</b> <b>(—)</b>	Oct 23, 2024 (0.155%)
the Company	Euro denominated straight corporate bonds due 2028	Oct 23, 2020	—	<b>101,055</b> <b>(—)</b>	Oct 23, 2028 (0.541%)
Total	—	—	471,010 (124,917)	<b>961,404</b> <b>(88,250)</b>	

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

## (3) Secured liabilities and assets pledged as collateral

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

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

## 18. Leases

### (1) Right-of-use assets

The Group leases buildings and structures, machinery and vehicles, tools, furniture and fixtures, and others as a lessee.

Some lease contracts contain an option to extend leases for the same period of time after the contractual term expires.

There are no material clauses including purchase option and any other restrictions associated with these lease contracts.

The carrying amount and depreciation expense of right-of-use assets at the end of the current year are as follows:

#### Previous Year (as of December 31, 2019)

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

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

#### Current Year (as of December 31, 2020)

Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Software	Total
Carrying amount for the current year (as of December 31, 2020)	<b>55,361</b>	<b>12,149</b>	<b>7,698</b>	<b>18</b>	<b>102</b>	<b>75,330</b>
Depreciation expense for right-of-use assets in the current year	<b>11,132</b>	<b>4,049</b>	<b>3,074</b>	—	<b>62</b>	<b>18,318</b>

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

### (2) Lease liabilities

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

### (3) Amount recognized in profit or loss

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

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

The Group applies the practical expedient to rent concessions related to lease contracts for certain retail buildings, etc. in domestic and foreign subsidiaries.

The impact to the amount recognized in profit or loss as a result of applying the practical expedient of COVID-19 related rent concessions is not material.

#### (4) Amount recognized in the statement of cash flows

Millions of yen		
	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Total cash outflows related to leases	33,698	<b>32,105</b>

#### (5) Finance leases (lessor)

Certain foreign subsidiaries sublease leased buildings. The Group classifies these subleases as finance leases, considering that substantially all the risks and rewards are transferred to the lessees in the subleases.

Finance income on net investment in the lease and revenue on variable lease payments are as follows:

Millions of yen		
	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Finance income on net investment in the lease	52	<b>124</b>
Revenue on variable lease payments	—	—

#### (6) Operating leases (lessor)

There are no material transactions.

#### (7) Maturity analysis (lessor)

The maturity analysis of outstanding balances of undiscounted lease payments receivable by due date is as follows:

##### Previous Year (as of December 31, 2019)

Millions of yen										
	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total	Unguaranteed residual value	Unearned finance income	Net investment in the lease
Lease payments receivable	1,437	981	879	778	702	2,813	7,593	1,338	(529)	8,402

##### Current Year (as of December 31, 2020)

Millions of yen										
	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total	Unguaranteed residual value	Unearned finance income	Net investment in the lease
Lease payments receivable	<b>1,489</b>	<b>980</b>	<b>880</b>	<b>811</b>	<b>716</b>	<b>2,760</b>	<b>7,639</b>	<b>1,719</b>	<b>(577)</b>	<b>8,781</b>

## 19. Employee Benefits

### (1) Overview of Defined Benefit Plans

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

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

### (2) Defined Benefit Plans

#### (i) Reconciliation

Present value of defined benefit obligation is analyzed as follows:

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

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

Fair value of plan assets is analyzed as follows:

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

#### (ii) Asset ceiling

There was no material impact during current year and previous year.



### (iii) Details of Plan Assets

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

#### Previous Year (as of December 31, 2019)

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

#### Current Year (as of December 31, 2020)

	Millions of yen		
	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Cash and cash equivalents	—	3,350	3,350
Equity instruments	32,754	12,869	45,624
Domestic	24,044	7,479	31,524
Overseas	8,710	5,389	14,100
Debt instruments	20,269	9,159	29,429
Domestic	987	4,811	5,799
Overseas	19,281	4,348	23,630
Life insurance—General accounts	—	26,886	26,886
Other	5,440	12,254	17,695
Total	58,465	64,520	122,986

### (iv) Significant Actuarial Assumptions

Significant actuarial assumptions are analyzed as follows:

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

A rise by 0.5% in the discount rate will lead to a decrease of defined benefit obligation by ¥7,460 million at the end of the current year (a decrease of ¥7,512 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 ¥4,444 million for the year from January 1, 2021 to December 31, 2021. The weighted average duration of the defined benefit obligations is 14.37 years (previous year: 14.71 years).

### (3) Other Post-retirement Benefit Plans

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

### (4) Employee Benefits Expense

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

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

## 20. Provisions

Provisions are analyzed as follows:

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

#### Previous Year (ended December 31, 2019)

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

#### Current Year (ended December 31, 2020)

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

#### Environmental Measures

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

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

#### Litigation Related

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

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

#### Tax Related

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

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

Other

Other includes provisions mainly related to business integration.

## 21. Other Liabilities

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

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

## 22. Equity and Other Equity Interest

### (1) Issued Capital and Reserves

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

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

(Note)

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

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

Reserves are analyzed as follows:

#### (i) Share premium

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

#### (ii) Retained earnings

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

### (2) Treasury shares

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

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

Treasury shares held by subsidiaries and associates in the current year include 110,442 (35,742 as of December 31, 2019) common shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

## 23. Dividends

Previous Year (ended December 31, 2019)

### (1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 26, 2019	Ordinary shares	24,738	54.00	Dec 31, 2018	Mar 27, 2019
Board of Directors held on August 1, 2019	Ordinary shares	23,822	52.00	Jun 30, 2019	Sep 2, 2019

- Total amount ¥24,738 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 26, 2019 include dividends of ¥2 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.
- Total amount ¥23,822 million of dividends by a resolution of Board of Directors held on August 1, 2019 include dividends of ¥2 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

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

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 25, 2020	Ordinary shares	Retained earnings	21,989	48.00	Dec 31, 2019	Mar 26, 2020

Total amount ¥21,989 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 25, 2020 include dividends of ¥1 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

Current Year (ended December 31, 2020)

### (1) Dividends Paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 25, 2020	Ordinary shares	21,989	48.00	Dec 31, 2019	Mar 26, 2020
Board of Directors held on August 5, 2020	Ordinary shares	24,279	53.00	Jun 30, 2020	Sep 1, 2020

- Total amount ¥21,989 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 25, 2020 include dividends of ¥1 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.
- Total amount ¥24,279 million of dividends by a resolution of Board of Directors held on August 5, 2020 include dividends of ¥1 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

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

Resolution	Type of shares	Resources of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on March 25, 2021	Ordinary shares	Retained earnings	26,861	53.00	Dec 31, 2020	Mar 26, 2021

Total amount ¥26,861 million of dividends by a resolution of Annual General Meeting of Shareholders held on March 25, 2021 include dividends of ¥5 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

## 24. Share-based Payments

The Company has implemented Stock Compensation Plan.

### (1) Details of Share Compensation Plan

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

Based on the Share Distribution Regulations, the number of share points are calculated according to the position and the role, and are granted to each director excluding outside directors on the date of the board meeting held for approval of financial results each year during the term of the trust.

On September 25, 2020, the Company additionally contributed cash to the trust, which was already established on December 28, 2016. The trust will be funded with the cash contribution (and, if there is any cash remaining in the trust before the additional contribution, that remaining cash) in order to acquire shares of the Company. Shares of the Company will be distributed by the trust to each director when they complete the beneficiary determination procedures as prescribed on their retirement. However, a certain proportion of such shares will be sold and converted into cash by the trust, and will be distributed in cash instead of the shares to directors. Also, the trust is allowed to make a distribution in cash instead of shares when shares of the Company held by the trust are sold for a tender offer or any other reasons.

With regard to the stock compensation plan for the period from the fiscal year ended on the last day of December 2016 to the fiscal year ended on the last day of December 2018, the number of points to be granted is calculated based on the Share Distribution Regulations by referring to the position of each director excluding outside directors and the level of achievement of target basic earnings per share (EPS) for the year that is the subject of evaluation. The aggregate number of share points to be granted by the Company to directors shall be 21,000 points at a maximum for each year.

With regard to the stock compensation plan for the period from the fiscal year ended on the last day of December 2019 to the fiscal year ending on the last day of December 2021 (hereinafter referred to as the “New Plan”), based on the Share Distribution Regulations, the number of share points are calculated according to the position and the role, and are granted to each director excluding outside directors on the date of the board meeting held for approval of financial results each year during the term of the trust. The aggregate number of share points to be granted by the Company to directors shall be 25,000 points at a maximum for each year.

Transactions settled by shares under the Plan are accounted for as equity-settled share-based payment transactions and those settled in cash as cash-settled share-based payment transactions. The Company recognized ¥65 million (previous year: ¥40 million) as share-based payment expense in selling, general and administrative expenses in the current year, and recognized in capital surplus. The Company recognized ¥16 million (previous year: ¥39 million) as cash-based payment expense in selling, general and administrative expenses in the current year, and ¥62 million (previous year: ¥45 million) were recognized in other non-current liabilities, respectively.

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

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

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

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

## 25. Revenue

### (1) Revenue Analysis and Reconciliation to Segment Revenue

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

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

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

#### Previous Year (ended December 31, 2019)

	Millions of yen					
	Manufacture and sales of alcohol beverages	Manufacture and sales of soft drinks	Manufacture and sales of food and pharmaceuticals	Other	Elimination of intersegment revenue	Total
Alcohol Beverages	838,632	22,499	—	25,728	(27,638)	859,221
Soft Drinks	5,363	371,504	—	—	(8,463)	368,404
Food	—	—	117,483	11,483	(920)	128,046
Overseas						
Europe	467,361	—	—	—	—	467,361
Oceania	93,862	84,987	—	—	—	178,849
Overseas Other	6,194	46,141	—	—	(272)	52,063
Other	567,418	131,128	—	—	(272)	698,274
Other	—	—	—	97,707	(62,605)	35,101
Consolidated	1,411,413	525,132	117,483	134,919	(99,900)	2,089,048

#### Current Year (ended December 31, 2020)

	Millions of yen					
	Manufacture and sales of alcohol beverages	Manufacture and sales of soft drinks	Manufacture and sales of food and pharmaceuticals	Other	Elimination of intersegment revenue	Total
Alcohol Beverages	721,804	22,305	—	14,160	(25,835)	732,435
Soft Drinks	5,044	348,337	—	—	(8,036)	345,345
Food	—	—	112,339	11,147	(943)	122,543
Overseas						
Europe	409,151	—	—	—	—	409,151
Oceania	247,994	91,108	—	—	—	339,103
Overseas Other	1,864	42,837	—	—	(90)	44,610
Other	659,010	133,945	—	—	(90)	792,865
Other	—	—	—	93,155	(58,582)	34,572
Consolidated	1,385,859	504,588	112,339	118,462	(93,488)	2,027,762

(Note for changes in reporting segments)

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

(Note for change in presentation)

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

## (2) Transaction Price Allocated to Remaining Performance Obligations

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

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

## 26. Selling, General and Administrative Expenses

Selling, general and administrative expenses are analyzed as follows:

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

## 27. Other Operating Income and Expense

‘Other operating income’ and ‘Other operating expense’ are analyzed as follows:

### (1) Other Operating Income

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

### (2) Other Operating Expense

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

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

## 28. Finance Income and Finance Costs

‘Finance income’ and ‘Finance costs’ are analyzed as follows:

### (1) Finance Income

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

(Note) This is principally due to interest received on financial assets measured at amortized cost.

### (2) Finance Costs

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

(Note) This is principally due to interest paid on financial liabilities measured at amortized cost.

## 29. Income Taxes

### (1) Deferred Tax Assets and Deferred Tax Liabilities

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

#### Previous Year (ended December 31, 2019)

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

(Notes) 1. Amounts in the column 'Other' are primarily deferred tax assets and deferred tax liabilities recognized through exchange rate fluctuations.

2. The effect on the financial statements of the adoption of IFRS 16 is reflected in the beginning balance.

#### Current Year (ended December 31, 2020)

	Millions of yen				
	Balance as of January 1, 2019	Recognized in profit or loss	Recognized in Other Comprehensive Income	Other (Note)	Balance as of December 31, 2019
<b>Deferred tax assets</b>					
Loss allowance for credit losses	848	(149)	—	549	1,249
Retirement benefits	7,805	696	(279)	1,071	9,294
Property, plant and equipment and intangible assets	42,704	1,294	—	474	44,472
Unused tax losses	841	2,509	—	141	3,491
Income tax payable-enterprise tax	1,527	(340)	—	8	1,195
Accrued bonus	2,206	(345)	—	(28)	1,832
Other	19,142	1,819	2,333	1,177	24,473
<b>Total of Deferred tax assets</b>	<b>75,076</b>	<b>5,484</b>	<b>2,053</b>	<b>3,395</b>	<b>86,009</b>
<b>Deferred tax liabilities</b>					
Property, plant and equipment and intangible assets	(157,062)	8,521	—	(89,138)	(237,679)
Equity instruments	(21,265)	—	11,979	(1,025)	(10,312)
Retained earnings of subsidiaries and associates	(168)	77	—	—	(91)
Other	(28,814)	(519)	13,021	707	(15,605)
<b>Total of Deferred tax liabilities</b>	<b>(207,311)</b>	<b>8,079</b>	<b>25,000</b>	<b>(89,457)</b>	<b>(263,688)</b>
<b>Net amount of Deferred tax assets and Deferred tax liabilities</b>	<b>(132,235)</b>	<b>13,563</b>	<b>27,054</b>	<b>(86,061)</b>	<b>(177,679)</b>

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

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

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

A deferred tax liability is not recognized for taxable temporary difference associated with investments in subsidiaries if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Taxable temporary differences associated with investments in subsidiaries which deferred tax liabilities are not recognized for are ¥393,161 million (¥376,646 million in the previous year ended December 31, 2019).

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

The above does not include deductible temporary differences and unused tax losses that do not result in recognition of deferred tax assets associated with local taxes (inhabitant tax and enterprise tax), which is not within the scope of above-mentioned system. The amount of deductible temporary differences associated with local taxes (inhabitant tax and enterprise tax) is ¥34,094 million and the amounts of unused tax losses derived from inhabitant tax and enterprise tax are ¥9,784 million and ¥13,776 million, respectively.

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

### (2) Tax Expense

Tax expense is analyzed as follows:

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

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

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

Income tax, inhabitant tax and enterprise tax are main components of income taxes imposed on the Group, and the effective statutory tax rate based on those taxes is 30.6%. Foreign subsidiaries are subject to income taxes in the tax jurisdiction that it is located.

### 30. Earnings per Share

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

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

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

	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Profit attributable to owners of parent (Millions of yen)	142,207	92,826
Weighted average number of ordinary shares outstanding (Shares)	458,078,035	472,359,740
Effect of dilution (Shares):		
Trust for share issuance to executives	35,742	56,231
Adjusted weighted average number of ordinary shares outstanding (Shares)	458,113,777	472,415,971
Description of equity instruments not included in calculation of diluted earnings per share because they were not dilutive for the year	—	—

### 31. Other Comprehensive Income

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

	Millions of yen					
	Previous year (ended December 31, 2019)			Current year (ended December 31, 2020)		
	Before Tax	Tax Effects	After Tax	Before Tax	Tax Effects	After Tax
Items that will not be reclassified to profit or loss						
Changes in fair value of financial instruments measured at fair value through other comprehensive income						
Increase and decrease	15,063	(1,277)	13,785	(34,246)	11,979	(22,267)
Changes	15,063	(1,277)	13,785	(34,246)	11,979	(22,267)
Remeasurements of defined benefit plans						
Increase and decrease	3,336	(1,037)	2,298	989	(279)	710
Changes	3,336	(1,037)	2,298	989	(279)	710
Items that might be reclassified to profit or loss						
Cash flow hedges						
Increase and decrease	48,537	(14,858)	33,679	(60,787)	18,735	(42,052)
Reclassification to profit or loss	148	(22)	126	(51)	15	(35)
Changes	48,686	(14,880)	33,806	(60,839)	18,751	(42,088)
Costs of hedging						
Increase and decrease	1,066	(326)	740	544	(166)	377
Reclassification to profit or loss	(37)	11	(25)	(37)	11	(25)
Changes	1,029	(315)	714	506	(155)	351
Translation differences on foreign operations						
Increase and decrease	(41,591)	(409)	(42,001)	116,567	1,817	118,384
Reclassification to profit or loss	37	—	37	74	—	74
Changes	(41,554)	(409)	(41,963)	116,641	1,817	118,458
Share of other comprehensive income of entities accounted for using equity method						
Increase and decrease	(211)	—	(211)	13	—	13
Reclassification to profit or loss	—	—	—	—	—	—
Changes	(211)	—	(211)	13	—	13
Total other comprehensive income	26,351	(17,920)	8,430	23,065	32,113	55,178

### 32. Financial Instruments

#### (1) Capital Management

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

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

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

The capital and liabilities ratios are as follows:

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

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

## (2) Risk Management

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

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

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

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

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

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

### (i) Market Risks

#### a. Foreign Exchange Risk

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

The Group uses foreign exchange contracts and currency swaps to mitigate foreign exchange risk. Hedge accounting is applied to the transactions that qualify for hedge accounting. When designating hedging instruments, the Group classifies the currency basis spread of currency swaps and the forward element of forward exchange contracts as costs of hedging for accounting treatment, and records them as costs of hedging, which are an independent item of other components of equity.

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

#### Exposure to Foreign Exchange Risk

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

Functional currency: Japanese yen

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

  

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

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

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

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

#### Sensitivity Analysis

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

Functional currency: Japanese yen

	Millions of yen	
	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
	US dollar	(33)
Euro	(10)	(8)
Czech koruna	0	(0)
Australian dollar	1	(4)

Assuming that the euro appreciates by 1% against the US dollar and Czech koruna, it will affect net profit of the Group as follows. The effect will be reversed in case of depreciation by 1% given that all other variables remain constant.

Functional currency: Euro

	Millions of yen	
	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
	US dollar	(9)
Czech koruna	(18)	11

#### b. Price Risk

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

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

With an increase or a decrease in share price of 5% and all other variables remaining constant, other components of equity (before tax) will increase or decrease by ¥4,123 million (previous year: ¥5,177 million) as a result of changes in fair value.

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

#### c. Interest Rate Risk

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

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

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

Millions of yen		
	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Net profit	793	<b>3,616</b>

## (ii) Credit Risk

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

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

When executing derivative transactions, in principle, the Group trades only with financial institutions with high credit ratings to mitigate credit risk.

The Group classifies receivables based on credit risk profile to calculate loss allowance.

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

The amount of loss allowance is calculated as follows:

- Trade receivables

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

- Receivables other than trade receivables

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

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

### Trade and Other Receivables

Millions of yen			
Carrying amount	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses	Financial assets to which the simplified approach is applied
Previous year (as of January 1, 2019)	16,544	507	413,032
Previous year (as of December 31, 2019)	16,506	624	394,078
Current year (as of December 31, 2020)	<b>25,091</b>	<b>412</b>	<b>360,450</b>

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

### Credit Risk Rating

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

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

Millions of yen			
Loss allowance	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses	Financial assets to which the simplified approach is applied
Previous year (as of January 1, 2019)	117	378	2,307
Increase	17	96	1,739
Utilization	—	(13)	(480)
Reversal	(35)	(70)	(832)
Other	(0)	(4)	366
Previous year (as of December 31, 2019)	99	386	3,101
Increase	<b>6</b>	<b>14</b>	<b>2,280</b>
Utilization	—	<b>(0)</b>	<b>(854)</b>
Reversal	<b>(2)</b>	<b>(51)</b>	<b>(1,157)</b>
Other	<b>47</b>	<b>22</b>	<b>3,136</b>
Current year (as of December 31, 2020)	<b>150</b>	<b>372</b>	<b>6,506</b>

### Other Financial Assets

Millions of yen		
Carrying amount	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses
Previous year (as of January 1, 2019)	8,408	2,051
Previous year (as of December 31, 2019)	9,201	1,951
Current year (as of December 31, 2020)	<b>10,015</b>	<b>2,089</b>

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

### Credit Risk Rating

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

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

Millions of yen		
Loss allowance	Financial assets with loss allowance measured at 12-month expected credit losses	Financial assets with loss allowance measured at lifetime expected credit losses
Previous year (as of January 1, 2019)	0	905
Increase	11	244
Utilization	—	(25)
Reversal	(11)	(20)
Other	—	(108)
Previous year (as of December 31, 2019)	0	995
Increase	<b>42</b>	<b>337</b>
Utilization	—	<b>(0)</b>
Reversal	<b>(0)</b>	<b>(134)</b>
Other	<b>1</b>	<b>(367)</b>
Current year (as of December 31, 2020)	<b>44</b>	<b>830</b>



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

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

### Maximum Exposure to Credit Risk

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

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

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

The amount of collateral and other credit enhancement held as a guarantee for the credit-impaired financial assets at the end of the fiscal period is ¥2,390 million at the end of the current year (¥2,775 million in the previous year ended December 31, 2019).

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

### (iii) Liquidity Risk

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

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

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

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

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

#### Previous Year (as of December 31, 2019)

	Millions of yen							
	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Trade and other payables	423,810	423,810	423,810	—	—	—	—	—
Bonds and borrowings	943,215	952,733	413,814	245,739	153,025	8,085	27,859	104,208
Derivative liabilities	10,783	10,783	1,613	348	4,716	38	—	4,067

#### Current Year (as of December 31, 2020)

	Millions of yen							
	Carrying amount	Contractual cash flow	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
Trade and other payables	477,098	477,098	477,098	—	—	—	—	—
Bonds and borrowings	1,823,627	1,850,885	924,471	158,487	109,931	133,107	90,395	434,492
Derivative liabilities	4,891	4,891	4,123	419	139	2	206	—

### (3) Fair Value of Financial Instruments

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

- Level 1: Input consisting of unadjusted quoted prices in active markets for identical assets and liabilities
- Level 2: Input consisting of directly or indirectly observable prices other than market prices used in level 1
- Level 3: Input that is not based on observable market data

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

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

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

Each of the amounts in the above table includes the portion scheduled to be collected, repaid, or redeemed within one year.

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

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

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

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

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

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

#### Previous Year (as of December 31, 2019)

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

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

Current Year (as of December 31, 2020)

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

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

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

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

The principal unobservable input used in calculating the fair value of instruments classified as Level 3 is equity instruments of the price book-value ratio in the comparable company analysis method, which is distributed in a range from 0.7 times to 1.1 times (from 0.8 times to 1.1 times in the previous year).

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

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

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

Financial instruments categorized into Level 3 are analyzed as follows:

Previous Year (ended December 31, 2019)

	Millions of yen		
	Equity instruments measured at fair value through other comprehensive income	Derivatives	Financial liabilities measured at fair value through in profit or loss
Balance at beginning of period	71,979	—	—
Gains (losses) recognized in profit or loss	—	—	46
Gains (losses) recognized in other comprehensive income	13,470	—	—
Purchases	5,001	902	—
Sales	(5,783)	—	—
Settlements	—	—	—
Transfers into/out of Level 3	(37)	—	—
Other	—	—	684
Balance at end of period	84,631	902	730
Of gains (losses) recognized in profit or loss : Gains (losses) for assets and liabilities held at end of period	—	—	46

Current Year (ended December 31, 2020)

	Millions of yen		
	Equity instruments measured at fair value through other comprehensive income	Derivatives	Financial liabilities measured at fair value through in profit or loss
Balance at beginning of period	84,631	902	730
Gains (losses) recognized in profit or loss	—	—	(730)
Gains (losses) recognized in other comprehensive income	(15,023)	290	—
Purchases	9,287	—	—
Sales	(10,601)	—	—
Settlements	—	—	—
Transfers into/out of Level 3	—	—	—
Other	(1,955)	—	25,930
Balance at end of period	66,338	1,193	25,930
Of gains (losses) recognized in profit or loss : Gains (losses) for assets and liabilities held at end of period	—	—	(730)

(4) Derivatives and Hedge Accounting

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

(i) Effect on the Consolidated Statement of Financial Position

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

Previous Year (as of December 31, 2019)

Hedge type	Hedging instrument	Notional Amount (Millions of yen)	Carrying amount (fair value)	
			Assets (Millions of yen)	Liabilities (Millions of yen)
Cash flow hedge	Foreign exchange contract	1,182,831	47,013	1,064
	Currency swap	167,194	94	8,990
	Commodity swap	30,086	1,054	680
	Interest rate swap	—	—	—
	Forward contract	—	—	—
<b>Total</b>		<b>1,380,112</b>	<b>48,162</b>	<b>10,734</b>
Hedges of net investments in foreign operations	Euro denominated borrowings	36,762 (Euro 300 million)	—	36,762
	Euro denominated bonds	—	—	—

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

Current Year (as of December 31, 2020)

Hedge type	Hedging instrument	Notional Amount (Millions of yen)	Carrying amount (fair value)	
			Assets (Millions of yen)	Liabilities (Millions of yen)
Cash flow hedge	Foreign exchange contract	92,207	1,268	832
	Currency swap	162,289	189	2,210
	Commodity swap	31,745	1,877	914
	Interest rate swap	—	—	—
	Forward contract	—	—	—
<b>Total</b>		<b>286,243</b>	<b>3,335</b>	<b>3,957</b>
Hedges of net investments in foreign operations	Euro denominated borrowings	38,085 (Euro 300 million)	—	38,085
	Euro denominated bonds	203,120 (Euro 1,600 million)	—	203,120

The average rates applied to the foreign exchange contracts are ¥106.56 per US dollar, ¥124.50 per euro, 0.22 euro per Polish zloty and 0.73 US dollar per Australian dollar. The average rates applied to the currency swap is ¥130.50 per euro.

Hedge transactions conducted by the Group hedge all hedged items, and there are no transactions that only hedge certain risk elements. The periods for which the foreign exchange contract, currency swap and commodity swap would hedge cash flow fluctuations are approximately 3 years, 5 years and 4 years at the longest, respectively.

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

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

	Millions of yen			
	Previous year (as of December 31, 2019)		Current year (as of December 31, 2020)	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange contract	0	29	—	2
Currency swap	849	20	46	792
Commodity swap	8	0	41	139
<b>Total</b>	<b>858</b>	<b>49</b>	<b>87</b>	<b>934</b>

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

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

Millions of yen

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

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

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

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

Previous Year (ended December 31, 2019)

Risk type	Millions of yen		
	Gains (losses) recognized in other comprehensive income (Note)	Amount reclassified from other equity interest to profit or loss (Note)	Line item in profit or loss on reclassification
Cash flow hedges			
Foreign exchange risk	47,695	148	Finance costs
Price risk	842	—	
Interest rate risk	—	—	
<b>Total</b>	<b>48,537</b>	<b>148</b>	
Costs of hedging			
Foreign exchange risk (period-related)	1,066	(37)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	1,338	—	

(Note) The amounts are gross values before tax.

Current Year (ended December 31, 2020)

Risk type	Millions of yen		
	Gains (losses) recognized in other comprehensive income (Note)	Amount reclassified from other equity interest to profit or loss (Note)	Line item in profit or loss on reclassification
Cash flow hedges			
Foreign exchange risk	(61,085)	(51)	Finance costs
Price risk	297	—	
Interest rate risk	—	—	
<b>Total</b>	<b>(60,787)</b>	<b>(51)</b>	
Costs of hedging			
Foreign exchange risk (period-related)	544	(37)	Finance costs
Hedges of net investments in foreign operations			
Foreign exchange risk for net investment	(6,843)	—	

(Note) The amounts are gross values before tax.

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

There are ¥11,809 million (previous year: ¥402 million) of foreign exchange risks and ¥7 million (previous year: ¥(10) million) of price risks, among the amounts reclassified to the cost.

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

#### (5) Offset of financial assets and liabilities

The Company has entered into cash pooling agreements with financial institutions. The Company has a legally enforceable right to offset financial assets and liabilities recognized based on the cash pooling agreements, and an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities recognized based on the above cash pooling agreements at the end of the current year are as follows:

##### Previous Year (ended December 31, 2019)

	Millions of yen		
	Aggregate amount recognized	Amount offset	Net amount presented in the statement of financial position
<Financial assets>			
Cash and cash equivalents	35,054	(31,262)	3,792
<Financial liabilities>	—	—	—
Bonds and borrowings	31,262	(31,262)	—

##### Current Year (ended December 31, 2020)

	Millions of yen		
	Aggregate amount recognized	Amount offset	Net amount presented in the statement of financial position
<Financial assets>			
Cash and cash equivalents	108,541	(103,168)	5,373
<Financial liabilities>	—	—	—
Bonds and borrowings	103,168	(103,168)	—

### 33. Significant Non-cash Transactions

#### Previous Year (ended December 31, 2019)

There are no significant non-cash transactions.

#### Current Year (ended December 31, 2020)

There are no significant non-cash transactions.

### 34. Changes in Ownership Interests in Subsidiaries

#### (1) Earnings and Expenses on Acquisitions of Subsidiaries

##### Previous Year (ended December 31, 2019)

The Group acquired shares in Asahi UK Holdings Ltd and 5 other companies which resulted in their addition to the scope of consolidation. The main assets and liabilities of investees on commencement of consolidation as well as the relationship between the acquisition cost of shares, etc. and net consideration paid are analyzed as follows:

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

##### Current Year (ended December 31, 2020)

The Group acquired shares in CUB Australia Holding Pty Ltd (Company name changed from ABI Australia Holding Pty Ltd on August 7, 2020) and 54 other companies, and Advend Systems Pte Ltd and 5 other companies which resulted in their addition to the scope of consolidation. The main assets and liabilities of investees on commencement of consolidation as well as the relationship between the acquisition cost of shares, etc. and net consideration paid are analyzed as follows:

	Millions of yen
Current assets	55,219
Non-current assets	349,157
Goodwill	933,860
Current liabilities	(46,665)
Non-current liabilities	(116,552)
Acquisition cost of shares, etc.	1,175,019
Cash and cash equivalents of acquired companies	(9,044)
Net cash used for acquisition of acquired companies	1,165,974

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

#### (2) Earnings and Expenses on Sales of Subsidiaries

##### Previous Year (ended December 31, 2019)

Omitted due to lack of materiality.

##### Current Year (ended December 31, 2020)

Omitted due to lack of materiality.

## 35. Changes in Liabilities Arising from Financing Activities

Previous Year (ended December 31, 2019)

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

(Note) Short-term borrowings include commercial papers.

Current Year (ended December 31, 2020)

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

(Note) Short-term borrowings include commercial papers.

## 36. Related Party Transactions

### (1) Transactions and Outstanding Balances with Related Parties

There are no material transactions with related parties.

### (2) Key Management Personnel Compensation

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

	Millions of yen	
	Previous year (ended December 31, 2019)	Current year (ended December 31, 2020)
Short-term employee benefits expense	665	629
Share-based Payments	80	82
<b>Total</b>	<b>745</b>	<b>711</b>

## 37. Business combination

### (1) Business combination

Previous year (ended December 31, 2019)

#### (i) Outline of the transaction

##### a. Name and business of the acquiree

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

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

##### b. Reasons for the business combination

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

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

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

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

##### c. Acquisition date

April 27, 2019

##### d. Legal form of the business combination

The Group purchased shares with cash consideration.

##### e. Proportion of voting rights acquired

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

#### (ii) Effect on the Group

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

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

#### (iii) Consideration transferred and its details

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

#### (iv) Acquisition-related costs

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

#### (v) Acquired receivables

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

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

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

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

Current year (ended December 31, 2020)

#### (i) Outline of the transaction

##### a. Name and business of the acquiree

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

(Note) Company name changed from ABI Australia Holding Pty Ltd on August 7, 2020.

54 other companies: Manufacturing, sales and distribution of beer and cider, etc.

##### b. Reasons for the business combination

The group philosophy "Asahi Group Philosophy" (hereinafter referred to as the "AGP") articulates Asahi's vision of "Be a value creator globally and locally, growing with high-value-added brands."

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

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

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

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

##### c. Acquisition date

June 1, 2020

##### d. Legal form of the business combination

The Group purchased shares with cash consideration.

#### e. Proportion of voting rights acquired

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

#### (ii) Effect on the Group

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

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

#### (iii) Consideration transferred and its details

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

#### (iv) Acquisition-related costs

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

#### (v) Acquired receivables

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

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

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

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

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

## 38. Interest in Other Entities

### (1) Interest in Subsidiaries

Subsidiaries included in the consolidated financial statements are as follows:

#### Previous Year (ended December 31, 2019)

Name	Location	Proportion of ownership interest (%)
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	100.00
NADAMAN CO., LTD	Shinjuku-ku, Tokyo	100.00 (100.00)
The Nikka Whiskey Distilling Co., Ltd.	Minato-ku, Tokyo	100.00 (100.00)
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanashi	100.00 (100.00)
ENOTECA CO.,LTD.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	100.00
Calpis Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Soft Drink Sales Co., Ltd.	Taito-ku, Tokyo	100.00 (100.00)
Asahi Group Foods, Ltd.	Shibuya-ku, Tokyo	100.00
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	100.00
China Foods Investment Corp.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Holdings (Australia) Pty Ltd	Victoria, Australia	100.00
Asahi Beverages Pty Ltd	Victoria, Australia	100.00 (100.00)
Asahi Beverages (NZ) Limited	Papakura, New Zealand	100.00 (100.00)
Asahi Group Holdings Southeast Asia Pte. Ltd.	Singapore	100.00
Etika Beverages Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Asahi Loi Hein Company Limited	Yangon, Myanmar	51.00 (51.00)
Asahi Europe Ltd	Woking, United Kingdom	100.00
Birra Peroni S.r.l.	Roma Italy	100.00 (100.00)
Royal Grolsch NV	Enschede Netherlands	100.00 (100.00)
Meantime Brewing Company Ltd.	London United Kingdom	100.00 (100.00)
Asahi UK Ltd	London United Kingdom	100.00 (100.00)
Asahi Breweries Europe Ltd	Woking, United Kingdom	100.00
Plzeňský Prazdroj, a.s.	Pilsen Czech Republic	100.00 (100.00)
Plzeňský Prazdroj Slovensko, a.s	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 117 Subsidiaries	—	—

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

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

#### Current Year (ended December 31, 2020)

Name	Location	Proportion of ownership interest (%)
Asahi Breweries, Ltd.	Sumida-ku, Tokyo	100.00
NADAMAN CO., LTD	Shinjuku-ku, Tokyo	100.00 (100.00)
The Nikka Whiskey Distilling Co., Ltd.	Minato-ku, Tokyo	100.00 (100.00)
Sainte Neige Wine Co., Ltd.	Yamanashi City, Yamanashi	100.00 (100.00)
ENOTECA CO.,LTD.	Minato-ku, Tokyo	100.00 (100.00)
Asahi Soft Drinks Co., Ltd.	Sumida-ku, Tokyo	100.00
Calpis Co., Ltd.	Sumida-ku, Tokyo	100.00 (100.00)
Asahi Soft Drink Sales Co., Ltd.	Taito-ku, Tokyo	100.00 (100.00)
Asahi Group Foods, Ltd.	Shibuya-ku, Tokyo	100.00
Asahi Beer (China) Investment Co., Ltd.	Shanghai, China	100.00
Asahi Holdings (Australia) Pty Ltd	Victoria, Australia	100.00
CUB Pty Ltd	Victoria, Australia	100.00 (100.00)
Asahi Beverages Pty Ltd	Victoria, Australia	100.00 (100.00)
Asahi Beverages (NZ) Limited	Papakura, New Zealand	100.00 (100.00)
Asahi Group Holdings Southeast Asia Pte. Ltd.	Singapore	100.00
Etika Beverages Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Etika Dairies Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00 (100.00)
Asahi Loi Hein Company Limited	Yangon, Myanmar	51.00 (51.00)
Asahi International Ltd	Woking, United Kingdom	100.00
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 175 Subsidiaries	—	—

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

2. The company name of Asahi Europe Ltd was changed to Asahi International Ltd in 2020.

3. An absorption-type merger was conducted with Asahi Soft Drinks Co., Ltd., a wholly owned subsidiary of the Company, as the surviving company, and China Foods Investment Corp. as the absorbed company.

## (2) Interests in Associates

### (i) Associates

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

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

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

### (ii) Joint Ventures

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

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

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

## 39. Commitments

There are no significant commitments regarding acquisition of assets.

## 40. Contingencies

There are no significant contingencies.

## 41. Subsequent Events

### 1. Partial sale of Australian beer and cider brands

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

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

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

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

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

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

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

### 2. Issuance of straight bonds

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

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

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



# Independent Auditor's Report



## Independent auditor's report

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

### Opinion

We have audited the accompanying consolidated financial statements of Asahi Group Holdings, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & supervisory board members and the audit & supervisory board are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit & supervisory board members and the audit & supervisory board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit & supervisory board members and the audit & supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Hiroyuki Yamada  
Designated Engagement Partner  
Certified Public Accountant

/S/ Hiroto Yamane  
Designated Engagement Partner  
Certified Public Accountant

/S/ Kei Sakayori  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
March 25, 2021

**Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.



**Asahi Group Holdings, Ltd.**

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