

**English Translation of Original Japanese**

*This is a translation of the original documents in Japanese. In the event of any discrepancy, the original documents in Japanese shall prevail.*

## **Items Disclosed on the Internet in Relation to the Convocation Notice of the 97<sup>th</sup> Annual General Meeting of Shareholders**

### **TABLE OF CONTENTS**

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>1</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>3</b>
<b>NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS</b>	<b>19</b>
<b>NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>20</b>

Above items have been provided to our shareholders by posting them on the Company's website in accordance with the provisions of relevant laws and regulations and the Article 15 of the Company's Articles of Incorporation.

## **ASAHI GROUP HOLDINGS, LTD.**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

(million yen)

	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 other comprehensive income	Remeasurements of defined benefit plans
<b>Balance at beginning of current period</b>	<b>182,531</b>	<b>119,163</b>	<b>918,523</b>	<b>(77,011)</b>	<b>63,354</b>	<b>–</b>
<b>Comprehensive income</b>						
Profit			92,826			
Other comprehensive income					(22,267)	668
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>92,826</b>	<b>–</b>	<b>(22,267)</b>	<b>668</b>
<b>Transfer to non-financial assets</b>						
<b>Transactions with owners</b>						
Issuance of new shares	37,513	37,513				
Dividends			(46,265)			
Purchase of treasury shares				(309)		
Disposal of treasury shares		5,018		76,289		
Changes through sales of consolidated subsidiaries						
Share-based payment transaction		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>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>Balance at end of current period</b>	<b>220,044</b>	<b>161,783</b>	<b>967,230</b>	<b>(1,031)</b>	<b>39,605</b>	<b>–</b>

	Equity attributable to owners of parent				Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Other components of equity						
	Cash flow hedges	Costs of hedging	Translation differences on foreign operations	Total other components of equity			
Balance at beginning of current period	32,797	(1,125)	8,080	103,107	1,246,314	1,965	1,248,279
Comprehensive income							
Profit				–	92,826	(241)	92,584
Other comprehensive income	(42,088)	351	118,659	55,325	55,325	(146)	55,178
Total comprehensive income	(42,088)	351	118,659	55,325	148,151	(388)	147,763
Transfer to non-financial assets	11,816			11,816	11,816		11,816
Transactions with owners							
Issuance of new shares				–	75,027		75,027
Dividends				–	(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				–	–	(62)	(62)
Share-based payment transaction				–	88		88
Transfer from other components of equity to retained earnings				(2,151)	–		–
Other increase (decrease)				–	(6)	200	194
Total contributions by owners and distribution to owners	–	–	–	(2,151)	109,842	114	109,956
Total transactions with owners	–	–	–	(2,151)	109,842	114	109,956
Balance at end of current period	2,526	(773)	126,739	168,097	1,516,124	1,691	1,517,816

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis for Preparation of Consolidated Financial Statements

#### (1) Basis of consolidated financial statements

The Company and subsidiaries of the Company (hereinafter collectively referred to as the “Group”) have prepared their consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”), pursuant to the provisions of Article 120-1 of the Regulation on Corporate Accounting. The latter part of the Article 120-1 prescribes some omissions of disclosure items required under IFRS.

#### (2) Consolidation

##### Number of consolidated subsidiaries: 206

Please see Item 1 of the “Business Report” (“Overview of Operations of the Asahi Group, section (5) Status of Major Establishments and Principal Subsidiaries”), for a summary of the current status of principal consolidated subsidiaries.

CUB Australia Holding Pty Ltd (Company name changed from ABI Australia Holding Pty Ltd on August 7, 2020.) and 54 other companies were added to the scope of consolidation this fiscal year due to the acquisition of their shares.

#### (3) The equity method

##### Number of companies accounted for using the equity method: 25

Principal affiliates accounted for using the equity method were Asahi Business Solutions Corp. and Asahi Beer Communications, Ltd.

#### (4) Significant accounting policies

##### 1) Financial assets

###### (i) 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 2 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 and loss.

Information on derivatives is provided in “11) Derivatives and hedge accounting.”

(ii) 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.

(iii) 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.

(iv) 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 allowances.

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 and loss.

## **2) 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.

## **3) 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 to 50 years
Machinery and vehicles	2 to 15 years
Tools, furniture and fixtures	2 to 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.

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

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

## 5) Leases

(i) Leases as Lessee

The Group recognizes the right-of-use asset and the lease liability at the commencement date of the lease. The 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 period 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 the right-of-use asset 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 of the lessor pertaining to the sublease under “trade and other receivables” and “other non-current assets.”

**6) Impairment of non-financial assets**

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

**7) 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 1 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.

**8) 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.

## 9) Revenue

The Group recognizes revenue based on the following 5 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 1 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.

## **10) 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 operations**

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.

## **11) 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 year. 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.

## **12) Accounting for consumption taxes**

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.

## **(5) Changes in accounting policies**

### **(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.

## **2. Notes to Consolidated Statement of Financial Position**

### **(1) Pledged assets and secured liabilities**

The following assets are pledged as collateral for borrowings and other current liabilities of ¥2,522 million.

Property, plant and equipment	¥1,038 million
Cash and cash equivalents	¥284 million

**(2) Accumulated depreciation on property, plant and equipment** ¥963,835 million

### **(3) Bad debt provisions directly deducted from assets**

Trade and other receivables	¥7,029 million
Other financial assets	¥874 million

### **(4) Contingent liabilities**

Guarantees:	¥962 million
-------------	--------------

## **3. Notes to Consolidated Statement of Changes in Equity**

### **(1) Total number of the issued shares as of the end of this fiscal year**

Common stock	507,003,362 shares
--------------	--------------------

### **(2) Dividends during this fiscal year**

#### **1) It was resolved at the 96<sup>th</sup> Annual General Meeting of Shareholders of March 25, 2020 as follows:**

Dividends on common stock	
Total amount of dividends:	¥21,989 million
Dividend per share:	¥48
Record date:	December 31, 2019
Effective date:	March 26, 2020

Total amount of dividends includes 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) It was resolved at the Board of Directors Meeting of August 5, 2020, as follows:**

Interim dividends on common stock	
Total amount of interim dividends:	¥24,279 million
Interim dividend per share:	¥53
Record date:	June 30, 2020
Effective date:	September 1, 2020

Total amount of interim dividends includes 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.

### (3) Dividends after the end of this fiscal year

The following item has been placed on the agenda for approval at the 97<sup>th</sup> Annual General Meeting of Shareholders scheduled for March 25, 2021.

Dividends on common stock

Source of dividends:	Retained earnings
Total amount of dividends:	¥26,861 million
Dividend per share:	¥53
Record date:	December 31, 2020
Effective date:	March 26, 2021

Total amount of dividends includes 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.

## 4. Notes on Financial Instruments

### (1) Status of 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).

#### 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 Company's 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 risk

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.

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.

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.

(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.

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.

(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.

## (2) 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 are as follows:

		(million yen)
	Carrying amount	Fair value
Long-term loans receivable	1,649	1,572
Long-term borrowings	190,143	190,069
Bonds	961,404	973,579

Each of the amounts in the above table includes the portion scheduled to be collected, repaid, or redeemed within 1 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.

## 5. Per Share Information

(1) Equity attributable to owners of parent per share	¥2,992.06
(2) Basic earnings per share	¥196.52

## 6. Notes on Business Combinations

### (1) Outline of the transaction

#### 1) Name and business of the acquiree

Name	Business description
CUB Australia Holding Pty Ltd	Holding company

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



## **2) 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.

## **3) Acquisition date**

June 1, 2020

## **4) Legal form of the business combination**

The Group purchased shares with cash consideration

## **5) Ratio of voting rights acquired**

Name	Ratio of voting rights
CUB Australia Holding Pty Ltd	100.00%

## **(2) 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.

## **(3) Consideration transferred and its details**

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

## **(4) Acquisition-related costs**

Acquisition-related costs amounted to ¥5,880 million were included in “Selling, general and administrative expenses.”

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

	(million yen)
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 paid	(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.

## 7. Additional Information

(Accounting estimates associated with the impact of the spread of COVID-19)

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in accounting estimates is recognized in the accounting period in which such change occurs as well as the accounting periods to be affected in the future.

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, taking into account the impact of the spread of COVID-19.

## 8. Significant Subsequent Events

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.

**9. Other**

The stated amounts are the figures after truncating fractions less than the representative unit.

## NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2020

(million yen)

	Shareholders' equity						
	Capital surplus				Retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surpluses	Other retained earnings		
					General reserve	Retained earnings brought forward	Total retained earnings
<b>Balance at beginning of current period</b>	<b>182,531</b>	<b>50,292</b>	<b>101,391</b>	<b>151,683</b>	<b>195,000</b>	<b>406,846</b>	<b>601,846</b>
<b>Changes of items during period</b>							
Issuance of new shares	37,685	37,685		37,685			
Dividends						(46,269)	(46,269)
Profit						147,806	147,806
Purchase of treasury shares							
Disposal of treasury shares			5,141	5,141			
Net changes of items other than shareholders' equity							
<b>Total changes of items during period</b>	<b>37,685</b>	<b>37,685</b>	<b>5,141</b>	<b>42,827</b>	<b>—</b>	<b>101,537</b>	<b>101,537</b>
<b>Balance at end of current period</b>	<b>220,216</b>	<b>87,977</b>	<b>106,533</b>	<b>194,511</b>	<b>195,000</b>	<b>508,383</b>	<b>703,383</b>

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
<b>Balance at beginning of current period</b>	<b>(77,011)</b>	<b>859,049</b>	<b>3,641</b>	<b>33,954</b>	<b>37,596</b>	<b>896,646</b>
<b>Changes of items during period</b>						
Issuance of new shares		75,370				75,370
Dividends		(46,269)				(46,269)
Profit		147,806				147,806
Purchase of treasury shares	(309)	(309)				(309)
Disposal of treasury shares	76,289	81,431				81,431
Net changes of items other than shareholders' equity			(4,099)	(37,039)	(41,139)	(41,139)
<b>Total changes of items during period</b>	<b>75,979</b>	<b>258,029</b>	<b>(4,099)</b>	<b>(37,039)</b>	<b>(41,139)</b>	<b>216,890</b>
<b>Balance at end of current period</b>	<b>(1,031)</b>	<b>1,117,079</b>	<b>(458)</b>	<b>(3,085)</b>	<b>(3,543)</b>	<b>1,113,536</b>

## **NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Notes to Significant Accounting Policies**

#### **(1) Valuation basis and method for securities**

Shares in subsidiaries and affiliates:

Stated at cost based on the moving-average method

Available-for-sale securities

Securities with market value:

Carried at the average market value for the month immediately preceding the balance sheet date (related valuation differences are directly charged or credited to net assets, and the cost of securities sold is computed by the moving-average method.)

Securities without market value:

Stated at cost based on the moving-average method

#### **(2) Valuation basis and method for derivatives**

Market price method

#### **(3) Depreciation methods for non-current assets**

Property, plant and equipment (excluding leased assets):

Property, plant and equipment are depreciated using the straight-line method.

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

Intangible assets (excluding leased assets):

Intangible assets are amortized using the straight-line method.

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

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

Leased assets:

Finance leases that do not transfer ownership rights are amortized to a residual value of zero using the straight-line method, with the lease period as the estimated useful life.

#### **(4) Accounting criteria for allowances**

Allowance for doubtful accounts:

The allowance for doubtful accounts consists of the individually estimated uncollectible amounts with respect to certain identified doubtful receivables and the amounts calculated using the rate of actual collection losses with respect to the other receivables.

Provision for bonuses:

A provision for bonuses is provided to prepare for the bonus payment to employees at the estimated amount applicable to this fiscal year out of the estimated future bonus payment amount.

Provision for bonuses for directors (and other officers):

A provision for bonuses for directors (and other officers) is provided to prepare for the bonus payment to officers at the estimated amount applicable to this fiscal year out of the estimated future bonus payment amount.

## **(5) Hedging accounting method**

### **1) Hedging accounting method**

The Company defers gains or losses on its hedges.

For foreign exchange contracts and currency swaps, the Company allocates differences in the values of hedging instruments when such hedges meet all requirements for such allocations. For interest rate swaps, the Company applies exceptional treatment when the swap in question meets the conditions for application of such exceptional treatment.

### **2) Hedging instruments and hedged items**

Hedging instruments: Foreign exchange contracts, interest rate swaps, currency swaps, borrowings denominated in foreign currencies and bonds denominated in foreign currencies

Hedged items: Forecasted foreign currency transactions, loans receivable in foreign currencies, interest on borrowings, bonds denominated in foreign currencies and investments in foreign subsidiaries

### **3) Hedging policy**

Derivatives are used to avoid risks associated with fluctuations in foreign exchange markets and in interest rates and to reduce the costs of financing. It is the Company's policy not to engage in speculative transactions that deviate from real demand or in highly leveraged derivatives.

### **4) Method of evaluating the effectiveness of hedging**

The Company assesses the effectiveness of its hedges by comparing changes in the market values of the hedging instruments and of the hedged items over the entire period of the hedge.

When the Company allocates differences in the values of hedging instruments or when it accounts for the value of swaps under exceptional treatment, these determinations allow it to forgo evaluation of the effectiveness of hedges in these cases.

## **(6) Other significant items associated with the preparation of non-consolidated financial statements**

Treatment of consumption taxes

Consumption taxes are excluded from the statement of income, except in the case of non-deductible consumption taxes related to non-current assets that are charged when incurred.

## **2. Notes to the Non-Consolidated Balance Sheet**

**(1) Accumulated depreciation on property, plant and equipment** ¥31,125 million

### **(2) Contingent liabilities**

#### **1) Guarantees against bank loans**

Guarantees: ¥10,366 million

#### **2) Guarantees against derivatives**

Guarantees: ¥111 million

### **(3) Monetary claims and obligations with associates (excluding those classified separately in the Balance Sheet)**

Short-term monetary claims on associates: ¥256,044 million

Short-term monetary obligations to associates: ¥146,499 million

### 3. Notes to the Non-Consolidated Statement of Income

#### (1) Gain on sales of shares of subsidiaries and associates

The gain on sales of shares of subsidiaries and associates is the gain on sale for the transfer of shares when the Company responded to the acquisition of own shares of the Company's subsidiary Asahi Soft Drinks Co., Ltd., which operates a production and marketing of soft drinks business in Japan.

#### (2) Transactions with associates

Operating revenue:	¥191,222 million
Operating expenses:	¥8,729 million
Transactions other than operating transactions:	¥902 million

### 4. Notes to the Non-Consolidated Statement of Changes in Net Assets

#### Treasury shares

(shares)				
Type of stock	Number of shares as of Jan. 1, 2020	Increase during this fiscal year	Decrease during this fiscal year	Number of shares as of Dec. 31, 2020
Common stock	25,509,372	79,040	25,300,458	287,954

#### (Outline of reason for change)

The increase in the number of shares was the result of the following:

Increase resulting from purchases of Less-than-One-Unit Shares from shareholders upon request:	4,340 shares
Increase resulting from purchase by the trust for the share-based payment plans:	74,700 shares

The decrease in the number of shares was the result of the following:

Decrease resulting from sales of Less-than-One-Unit Shares to shareholders upon request:	458 shares
Decrease resulting from disposal of treasury shares through public offering	25,300,000 shares

Treasury shares include 110,442 shares of the Company's common stock held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

## 5. Notes to Tax Effect Accounting

### (1) Breakdown of main reasons for the accrual of deferred tax assets and liabilities

#### (Deferred tax assets)

Shares of subsidiaries and associates due to restructuring:	¥16,703 million
Allowance for doubtful accounts, in excess of tax-deductible amount:	¥1,757 million
Loss on valuation of shares of subsidiaries, non-tax deductible:	¥32,289 million
Loss on valuation of capital contributions for subsidiaries, non-tax deductible:	¥4,558 million
Loss on valuation of investment securities, non-tax deductible:	¥3,522 million
Tax loss carry forwards	¥1,534 million
Deferred losses on hedges	¥1,150 million
Deferred loss on transfer of business between consolidated corporations:	¥791 million
Others:	¥611 million
Subtotal deferred tax assets:	¥62,920 million
Valuation allowance:	¥(43,232) million
<b>Total deferred tax assets</b>	<b>¥19,688 million</b>

#### (Deferred tax liabilities)

Deferred gain on transfer of business between consolidated corporations:	¥(5,026) million
Others:	¥(12) million
<b>Total deferred tax liabilities</b>	<b>¥(5,039) million</b>

<b>Net deferred tax assets</b>	<b>¥14,648 million</b>
--------------------------------	------------------------

### (2) Breakdown of main items which caused the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting

Statutory effective tax rate:	30.62%
-------------------------------	--------

#### (Adjustments)

Permanent difference (non-deductible), including entertainment expenses:	3.34%
Valuation allowance:	2.88%
Permanent difference (non-taxable), including dividend income:	(37.81)%
Others:	(0.01)%
Effective tax rate after adoption of tax effect accounting:	(0.98)%



## 6. Notes to Related Party Transactions

### Subsidiaries and affiliates

(million yen)							
Type	Company	Percentage of voting rights held	Relationship with related party	Description of transaction	Transaction amount	Account item	Balance as of Dec. 31, 2020
Subsidiary	Asahi Breweries, Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Operating revenue (Note 1)	84,057	Other (current assets)	4,472
				Loaning funds (Note 2)	(14,672)	Short-term loans receivable	132,333
Subsidiary	Asahi Soft Drinks Co., Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Operating revenue (Note 1)	49,665 (Note 8)	Other (current assets)	2,374
				Loaning funds (Note 2)	2,533	Short-term loans receivable	25,231
Subsidiary	Asahi Group Foods, Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Loaning funds (Note 2)	5,928	Short-term loans receivable	33,726
Subsidiary	Asahi Breweries Europe Ltd	100% direct ownership	—	Operating revenue (Note 1)	40,944	Other (current assets)	49
				Borrowing of funds (Note 3)	(36,102)	Short-term borrowings	—
				Deposits received (Note 3)	35,264	Deposits received	63,081
Subsidiary	Asahi Holdings (Australia) Pty Ltd	100% direct ownership	Interlocking of directors/ corporate auditors	Deposits received (Note 3)	62,201	Deposits received	63,732
				Guarantees for liabilities (Note 4)	6,307	—	—
				Subscription to capital increase (Note 5)	1,186,864	—	—
Subsidiary	Asahi Professional Management Co., Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Outsourcing indirect services, etc. (Note 6)	3,812	Accrued expenses	1
Subsidiary	Asahi Quality & Innovations, Ltd.	100% direct ownership	Interlocking of directors/ corporate auditors	Outsourcing research services, etc. (Note 7)	3,801	Accrued expenses	588

Terms and conditions of transaction and policy on determination thereof

Note 1: Operating revenue is determined in accordance with certain reasonable standards in order to provide supervision and guidance, etc. regarding business management.

Note 2: The interest rate for the loans receivable is reasonably determined, taking the market interest rate into consideration.

For the transaction amount, the amount of net increase (decrease) in this fiscal year is stated.

Note 3: The interest rates for the deposits received and short-term borrowings are reasonably determined, taking the market interest rate into consideration.

For the transaction amount, the amount of net increase (decrease) in this fiscal year is stated.

Note 4: The Company guaranteed bank loans in the amount of AUD80 million.

- Note 5: Subscription to capital increase represents the subscription to capital increases carried out by the subsidiary.
- Note 6: The amount of outsourced indirect services, etc. is determined based on certain reasonable standards.
- Note 7: The amount of outsourced research services, etc. is determined based on certain reasonable standards.
- Note 8: Asahi Soft Drinks Co., Ltd. was the surviving company in an absorption-type merger with CHINA FOODS INVESTMENT CORP conducted on December 1, 2020. The amounts of the transactions carried out with CHINA FOODS INVESTMENT CORP before the merger are included in the stated amount.

## **7. Notes to per Share Information**

- |  |           |
|--|-----------|
| (1) Net assets per share:                  | ¥2,197.56 |
| (2) Earnings per share (Profit per share): | ¥312.91   |

## **8. Other**

### **(1) Application of consolidated taxation system**

In this fiscal year, the Company applied for approval of the adoption of the consolidated taxation system and it is to be adopted from the following fiscal year. Therefore, from this fiscal year, the Company has adopted an accounting method that assumes the adoption of the consolidated taxation system for tax effect accounting. As for items regarding the transition to the group tax sharing system introduced in the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020), the Company has not applied the provisions of paragraph 44 of the “Guidance on Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph 3 of the “Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before the revision.

### **(2) Unit of measurement**

The stated amounts are the figures after truncating fractions less than the representative unit.