

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.

The 100th Annual General Meeting of Shareholders**Matters subject to measures for electronic provision excluded in the delivery of paper-based documents****TABLE OF CONTENTS**

SYSTEMS TO ENSURE APPROPRIATE EXECUTION OF DIRECTORS' DUTIES IN CONFORMITY WITH LAWS AND REGULATIONS AND THE ARTICLES OF INCORPORATION, AND OTHER SYSTEMS TO ENSURE APPROPRIATE BUSINESS OPERATIONS	1
BASIC POLICY CONCERNING THE PERSONS WHO CONTROL DECISIONS ON THE COMPANY'S FINANCIAL AND BUSINESS POLICY	8
THE CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	12
THE NON-CONSOLIDATED FINANCIAL STATEMENTS	
NON-CONSOLIDATED BALANCE SHEET	31
NON-CONSOLIDATED STATEMENT OF INCOME	33
NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS	34
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS	35
Independent accounting auditor's report on non-consolidated financial statements	43
[Reference] Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members	47

The above items are not provided in the documents delivered to shareholders who have requested the delivery of paper-based documents, in accordance with the provisions of relevant laws and regulations and Article 15 of the Company's Articles of Incorporation.

ASAHI GROUP HOLDINGS, LTD.

I SYSTEMS TO ENSURE APPROPRIATE EXECUTION OF DIRECTORS' DUTIES IN CONFORMITY WITH LAWS AND REGULATIONS AND THE ARTICLES OF INCORPORATION, AND OTHER SYSTEMS TO ENSURE APPROPRIATE BUSINESS OPERATIONS

Overview of the resolution regarding systems to ensure appropriate business operations

The Board of Directors passed the following resolution with respect to the above-mentioned systems.

To "deliver on our great taste promise and bring more fun to life" as stipulated in its group philosophy, the "Asahi Group Philosophy," the Company shall:

- establish, in accordance with the Companies Act and the Regulation for Enforcement of the Companies Act, the following basic policies (the "Basic Policies") to improve systems designed to ensure the appropriate execution of Directors' duties in conformity with laws and regulations and the Articles of Incorporation of the Company and its subsidiaries (herein this section the "Group Companies") and ensure the appropriate business operations of the Group Companies (herein this section the "Internal Control System");
- recognize that it is the Representative Director(s) who shall assume the ultimate responsibility for the improvement of the Internal Control System in accordance with this resolution and demand the Representative Director(s) to cause the officers in charge, through the respective organizations they are in charge of, to develop and fully enforce individual internal regulations that will be applied to the Company and the entire Asahi Group and are required based on the Basic Policies; and
- take steps to maintain and enhance the effectiveness of the Internal Control System by reviewing the Basic Policies and relevant internal regulations that will be applied to the Company or the entire Asahi Group in a timely and appropriate manner in accordance with changes in conditions and circumstances.

(1) System to ensure execution of duties by Directors and employees of the Company and the Group Companies in conformity with laws and regulations and the Articles of Incorporation of the Company and the Group Companies

- 1) In order to promote "Building value together with all our stakeholders" as stipulated in the "Asahi Group Philosophy," the Company shall establish "The Asahi Group Code of Conduct" and ensure its Directors, Audit & Supervisory Board Members and employees abide by these regulations.
- 2) The Company shall establish a "Compliance Committee" to oversee compliance of the Asahi Group based on "The Asahi Group Ethics/Compliance Policies."
- 3) An officer of the Company in charge shall have authority over compliance within the Asahi Group. The organization in charge of legal affairs shall handle compliance tasks.
- 4) The Company shall assign responsible persons in charge of compliance in the Company and the Group Companies. The responsible person shall make

efforts to prioritize compliance in all aspects of business activities at each Group Company.

- 5) The Company shall establish a "Clean Line System" and other systems for employees in Japan and overseas, enabling them to blow the whistle on illicit behavior of others.
- 6) The Company shall establish "Asahi Global Procurement Regulations" addressing mutual cooperation for fair and equitable deals and social responsibilities between each Group Company and suppliers and a system that enables suppliers to blow a whistle on breaches of the Policy as necessary. The Company shall inform and spell out these measures to its suppliers to enable the Company to develop an Internal Control System in cooperation with its suppliers.
- 7) To ensure antisocial forces do not exert any undue influence on the Group, all relevant information shall be shared within the Asahi Group and the Company shall establish an internal system on the measures. The Company shall also cooperate closely with industry bodies, local communities, the police and other external specialist organizations in this field.
- 8) The operational details of the aforementioned agencies and systems shall be spelled out under a separately prepared set of internal regulations that will be applied to the Company or the entire Asahi Group.

(2) System to ensure the preservation and management of information related to execution of duties by Directors

- 1) Information related to execution of duties by Directors shall be properly preserved and managed in accordance with "Document-Management Policies" and other related internal regulations that will be applied to the Company or the entire Asahi Group.
- 2) The aforementioned information shall be preserved and managed in a way accessible by Directors and Audit & Supervisory Board Members for inspection at any time.
- 3) Control over the clerical tasks related to preservation and management of the aforementioned information shall be determined in accordance with internal regulations that will be applied to the Company or the entire Asahi Group.

(3) Regulations and other organizational structures of the Asahi Group to manage risk of loss

- 1) The Company shall position risk management as a core element of its corporate management in "The Asahi Group Risk Management Policies," and implement it in a continuous manner.
- 2) In addition to having the appropriate organizations manage risk in their respective areas, the Company shall establish a "Risk Management Committee" to identify and evaluate cross-sectional material risk for the entire Asahi Group, and design countermeasures accordingly.
- 3) With regard to the risk of failing to maintain product quality, as a food and drink manufacturing group, the Asahi Group strongly recognizes their social responsibility to consumers to ensure the safety and security of their products and shall establish sufficient control systems.
- 4) In the event of any major accident, disaster, scandal, etc., the Company shall establish an "Emergencies Response Headquarters" chaired by the President and Representative Director.

(4) System to ensure efficient execution of duties by Directors of the Company and the Group Companies

- 1) To ensure efficient performance of duties by Directors, the Board of Directors shall divide duties in a reasonable way to be delegated to respective Directors.
- 2) The Company shall establish "Delegation of Authority" and "The Asahi Group's Delegation of Authority" stipulating rules of delegation of power and for a mutual checks-and-balances mechanism among organizations and among Group Companies.
- 3) The Company shall ensure the effective utilization of the "Corporate Strategy Board," consisting of the Company's internal Directors and Standing Audit & Supervisory Board Members by such means as formulating the Asahi Group's corporate strategy and implementing progress management.
- 4) To maximize operational efficiency, the Company shall utilize indices that provide an objective and rational way of measuring its management and control of operations; and it shall employ a unified system of follow-up and evaluation.
- 5) To use funds efficiently, a global cash management system among the Company and the Group Companies is introduced.

(5) System to ensure appropriate operations of the Asahi Group

- 1) All systems required for the Internal Control, including those for risk management, compliance and crisis management system, shall apply comprehensively across the entire Asahi Group. As the holding company, the Company shall manage the said systems of the Group Companies while respecting their autonomy, and supporting the development and operation of the Internal Control System, in accordance with the conditions and circumstances with which individual companies are facing.
- 2) While cooperating with the internal auditing organs established within the Asahi Group, the organization in charge of internal auditing in the Company shall get a grasp of and evaluate the Internal Control System and discipline in day-to-day tasks within the Asahi Group by directly and indirectly auditing the Group Companies, and this section shall also conduct the evaluation of internal control related to financial reporting of the Group Companies and submit the relevant reports.
- 3) Decision-making authority related to business activities of the Group Companies shall be subject to the document entitled "Asahi Group's Delegation of Authority."
- 4) Each of the Group Companies will provide reports at the "Corporate Strategy Board" one or more times each quarter on performance of its operations including risk-related information.

(6) Securement of employees in the event that Audit & Supervisory Board Members request staff to assist in their auditing duties

The "Audit & Supervisory Board" shall appoint staff to serve the Audit & Supervisory Board, for assistance in the activities of the Audit & Supervisory Board Members.

(7) Independence of employees assigned to assist the Audit & Supervisory Board Members from the Directors and ensuring the effectiveness of instructions given to relevant staff

- 1) When a member of the staff who serves the Audit & Supervisory Board, as stipulated in the previous paragraph, receives an order from an Audit & Supervisory Board Member in relation to auditing duties, he/she shall not be subject to directives or orders from Directors or other employees regarding that order.
- 2) Any issuance of orders to, personnel transfers of, merit evaluations of, or reprimands of a member of the staff who serves the Audit & Supervisory Board shall require the prior concurrence of Audit & Supervisory Board Members.

(8) System for Directors' and employees' reporting to Audit & Supervisory Board Members

- 1) Directors and employees shall report regularly to Audit & Supervisory Board Members on matters related to the Internal Control System, and shall report on an as-needed basis when a significant event occurs. When necessary, the Audit & Supervisory Board Members shall be entitled to request reports from the Directors and employees (including from Directors and employees of the Group Companies).
- 2) Directors shall ensure that Audit & Supervisory Board Members have every opportunity to participate in discussions of important bodies, etc. such as the Board of Directors meetings, the "Corporate Strategy Board" meetings, the "Risk Management Committee" meetings, and the "Compliance Committee" meetings. Directors shall provide details of the agenda items of such meetings beforehand for Audit & Supervisory Board Members.
- 3) Audit & Supervisory Board Members shall at all times have the right to review documents such as the minutes of important meetings and the documents of approval.

(9) System for reporting, by the Group Companies' Directors, Corporate Auditors, employees or persons receiving reports, to the Company's Audit & Supervisory Board Members

- 1) The Group Companies' Directors, Corporate Auditors, employees or persons receiving reports from them shall report regularly to the Company's Audit & Supervisory Board Members on matters related to the Internal Control System and, shall report on an as-needed basis when a significant event occurs. When necessary, the Audit & Supervisory Board Members shall be entitled to request reports from the Directors and employees of the Group Companies.
- 2) The Company's or the Group Companies' organizations in charge of internal auditing shall report the results of the Group Companies' internal audits to the Audit & Supervisory Board Member of the Company without delay.
- 3) The whistle blowing channels under the Clean Line System shall include that for reporting to the Company's Audit & Supervisory Board Members, and the information reported to other whistle blowing channels shall be reported to the Company's Audit & Supervisory Board Members.
- 4) The Company prohibits any party from treating the whistle blower prescribed in the preceding item and this item in any manner disadvantageous to him/her on the ground of the whistle blow.

(10) Policy on procedures for advance or reimburse expenses incurred in association with Audit & Supervisory Board Members' execution of their duties, and treatment of other expenses or debts incurred in association with the execution of their duties

To defray expenses incurred in association with the Audit & Supervisory Board Members' execution of their duties, the Company shall secure a certain specific amount of budget and shall, in response to the request of the Audit & Supervisory Board or the Standing Audit & Supervisory Board Members concerned, advance or reimburse expenses or otherwise treat debts incurred in association with the Audit & Supervisory Board Members' execution of their duties.

(11) Other systems ensuring effective auditing by Audit & Supervisory Board Members

To ensure the effectiveness of auditing activities, Directors shall ensure opportunities for Audit & Supervisory Board Members to exchange information and opinions regularly with members of the organization in charge of internal auditing of the Company and with the Independent Accounting Auditor.

Overview of operation of systems to ensure appropriate business operations

(1) Overall Internal Control System

- 1) In order to develop and operate the Internal Control Systems of the Company and the Group Companies and effectively achieve the objectives of internal control, the organization of the Company in charge of internal auditing cooperates with the internal auditing organs established within the Asahi Group in conducting audits to determine whether business operations are executed properly and efficiently in accordance with annual audit plans.
- 2) With respect to internal control over financial reporting, the organization of the Company in charge of evaluation of internal control cooperates with the organs in charge of evaluation of internal control established within the Asahi Group and performs evaluations of the Group Companies' internal control activities based on the "Policies of Management Assessment and Reporting of Internal Controls over Financial Reporting."

(2) Compliance System

- 1) The Company established "The Asahi Group Code of Conduct," and tries hard to keep its employees informed about it.
- 2) The Company promotes awareness of compliance by putting managers responsible for compliance in place in the Company and the Group Companies and conducting education by job class.
- 3) The Company conducts multifaceted and multilayered surveys of compliance awareness and behavior by conducting a "Compliance Survey" to the employees of the Company and the Group Companies.
- 4) By keeping in place the "Clean Line System," the Company detects and resolves risk problems early, and effectively prevents risk problems themselves from occurring.

(3) Risk Management System

- 1) The Risk Management System adopts enterprise risk management (ERM) for the overall Asahi Group.
- 2) The respective companies of the Asahi Group identify and evaluate critical risks that could impede achievement of business objectives across all risk categories such as strategy and operations. They also draw up action plans and continually implement and monitor such plans. The respective companies of the Asahi Group report details of such initiatives to the Company's Risk Management Committee, which monitors such initiatives, while its members identify and evaluate critical risk across the Group, draw up action plans, and execute and monitor such plans. They also report to the Board of Directors with the aim of ascertaining effectiveness of such initiatives.
- 3) The Company has a risk management system in place to deal with any major accident, disaster, scandal, etc. by setting up an "Emergency Response Headquarters" under the management of the President and Representative Director.

In managing normal risks, the Company prepares for possible crises by using a "risk scenario approach" to identify risks that require immediate responses when the risks materialize and forecast the degree of impact and

the necessary responses. In addition, the Company has established a system globally that predetermines the initial response system, response subjects, and information line necessary in the event of the occurrence of a crisis and allows us to mobilize the crisis management smoothly, swiftly without interruption, and appropriately in the event of an actual crisis.

In addition, in the event of a disasters that affects business continuity, the Company has established a business continuity plan (BCP) and has established a system that enables us to quickly restore business.

(4) Business Management of Group Companies

- 1) With respect to the Group Companies' business management, the Company has put in place a system whereby, pursuant to the "Asahi Group's Delegation of Authority," the Group Companies' business executions are subject to resolutions of the Company's Board of Directors or decisions of an individual Director or the responsible persons of the responsible organizations of the Company, depending on the degree of their importance.
- 2) Once a month, the "Corporate Strategy Board" receives reports from main Group Companies on the status of their business executions.

(5) Execution of Directors' Duties

In order to ascertain the efficiency of Directors' duties, the Board of Directors conducts rational assignment sharing of services to be performed by Directors, and has each Director report on the status of his/her business execution once every 3 months.

(6) Execution of Audit & Supervisory Board Members' Duties

- 1) Audit & Supervisory Board Members attend meetings of the Board of Directors, the "Corporate Strategy Board," the "Risk Management Committee," the "Compliance Committee" and other important organs, and receive reports from Directors, employees, thereby confirming the status of development and operation of the Internal Control System.
- 2) Audit & Supervisory Board Members work to enhance the effectiveness of auditing by finding opportunities regularly or as needed for exchanging information and views with the organization in charge of internal auditing, the Independent Accounting Auditor, etc. During fiscal 2023, Audit & Supervisory Board Members had opportunities to exchange information and views with the organization in charge of internal auditing for a total of 11 times, with the Independent Accounting Auditor for a total of 20 times. Audit & Supervisory Board Members also find opportunities to exchange information and views with Audit & Supervisory Board Members of the main Group Companies once a month in principle.
- 3) The Company ensures that Audit & Supervisory Board Members and the Audit & Supervisory Board will be able to smoothly perform their duties by posting 4 dedicated staff members to the Audit & Supervisory Board.

II BASIC POLICY CONCERNING THE PERSONS WHO CONTROL DECISIONS ON THE COMPANY'S FINANCIAL AND BUSINESS POLICY

(1) Basic policy

According to the Company's view, the persons who control decisions on its financial and business policy must properly grasp various matters concerning its business, including the initiatives to "create appealing products," to "care about quality and craftsmanship" and to "convey the inspiration to customers," which form the source of the corporate value of the Asahi Group, and other tangible and intangible management resources thereof, potential effects of forward-looking measures and other items that constitute the corporate value, and must enable the Company to maintain and increase the Asahi Group's corporate value as well as the common interests of shareholders continuously and sustainably.

Upon facing a proposal of large-scale share purchases, the Company is not always in a position to automatically object to the purchases even if it is a so-called hostile takeover, which is pursued without approval from the Board of Directors, provided that such takeover contributes to the increase of the corporate value and the common interests of shareholders of the Company. Also, the Company recognizes that the final decision as to whether to accept a proposal for an acquisition of shares in the Company that would lead to a transfer of control of the Company should be made based on the will of the shareholders as a whole.

It shall be noted, however, that there are not a few cases of large-scale share purchases that would not contribute to the increase of the corporate value and the common interests of shareholders of a company, including ones that would, in light of their purposes, etc., cause obvious damage to the corporate value and the common interests of shareholders or could effectively coerce shareholders to sell their shares, ones that the purchaser does not provide information and/or time reasonably necessary for the target company's board of directors and shareholders to review and examine details of the proposed purchase or for the target company's board of directors to make an alternative proposal, and ones where the target company's board of directors would have to conduct negotiation with the purchaser so as to seek more favorable terms than those initially proposed by the purchaser.

The person who intends to conduct a large-scale purchase of shares in the Company must have an understanding of the source of the Asahi Group's corporate value and have the capability to maintain and enhance it in the medium- and long-term; otherwise, the Asahi Group's corporate value and the common interests of shareholders would be damaged.

The Company thus believes that it is necessary to protect the Asahi Group's corporate value, and in turn, the common interests of shareholders, from such large-scale share purchases.

(2) Framework that contributes to realization of the basic policy

1) Special Measures Contributing to Realization of the Basic Policy

The Company established a group philosophy, the "Asahi Group Philosophy," which articulates the Group's mission and vision for the future, reaffirms values cherished and handed down over the years, and serves as a code of

conduct for our stakeholders and the Group's commitments to them. At the same time, the Company established a "Medium- to Long-Term Management Policy" for the realization of the "Asahi Group Philosophy" and put group-wide efforts based on them.

The Company believes that it will be able to assure the flexibility of its corporate strategy by setting and carrying out such management policy and will be able to increase its sustained corporate value and ultimately secure common interests of its shareholders by setting such a policy as "Engagement Agenda" (agenda for constructive dialogs) and making dialogs with the stakeholders even more firm, and is striving to further strengthen its corporate governance.

- 2) Efforts to prevent decisions on the Company's financial and business policy from being controlled by any person who is inappropriate according to the basic policy

The Company will take appropriate measures against any person who attempts to make a large-scale purchase in accordance with the Financial Instruments and Exchange Act, the Companies Act and other related laws and regulations such as requesting provision of necessary and sufficient information for shareholders to properly determine whether to approve or disapprove the large-scale purchase, disclosing the opinions, etc. of the Board of Directors of the Company and endeavoring to secure enough time for shareholders to contemplate the large-scale purchase.

(3) Judgment of the Company's Board of Directors regarding the specific measures and reasons therefor

The measures described above in 1) of (2) conform to the basic policy of the Company as described above (1), are fully compatible with the corporate value and the common interests of shareholders of the Asahi Group including the Company, and are never implemented for the purpose of maintaining the status of Directors and Audit & Supervisory Board Members of the Company.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

(million yen)

	Equity attributable to owners of parent					
	Issued capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Changes in fair value of financial instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of current period	220,044	161,793	1,165,542	(1,178)	35,667	-
Comprehensive income						
Profit			164,073			
Other comprehensive income					13,370	10,626
Total comprehensive income	-	-	164,073	-	13,370	10,626
Transfer to non-financial assets						
Transactions with owners						
Dividends			(57,762)			
Purchase of treasury shares				(25)		
Disposal of treasury shares		0		13		
Changes through business combination						
Share-based payment transaction		74				
Transfer from other components of equity to retained earnings			10,578		48	(10,626)
Other increase (decrease)						
Total contributions by owners and distribution to owners	-	74	(47,183)	(12)	48	(10,626)
Total transactions with owners	-	74	(47,183)	(12)	48	(10,626)
Balance at end of current period	220,044	161,867	1,282,432	(1,190)	49,086	-

	Equity attributable to owners of parent				Non-controlling interests	Total equity	
	Other components of equity			Total equity attributable to owners of parent			
	Cash flow hedges	Costs of hedging	Translation differences on foreign operations				Total other components of equity
Balance at beginning of current period	2,577	(478)	476,765	514,532	2,060,734	2,210	2,062,945
Comprehensive income							
Profit				-	164,073	1,957	166,031
Other comprehensive income	(1,600)	53	271,742	294,192	294,192	281	294,473
Total comprehensive income	(1,600)	53	271,742	294,192	458,266	2,238	460,504
Transfer to non-financial assets	(752)			(752)	(752)	-	(752)
Transactions with owners							
Dividends				-	(57,762)	(16)	(57,779)
Purchase of treasury shares				-	(25)		(25)
Disposal of treasury shares				-	13		13
Changes through business combination				-	-	800	800
Share-based payment transaction				-	74		74
Transfer from other components of equity to retained earnings				(10,578)	-		-
Other increase (decrease)				-	-	0	0
Total contributions by owners and distribution to owners	-	-	-	(10,578)	(57,700)	784	(56,916)
Total transactions with owners	-	-	-	(10,578)	(57,700)	784	(56,916)
Balance at end of current period	224	(425)	748,508	797,393	2,460,548	5,233	2,465,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Material Matters Supporting the 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) Scope of Consolidation

Number of consolidated subsidiaries: 199

The Company's principal consolidated subsidiaries are listed under "VI Other Status of the Asahi Group, 4. Status of Major Establishments and Principal Subsidiaries" of the Business Report.

Note that during the fiscal year, the number of companies included in the scope of consolidation decreased by nine companies. This was the result of the addition of three companies that were newly established, the removal of three companies due to changes in the parent company with the joint share transfer, and the removal of nine companies due to liquidation.

(3) The equity method

Number of companies accounted for using the equity method: 32

Principal affiliates accounted for using the equity method were Dynamic Vending Network, Inc, Asahi Business Solutions Corp., Shenzhen Tsingtao Beer Asahi Co., Ltd. and Asahi Beer Communications, Ltd.

(4) 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 end of the fiscal year.

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.

For financial assets with significantly increased credit risk that have objective evidence of impairment, interest income is measured by multiplying the net carrying amount of the financial asset, less loss allowances, by effective interest rate.

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 "Intangible assets," 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.

(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 sublease 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 this 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 the Group is acting as a principal if it controls promised goods before transferring them to a customer and it 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 is 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) Application of group tax sharing system

The Company and its wholly owned subsidiaries in Japan have applied the group tax sharing system.

(5) Changes in accounting policies

(IAS 12 “Income Taxes”)

International Tax Reform—Pillar Two Model Rules

The “International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)” issued on May 23, 2023 provides a temporary mandatory exception for the recognition and disclosure of deferred taxes relating to taxes arising from the tax system associated with the Pillar Two Model Rules.

The Group applies the exception retrospectively upon the announcement of the amendments to IAS 12 in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors.”

The adoption of the amendments to IAS 12 does not have a material impact on the Group’s consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted the amendments to IAS 12 “Income Taxes” (Clarifying accounting treatment for deferred taxes related to assets and liabilities arising from a single transaction) from the beginning of this fiscal year.

The adoption of the amendments to IAS 12 does not have a material impact on the Group’s consolidated financial statements.

2. Notes on Accounting Estimates

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.

Items for which the amount was recorded based on accounting estimates in the consolidated financial statements for this fiscal year and which may have a material impact on the consolidated financial statements for the following fiscal year, are as follows.

(Impairment of non-financial assets)

Impairment test for goodwill and intangible assets with indefinite useful lives

In this fiscal year, significant items among goodwill and intangible assets with indefinite useful lives allocated to each cash-generating unit (group of cash-generating unit) are as below.

(Oceania segment)

Goodwill allocated to the Oceania business is ¥1,358,310 million.

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 10.2%. Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit (group of cash-generating unit).

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

Whereas these estimates enlist key assumptions such as increases in future revenue and growth rates subsequent to the period covered by the business plans, these estimates are subject to significant effects associated with substantial uncertainty and management judgment given that the assumptions are affected by changes in factors such as the business conditions and competitive environment in Oceania.

The recoverable amount exceeds the carrying amount by ¥170,462 million in this fiscal year. However, if the discount rate increases by 0.8%, the carrying amount will exceed the recoverable amount.

(Europe segment)

Goodwill allocated to the Europe (Czech Republic and Slovakia) business is ¥361,338 million.

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 6.7%. Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit (group of cash-generating unit).

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

The recoverable amount exceeds the carrying amount by ¥243,827 million in this fiscal year. However, if the discount rate increases by 1.5%, the carrying amount will exceed the recoverable amount.

Goodwill allocated to the Europe (International) business is ¥113,145 million.

The recoverable amount is measured at value in use. The value in use is calculated by discounting the future cash flows at 8.1%. Discount rate is determined with reference to the pre-tax weighted average cost of capital of cash-generating unit (group of cash-generating unit).

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

Whereas these estimates enlist key assumptions such as increases in future revenue and growth rates subsequent to the period covered by the business plans, these estimates are subject to significant effects associated with substantial uncertainty and management judgment given that the assumptions are affected by changes in factors such as the business conditions and competitive environment in each region of export markets.

The recoverable amount exceeds the carrying amount by ¥20,930 million in this fiscal year. However, if the discount rate increases by 0.6%, the carrying amount will exceed the recoverable amount.

3. Notes to Consolidated Statement of Financial Position

(1) Pledged assets and secured liabilities

The following assets are pledged as collateral for borrowings of ¥1,964 million.

Property, plant and equipment	¥345 million
Cash and cash equivalents	¥68 million

(2) Accumulated depreciation on property, plant and equipment

¥1,236,599 million

(3) Provisions directly deducted from assets

Trade and other receivables	¥11,399 million
Other financial assets	¥626 million

(4) Contingent liabilities

Guarantees	¥2,825 million
------------	----------------

4. 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 99th Annual General Meeting of Shareholders of March 28, 2023 as follows:

Dividends on common stock	
Total amount of dividends:	¥29,395 million
Dividend per share:	¥58
Record date:	December 31, 2022
Effective date:	March 29, 2023

Total amount of dividends includes dividends of ¥7 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 9, 2023, as follows:

Dividends on common stock

Total amount of dividends: ¥28,381 million

dividend per share: ¥56

Record date: June 30, 2023

Effective date: September 1, 2023

Total amount of dividends includes dividends of ¥7 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 will be placed on the agenda for approval at the 100th Annual General Meeting of Shareholders scheduled for March 26, 2024.

Dividends on common stock

Source of dividends: Retained earnings

Total amount of dividends: ¥32,942 million

Dividend per share: ¥65

Record date: December 31, 2023

Effective date: March 27, 2024

Total amount of dividends includes dividends of ¥8 million for shares of the Company held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

5. 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 the transaction balances of foreign currency denominated assets and liabilities, bonds and borrowings and forecast transaction amounts as a means to mitigate foreign exchange risk, price risk of raw materials, energy and others, and interest rate risk, as well as to reduce fund procurement costs.

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 Head 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 holding 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 from the prices of the raw materials, energy, and others used in the production of its products as they fluctuate according to the weather, natural disasters, the economic environment and other factors. To mitigate the risk of these fluctuations in the prices of raw materials, energy, and others, the Group mainly engages in commodity swap transactions and virtual power purchase agreements ("VPPA"). 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. Although VPPA has risks of fluctuations in market prices of electricity, price risk is limited because these risks are offset with risks of fluctuations in market prices of electricity used in the production of products.

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 target ratio for the statements of financial position 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	2,559	2,446
Long-term borrowings	153,638	153,746
Bonds	1,233,312	1,203,626

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.

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

(million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivatives designated as hedging instruments	-	17,149	3,329	20,479
Derivatives not designated as hedging instruments	-	3,299	-	3,299
Equity instruments	90,198	52	34,446	124,696
Others	-	1,620	20	1,640
Total financial assets	90,198	22,122	37,796	150,116
Financial liabilities				
Derivatives designated as hedging instruments	-	4,567	1,810	6,377
Derivatives not designated as hedging instruments	-	1,611	1,553	3,165
Contingent consideration	-	-	12,183	12,183
Total financial liabilities	-	6,178	15,547	21,726

There were no material transfers between Levels 1 and 2 in the fair value hierarchy during this fiscal year.

The fair value of financial instruments traded in active markets is the quoted market prices at the end of the fiscal year. These financial instruments are categorized into Level 1. In the Group, 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 a 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 with which the Company does business. If all significant inputs required for measuring the fair value of a financial instrument 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 or VPPA) 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 and others.

The principal unobservable input used in calculating the fair value of instruments classified as Level 3 is the price book-value ratio in the comparable company analysis method for equity instruments (ranging from 0.9 to 1.7 times) and the forecasted electricity purchase volumes in the discounted cash flow method for VPPA (ranging from 66 to 512 GWh per agreement). The estimated fair value of equity instruments increases (decreases) when the price book-value ratio increases (decreases). The estimated fair value of VPPA generally increases (decreases), in the case that market price exceeds the price initially expected, when the forecasted electricity purchase volume increases (decreases).

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 the officer in charge of finance, and after reviewing the results, the officer reports to the Board of Directors as necessary.

6. Notes on Revenue Recognition

(1) Disaggregation of revenue

Relationship between disaggregation of revenue and segment revenue

The Group has broken down the reportable segments of "Japan," "Europe," "Oceania," and "Southeast Asia," into the categories of "Manufacture and sales of alcohol beverages," "Manufacture and sales of soft drinks," "Manufacture and sales of food and pharmaceuticals," and "Others," depending on the type of goods and services.

The "Others" category includes operation of logistics, restaurants, and others in "Japan."

	Manufacture and sales of alcohol beverages	Manufacture and sales of soft drinks	Manufacture and sales of food and pharmaceuticals	Others	Elimination of intersegment revenue	Total
Japan	800,178	374,899	122,673	65,098	(9,656)	1,353,194
Europe	688,725	-	-	-	(1,088)	687,637
Oceania	492,229	159,925	-	-	(2,641)	649,513
Southeast Asia	-	57,806	-	-	(602)	57,204
Others	14,945	2,582	-	4,013	-	21,542
Consolidated Total	1,996,079	595,214	122,673	69,112	(13,988)	2,769,091

(2) Transaction price allocated to the remaining performance obligations

Due to the fact that the Group does not have material transactions whose expected contract duration 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.

7. Notes to per Share Information

(1) Equity attributable to owners of parent per share	¥4,856.22
(2) Basic earnings per share	¥323.82

8. Significant Subsequent Events

There are no significant subsequent events.

9. Other

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

NON-CONSOLIDATED FINANCIAL STATEMENTS (Japanese GAAP)
NON-CONSOLIDATED BALANCE SHEET

(million yen)

	As of December 31, 2023	As of December 31, 2022 [Reference]
ASSETS		
Current assets:		
Cash and deposits	10,103	5,524
Short-term loans receivable	55,071	134,454
Prepaid expenses	1,030	550
Accounts receivable - other	13,565	22,639
Income taxes refund receivable	-	0
Other	489	127
Total current assets	80,260	163,297
Non-current assets:		
Property, plant and equipment:		
Buildings	14,905	15,269
Structures	329	357
Machinery and equipment	2	4
Vehicles	0	0
Tools, furniture and fixtures	607	493
Land	15,037	15,037
Leased assets	19	28
Construction in progress	19	0
Total property, plant and equipment	30,921	31,191
Intangible assets:		
Right to use facilities	27	27
Trademark right	5,077	6,045
Software	976	1,116
Other	2	3
Total intangible assets	6,083	7,191
Investments and other assets:		
Investment securities	8,425	6,656
Shares of subsidiaries and associates	2,692,570	2,689,543
Investments in capital of subsidiaries and associates	4,519	4,519
Deferred tax assets	44,737	33,166
Other	553	518
Allowance for doubtful accounts	(160)	(167)
Total investments and other assets	2,750,646	2,734,237
Total non-current assets	2,787,651	2,772,620
Total assets	2,867,911	2,935,917

NON-CONSOLIDATED BALANCE SHEET

(million yen)

	As of December 31, 2023	As of December 31, 2022 [Reference]
LIABILITIES		
Current liabilities:		
Short-term borrowings	44,420	154,088
Commercial papers	19,000	110,000
Current portion of bonds payable	321,398	100,000
Lease obligations	10	10
Accounts payable - other	2,859	3,500
Accrued expenses	12,172	6,054
Deposits received	221,744	132,011
Provision for bonuses	311	223
Provision for bonuses for directors (and other officers)	308	288
Other	1,853	6,479
Total current liabilities	624,078	512,656
Non-current liabilities:		
Bonds payable	898,244	1,022,714
Long-term borrowings	108,980	103,400
Lease obligations	10	20
Other	1,067	1,090
Total non-current liabilities	1,008,303	1,127,225
Total liabilities	1,632,381	1,639,882
NET ASSETS		
Shareholders' equity:		
Share capital	220,216	220,216
Capital surplus	194,511	194,511
Legal capital surplus	87,977	87,977
Other capital surplus	106,534	106,533
Retained earnings	886,969	913,748
Other retained earnings	886,969	913,748
General reserve	195,000	195,000
Retained earnings brought forward	691,969	718,748
Treasury shares	(1,190)	(1,178)
Total shareholders' equity	1,300,506	1,327,297
Valuation and translation adjustments:		
Valuation difference on available- for-sale securities	3,270	2,094
Deferred gains or losses on hedges	(68,246)	(33,356)
Total valuation and translation adjustments	(64,976)	(31,262)
Total net assets	1,235,530	1,296,035
Total liabilities and net assets	2,867,911	2,935,917

NON-CONSOLIDATED STATEMENT OF INCOME

(million yen)

	For the year ended December 31, 2023	For the year ended December 31, 2022 [Reference]
Operating revenue	65,258	172,189
Operating income of the Group	33,443	30,326
Real estate lease revenue	1,894	1,829
Dividends from subsidiaries and associates	29,920	140,033
Operating expenses	25,996	22,225
Operating profit	39,262	149,963
Non-operating income	5,799	5,697
Interest and dividend income	3,656	583
Foreign exchange gains	2,062	1,150
Reversal of allowance for doubtful accounts	-	3,757
Other	80	205
Non-operating expenses	13,813	7,189
Interest expenses	12,002	6,683
Bond issuance costs	634	268
Provision of allowance for doubtful accounts	5	-
Other	1,170	237
Ordinary profit	31,248	148,471
Extraordinary income	141	75
Gain on sale of investment securities	141	11
Other	-	63
Extraordinary losses	71	1,291
Loss on sale and retirement of non-current assets	71	147
Loss on sale of investment securities	-	1,030
Business restructuring expenses	-	113
Profit before income taxes	31,318	147,254
Income taxes - current	415	42
Income taxes - deferred	(95)	442
Profit	30,998	146,769

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2023

(million yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surpluses	Other retained earnings		Total retained earnings
				General reserve	Retained earnings brought forward		
Balance at beginning of current period	220,216	87,977	106,533	194,511	195,000	718,748	913,748
Changes of items during period							
Dividends						(57,776)	(57,776)
Profit						30,998	30,998
Purchase of treasury shares							
Disposal of treasury shares			0	0			
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	0	0	-	(26,778)	(26,778)
Balance at end of current period	220,216	87,977	106,534	194,511	195,000	691,969	886,969

	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	
Balance at beginning of current period	(1,178)	1,327,297	2,094	(33,356)	(31,262)	1,296,035
Changes of items during period						
Dividends		(57,776)				(57,776)
Profit		30,998				30,998
Purchase of treasury shares	(25)	(25)				(25)
Disposal of treasury shares	13	13				13
Net changes of items other than shareholders' equity			1,175	(34,890)	(33,714)	(33,714)
Total changes of items during period	(12)	(26,791)	1,175	(34,890)	(33,714)	(60,505)
Balance at end of current period	(1,190)	1,300,506	3,270	(68,246)	(64,976)	1,235,530

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

Other than shares that do not have a market value

Market price method (related valuation differences are directly charged or credited to net assets, and the cost of securities sold is computed by the moving-average method.)

Shares that do not have a 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, 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) Accounting criteria for revenue and expenses

The Company 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

The Company principally formulates the Group's management policies, management strategies, and management resource allocation policies, provides necessary guidance, etc., to subsidiaries to implement them, and implements various measures to enhance the overall brand value and comprehensive strength of the Group. The Company has identified the provision of management guidance and benefits that rely on the brand value and comprehensive strength of the Group to the subsidiaries, and others, as a performance obligation. Such

performance obligations are fulfilled by providing contractual services to customers; hence the Company recognizes revenue over the period of the services being provided.

In addition, the consideration is collected within one year and does not include significant financing component or variable considerations.

(7) Other significant items associated with the preparation of non-consolidated financial statements

Application of group tax sharing system

The Company has applied the group tax sharing system.

2. Notes to Changes in Accounting Policies

(1) Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has adopted the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of this fiscal year, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

This has no impact on the non-consolidated financial statements.

3. Notes on Accounting Estimates

The accounting estimates have been calculated using amounts deemed reasonable based on information available when preparing the non-consolidated financial statements. Of the amounts calculated based on accounting estimates and recorded in the non-consolidated financial statements of this fiscal year, the following items are subject to risk that could significantly affect non-consolidated financial statements of the subsequent fiscal year.

(1) Valuation of shares of subsidiaries and associates that do not have a market value

1) Amounts recorded in the non-consolidated balance sheet of this fiscal year

An amount of ¥2,692,570 million has been recorded under shares of subsidiaries and associates. The amount includes ¥1,340,416 million associated with shares of Asahi Holdings (Australia) Pty Ltd.

2) Other information to facilitate understanding of the accounting estimates among users of the non-consolidated financial statements

For shares of subsidiaries and associates that do not have a market value, a valuation loss is recognized if the value in substance decreases significantly due deteriorating financial position of the company issuing such shares, unless there is sufficient evidence otherwise substantiating the potential for recoverability.

In addition, valuation in substance with respect to some shares of subsidiaries and associates is calculated to reflect excess earnings power. Accordingly, valuation of Asahi Holdings (Australia) Pty Ltd. shares has been calculated to reflect excess earnings power of the Oceania business.

In relation to the valuation of excess earnings power, the Company tests for impairment with respect to such goodwill on an annual basis in the consolidated financial statements. For further details, please refer to "NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, 2. Notes on Accounting Estimates, (Impairment of non-financial assets)."

As a result of the above, valuation loss has not been recognized with respect to the end of this fiscal year because value in substance, which reflects the excess earnings power of the company, has not decreased significantly.

Key assumptions of the estimate of the value in substance for the shares of Asahi Holdings (Australia) Pty Ltd. are the same as the assumptions employed in calculating the recoverable amount estimates used in testing for impairment when preparing the consolidated financial statements "NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, 2. Notes on Accounting Estimates, (Impairment of non-financial assets)."

Valuation loss may occur in the subsequent fiscal year if it becomes necessary to revise these assumptions.

4. Notes to the Non-Consolidated Balance Sheet

(1) Accumulated depreciation on property, plant and equipment

¥30,121 million

(2) Contingent liabilities

Guarantees against bank loans and trade payables

Guarantees:

¥9,072 million

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

Short-term monetary claims on associates:

¥68,586 million

Short-term monetary obligations to associates:

¥226,614 million

5. Notes to the Non-Consolidated Statement of Income

Transactions with associates

Operating revenue:

¥65,024 million

Operating expenses:

¥8,184 million

Transactions other than operating transactions:

¥6,607 million

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

Treasury shares

(Shares)

Type of stock	Number of shares as of Jan. 1, 2023	Increase during this fiscal year	Decrease during this fiscal year	Number of shares as of Dec. 31, 2023
Common stock	322,338	4,850	3,085	324,103

(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: 4,850 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: 122 shares

Decrease resulting from payment of stock compensation to retired directors: 2,963 shares

Treasury shares include 132,505 shares of the Company's common stock held by Custody Bank of Japan, Ltd. as the trust assets of a stock compensation plan.

7. 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:	¥19,727 million
Loss on valuation of shares of subsidiaries, non-tax deductible:	¥32,082 million
Loss on valuation of capital contributions for subsidiaries, non-tax deductible:	¥4,558 million
Deferred losses on transfer of business:	¥746 million
Deferred losses on hedges:	¥28,103 million
Others:	¥1,664 million
Subtotal deferred tax assets:	¥86,880 million
Valuation allowance:	¥(35,723) million
Total deferred tax assets	¥51,157 million

(Deferred tax liabilities)

Deferred gain on transfer of business between consolidated corporations:	¥(5,026) million
Valuation difference on available-for-sale securities:	¥(1,372) million
Others:	¥(20) million
Total deferred tax liabilities	¥(6,418) million

Net deferred tax assets

¥44,737 million

(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:	0.12%
Valuation allowance:	0.50%
Permanent difference (non-taxable), including dividend income:	(27.87)%
Tax credits:	(4.28)%
Others:	1.93%
Effective tax rate after adoption of tax effect accounting:	<u>1.02%</u>

(3) Accounting treatment for corporate and local income taxes and for related tax effect accounting

The Company has transitioned from the consolidated taxation system to the group tax sharing system from this fiscal year.

The accounting treatment and disclosure for corporate and local income taxes and tax effect accounting with this transition follow the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

Furthermore, based on PITF No. 42 paragraph 32-1, we do not expect an impact from the changes in our accounting policy with the application of PITF No. 42.

8. 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, 2023
Subsidiary	Asahi Group Japan, Ltd.	100% direct ownership	Interlocking of officers	Operating revenue (Note 1)	7,373	Accounts receivable -other	2,199
				Loaning funds (Note 2)	(80,454)	Short-term loans receivable	43,633
Subsidiary	Asahi Breweries, Ltd.	100% indirect ownership	Interlocking of officers	Operating revenue (Note 1)	14,870	Accounts receivable -other	6,080
Subsidiary	Asahi Europe and International Ltd	100% direct ownership	Interlocking of officers	Operating revenue (Note 1)	13,477	Accounts receivable -other	492
				Deposits received (Note 3)	73,147	Deposits received	161,283
				Payment of interests (Note 3)	4,843	Accrued expenses	509
Subsidiary	Asahi Holdings (Australia) Pty Ltd	100% direct ownership	Interlocking of officers	Operating revenue (Note 1)	20,838	Accounts receivable -other	1,014
				Deposits received (Note 3)	14,546	Deposits received	55,672
Subsidiary	Asahi Quality & Innovations, Ltd.	100% direct ownership	Interlocking of officers	Outsourcing research services, etc. (Note 4)	6,921	Accrued expenses	2,090

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 rate for the deposits received 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 4: The amount of outsourced research services, etc. is determined based on certain reasonable standards.

9. Notes on Revenue Recognition

Information that provides the basis for understanding revenue

As stated in "(6) Accounting criteria for revenue and expenses" under "1. Notes to Significant Accounting Policies"

10. Notes to per Share Information

(1) Net assets per share:	¥2,438.49
(2) Earnings per share (Profit per share):	¥61.18

11. Significant Subsequent Events

There are no significant subsequent events.

12. Other

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

Independent accounting auditor's report on non-consolidated financial statements

Independent Auditor's Report

February 8, 2024

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

KPMG AZSA LLC
Tokyo Office, Japan

Kanako Ogura
Designated Limited Liability
Partner
Engagement Partner
Certified Public Accountant

Hiroshi Tani
Designated Limited Liability
Partner
Engagement Partner
Certified Public Accountant

Masahiro Morita
Designated Limited Liability
Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the accompanying supplementary schedules ("the financial statements and others") of Asahi Group Holdings, Ltd. ("the Company") as at December 31, 2023 and for the year from January 1, 2023 to December 31, 2023 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and others referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and others were prepared, in accordance with accounting principles generally accepted in Japan.

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 Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and others does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and others, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and others or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and Others

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

In preparing the financial statements and others, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and Others

Our objectives are to obtain reasonable assurance about whether the financial statements and others 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. 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 financial statements and others.

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 financial statements and others, 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 selection and application of audit procedures depend on the auditor's judgment.
- 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 Company'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 Company'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 financial statements and others 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 Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and others are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and others, including the disclosures,

and whether the financial statements and others represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 the 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, actions taken to eliminate threats or safeguards applied.

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

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

[Reference] Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company has established standards as set forth below for objectively assessing the independence of its Outside Directors and Outside Audit & Supervisory Board Members (herein this section the "Outside Directors/Audit & Supervisory Board Members") and accordingly deems that an Outside Director/Audit & Supervisory Board Member lacks sufficient independence for the Company if any of the following apply, such that he or she is:

1. A party who serves as an executive^{*1} of the Company or a subsidiary of the Company (herein this section collectively referred to as the "Group") or has served as an executive of the Group in the past;
2. A party for whom the Group is a major business partner^{*2} (or if the business partner is an incorporated entity, an executive thereof);
3. A party who is a major business partner of the Group^{*3} (or if the business partner is an incorporated entity, an executive thereof);
4. A consultant, certified public accountant or other accounting professional, or an attorney at law or other legal professional who has been paid substantial amounts of money or other financial benefits^{*4} other than Directors' and Audit & Supervisory Board Members' remuneration paid by the Group (or if the party receiving such financial benefits is an incorporated entity, association or other organization, then persons belonging to such organization);
5. A certified public accountant who belongs to the auditing firm which serves as the Independent Accounting Auditor of the Group;
6. A major shareholder^{*5} of the Group (or if the major shareholder is an incorporated entity, an executive thereof);
7. An executive of an incorporated entity that is a major shareholder of the Group;
8. An executive of a company which has a relationship involving cross-assumption of office of Outside Directors/Audit & Supervisory Board Members^{*6};
9. A party who receives substantial donations^{*7} from the Group (or if the party receiving such donations is an incorporated entity, association or other organization, then an executive thereof);
10. A close relative^{*8} of a party who falls under any of the above items from 1 to 9 (limited to important persons^{*9}, with the exception of item 1);
11. A party who has fallen under any of the above items from 2 to 10 during the past ten (10) years;
12. A party who has exceeded the tenure of Outside Directors/Audit & Supervisory Board Members stipulated by the Company^{*10}; or
13. Notwithstanding the provisions of the respective items above, a party with respect to whom there are special grounds for deeming there to be potential for conflict of interests with general shareholders.

*1. "Executive" refers to an executive as defined in Item 6, Paragraph 3, Article 2 of the Regulation for Enforcement of the Companies Act, and includes both executive directors and employees, but does not include Audit & Supervisory Board Members.

*2. "Party for whom the Group is a major business partner" refers to a party whose transactions in the most recent fiscal year amount to 2% or more of the consolidated net sales of the business partner's group.

*3. "Party who is a major business partner of the Group" refers either to a party whose transactions in the most recent fiscal year amount to 2% or more of the Company's consolidated revenue, or a party who loans to the Group an amount equivalent to 2% or more of the Company's consolidated total assets as of the end of the most recent fiscal year.

- *4. "Substantial amounts of money or other financial benefits" refers to money and other financial benefits amounting to 10 million yen or more annually, excluding Directors' and Audit & Supervisory Board Members' remuneration, for the most recent fiscal year (if such financial benefits are obtained by an incorporated entity, association or other organization, it refers to money or other financial benefits amounting to 2% or more of such organization's total revenues for the most recent fiscal year).
- *5. "Major shareholder" refers to a person or incorporated entity that directly or indirectly holds 10% or more of the Company's total voting rights.
- *6. "Relationship involving cross-assumption of office of Outside Directors/Audit & Supervisory Board Members" refers to a relationship where an executive of the Group serves as an outside director/audit & supervisory board member of another company, and an executive of that company serves as an Outside Director/Audit & Supervisory Board Member of the Company.
- *7. "Substantial donations" refers to annual donations of 10 million yen or more made during the most recent fiscal year.
- *8. "Close relative" refers to a spouse or persons within the second degree of consanguinity.
- *9. "Important persons" refers to Directors (excluding Outside Directors), officers, Executive Officers, and other executives in positions of General Manager or above; certified public accountants belonging to auditing firms or accounting offices; attorneys at law belonging to legal professional corporations or law firms; councilors, directors or other officers belonging to incorporated foundations, incorporated associations, educational institutions and other incorporated entities; and other persons objectively and reasonably deemed to be in positions of similar importance.
- *10. "Tenure of Outside Directors/Audit & Supervisory Board Members stipulated by the Company" means ten (10) years with respect to Directors and twelve (12) years with respect to Audit & Supervisory Board Members.