

Summary of Consolidated Financial Results
for the First Nine Months of the Year Ending December 31, 2019
<IFRS> (UNAUDITED)

Company name:	Suntory Beverage & Food Limited	
Shares listed:	First Section, Tokyo Stock Exchange	
Securities code:	2587	
URL:	https://www.suntory.com/sbf/	
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Scheduled date to file quarterly securities report:		November 12, 2019
Scheduled date to commence dividend payments:		–
Attachment of supplementary material on quarterly financial results:		Yes
Holding of quarterly financial results briefing meeting (for institutional investors and analysts):		Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first nine months of the year ending December 31, 2019
(from January 1, 2019 to September 30, 2019)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax for the period		Profit for the period	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Nine months ended								
September 30, 2019	980,586	0.9	90,592	(4.0)	89,310	(4.0)	66,143	(8.6)
September 30, 2018	972,058	4.5	94,352	1.4	93,057	3.6	72,389	11.4

	Profit for the period attributable to owners of the Company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)	(Yen)
Nine months ended						
September 30, 2019	57,801	(12.2)	38,933	(37.2)	187.06	–
September 30, 2018	65,815	11.5	62,008	(28.4)	213.00	–

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
As at				
September 30, 2019	1,535,579	803,428	721,172	47.0
December 31, 2018	1,539,416	798,877	714,823	46.4

(3) Consolidated cash flows

	Net cash inflow (outflow) from operating activities	Net cash inflow (outflow) from investing activities	Net cash inflow (outflow) from financing activities	Cash and cash equivalents at the end of the period
Nine months ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
September 30, 2019	124,074	(45,352)	(108,983)	114,986
September 30, 2018	84,249	(41,609)	(38,188)	121,665

2. Dividends

	Annual cash dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended December 31, 2018	–	39.00	–	39.00	78.00
Year ending December 31, 2019	–	39.00	–		
Year ending December 31, 2019 (Forecast)				39.00	78.00

Note: Revisions to the forecast of dividends most recently announced: None

3. Consolidated earnings forecast for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax		Profit for the year		Profit for the year attributable to owners of the Company		Basic earnings per share (Yen)
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	
Year ending December 31, 2019	1,297,000	0.2	111,000	(2.3)	110,000	(1.6)	79,500	(10.5)	68,000	(15.0)	220.06

Note: Revisions to the earnings forecast most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- | | |
|---|------|
| a. Changes in accounting policies required by IFRS: | Yes |
| b. Changes in accounting policies due to other reasons: | None |
| c. Changes in accounting estimates: | None |
- (Note) For details, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto (Unaudited), (6) Notes to condensed quarterly consolidated financial statements, (Changes in accounting policies)” of the Attached Materials on page 12.
- (3) Number of issued shares (ordinary shares)
- | | |
|---|--------------------|
| a. Total number of issued shares at the end of the period (including treasury shares) | |
| As at September 30, 2019 | 309,000,000 shares |
| As at December 31, 2018 | 309,000,000 shares |
| b. Number of treasury shares at the end of the period | |
| As at September 30, 2019 | 3 shares |
| As at December 31, 2018 | – shares |
| c. Average number of outstanding shares during the period (cumulative from the beginning of the year) | |
| Nine months ended September 30, 2019 | 308,999,999 shares |
| Nine months ended September 30, 2018 | 309,000,000 shares |

*** Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecast, and other special matters**

The earnings forecast contained in these materials are based on our judgment attributable to information available to the Company and the Group as of the date of announcement of these materials, and include certain risks and uncertainties. These statements are not intended as a promise by the Company to achieve such results. Actual business results may differ substantially due to various factors such as economic situation surrounding the Company and the Group, market trend, exchange rates and other factors.

Attached Materials

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1. Qualitative Information Regarding Settlement of Accounts for the First Nine Months

(1) Operating results

Suntory Beverage & Food Limited Group (the Group), based on the philosophy of enriching consumers' lives by proposing premium and unique products that match the tastes and needs of consumers, put effort into brand reinforcement and new demand creation, and worked to improve the quality of products. In addition, the Group worked to strengthen profitability in each area.

As a result of the above, for the operating results of the first nine months of the year ending December 31, 2019, the Group reported consolidated revenue of ¥980.6 billion, up 0.9% year on year. Consolidated operating income was ¥90.6 billion, which was down 4.0% year on year due to the impact of a gain on sale of business of ¥12.0 billion recorded in the previous year. Profit for the period attributable to owners of the Company was ¥57.8 billion, down 12.2% year on year.

Results by segment are described below.

< Japan business >

The Group worked on strengthening core brands with a focus on water, coffee, and sugar-free tea categories, but sales volume decreased year on year due in part to the impact of the late end to the rainy season. Sales of the *Suntory Tennensui* brand decreased year on year due to the impact of the bad weather. For the *BOSS* brand, in addition to carrying out proactive marketing activities for canned coffee, the *Craft BOSS* series grew, and sales volume for the *BOSS* brand as a whole was higher than that of the previous year. In the sugar-free tea category, sales volume for *Green DAKARA Yasashii Mugicha* grew significantly, although sales of the *Iyemon* brand declined year on year. Furthermore, the Group actively developed marketing activities, for *Tokucha* in the FOSHU drink product category and the *Iyemon Plus for Cholesterol Control* in the Foods with Function Claims segment, and promoted initiatives toward increasing revenue, such as revising the product shipment price and the recommended retail price for certain products in May.

In terms of profit, the Group worked on improving profitability through mid-term structural change by establishing a high added-value and profitable business model, promoting SCM structural innovation and reforming the vending machine business structure. In addition to continuous initiatives to reduce cost, there was also a reduction in sales promotion and advertising costs compared to the previous fiscal year.

As a result, the Japan business reported revenue of ¥535.4 billion, down 0.3% year on year, and segment profit of ¥44.0 billion, up 10.4% year on year.

< Europe business >

In France, the core brand *Orangina* was affected by the stagnant market conditions, resulting in sales volume falling slightly year on year, in addition to which sales volume for *Oasis* also posted a year-on-year decline. In the UK, with the ongoing recovery in the sales trend of *Lucozade*, sales volume for the brand exceeded that of the previous year. In Spain, sales declined year on year as a result of difficulties in the on-premise channel, but sales volume for the core *Schweppes* brand grew in the off-premise channel, resulting in year-on-year growth in overall sales volume of the brand.

In terms of profit, UK sales growth made a positive contribution and the cost of production in France was reduced such as by progressing SCM activities.

As a result of these activities, the Europe business reported revenue of ¥174.3 billion, down 7.7% year on year, and segment profit of ¥27.3 billion, up 2.2% year on year.

< Asia business >

In the beverage business, in addition to strengthening marketing activities targeting the core brands, the Group also focused efforts on expanding distribution in each country. In Vietnam, the energy drink *Sting* and the RTD tea *TEA+*, among others, drove year-on-year growth in sales. In Thailand, where Suntory PepsiCo Beverage (Thailand) Co., Ltd. started operations in March last year, the core

product *Pepsi* sold strongly, while the flavored water *goodmood*, which had been well-received by consumers in Indonesia, was launched in Thailand and Vietnam.

Regarding the health supplement business, the Group focused on strengthening marketing for such products as *BRAND'S Essence of Chicken*, mainly in the core Thailand market, and worked to review distribution policy.

As a result, the Asia business reported revenue of ¥170.3 billion, up 15.0% year on year. Segment profit was ¥17.6 billion, down 32.6% year on year due to the impact of a gain on sale of business of ¥12.0 billion recorded in the previous year.

< Oceania business >

Regarding the beverage business, in addition to focusing efforts on strengthening marketing for energy drinks such as *V*, the Group worked on strengthening its core brands such as *Toby's Estate*, *L'Affare*, and *Mocopan* in the fresh coffee business.

As a result, the Oceania business reported revenue of ¥38.4 billion, down 1.1% year on year, and segment profit of ¥3.5 billion, down 1.3% year on year.

< Americas business >

In addition to further strengthening sales of the core carbonated beverage brand products, the Group also focused on the growing non-carbonated beverage category, which included water and RTD coffee.

As a result, the Americas business reported revenue of ¥62.2 billion, up 4.5% year on year, and segment profit of ¥6.5 billion, up 0.0% year on year.

(2) Financial position

Total assets as of September 30, 2019 stood at ¥1,535.6 billion, a decrease of ¥3.8 billion compared to December 31, 2018. The main factors were decreases in cash and cash equivalents, intangible assets and other items.

Total liabilities stood at ¥732.2 billion, a decrease of ¥8.4 billion compared to December 31, 2018. This was due to a decrease in bonds and borrowings, etc.

Total equity stood at ¥803.4 billion, an increase of ¥4.6 billion compared to December 31, 2018, due in part to an increase in retained earnings resulting from the recording of profit for the period attributable to owners of the Company.

(3) Analysis of cash flows

Cash and cash equivalents as at September 30, 2019 amounted to ¥115.0 billion, a decrease of ¥31.5 billion compared to December 31, 2018.

Net cash inflow from operating activities was ¥124.1 billion, an increase of ¥39.8 billion compared to the same period of the previous year. This was mainly the result of profit before tax for the period of ¥89.3 billion, an increase in trade and other payables of ¥31.5 billion, and depreciation and amortization of ¥53.0 billion.

Net cash outflow from investing activities was ¥45.4 billion, an increase of ¥3.7 billion compared to the same period of the previous year. This was mainly the result of the payments for property, plant and equipment and intangible assets of ¥44.3 billion.

Net cash outflow from financing activities was ¥109.0 billion, an increase of ¥70.8 billion compared to the same period of the previous year. This was mainly the result of the repayments of long-term borrowings of ¥27.6 billion and redemption of bonds of ¥25.0 billion.

(4) Consolidated earnings forecast and other forward-looking statements

In light of business results and foreign exchange impacts, the Group has revised the earnings forecasts for the year ending December 31, 2019, which were announced on February 14, 2019, as follows.

	Revenue	Operating income	Profit before tax	Profit for the year	Profit for the year attributable to owners of the Company	Basic earnings per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)
Previous forecast (A)	1,313,000	110,000	108,000	76,500	66,500	215.21
Revised forecast (B)	1,297,000	111,000	110,000	79,500	68,000	220.06
Change in amount (B-A)	(16,000)	1,000	2,000	3,000	1,500	4.85
Change (%)	(1.2)	0.9	1.9	3.9	2.3	2.3
(Reference) Actual results for the year ended December 31, 2018	1,294,256	113,557	111,813	88,833	80,024	258.98

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto (Unaudited)

(1) Condensed quarterly consolidated statement of financial position

Millions of yen

	As at December 31, 2018	As at September 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	146,535	114,986
Trade and other receivables	184,900	217,207
Other financial assets	984	8,962
Inventories	85,766	85,849
Other current assets	25,149	22,448
Subtotal	443,336	449,455
Assets held for sale	27	46
Total current assets	443,363	449,502
Non-current assets:		
Property, plant and equipment	375,382	360,106
Right-of-use assets	–	47,347
Goodwill	250,685	242,815
Intangible assets	418,562	393,222
Investments accounted for using the equity method	1,216	1,181
Other financial assets	20,955	17,651
Deferred tax assets	14,291	14,486
Other non-current assets	14,959	9,265
Total non-current assets	1,096,052	1,086,077
Total assets	1,539,416	1,535,579

Millions of yen

	As at December 31, 2018	As at September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	75,437	71,471
Trade and other payables	303,783	331,407
Other financial liabilities	30,736	41,094
Accrued income taxes	18,445	14,792
Provisions	2,074	1,159
Other current liabilities	8,639	9,441
Total current liabilities	439,117	469,366
Non-current liabilities:		
Bonds and borrowings	195,436	132,076
Other financial liabilities	20,150	46,218
Post-employment benefit liabilities	13,258	14,184
Provisions	2,702	2,551
Deferred tax liabilities	63,494	62,660
Other non-current liabilities	6,377	5,093
Total non-current liabilities	301,421	262,785
Total liabilities	740,538	732,151
Equity		
Share capital	168,384	168,384
Share premium	182,349	182,349
Retained earnings	420,638	453,614
Treasury shares	–	(0)
Other components of equity	(56,548)	(83,174)
Total equity attributable to owners of the Company	714,823	721,172
Non-controlling interests	84,054	82,255
Total equity	798,877	803,428
Total liabilities and equity	1,539,416	1,535,579

(2) Condensed quarterly consolidated statement of profit or loss

Millions of yen

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Revenue	972,058	980,586
Cost of sales	<u>(566,487)</u>	<u>(576,315)</u>
Gross profit	405,570	404,271
Selling, general and administrative expenses	(320,633)	(311,000)
Gain on investments accounted for using the equity method	58	0
Other income	13,834	1,084
Other expenses	<u>(4,477)</u>	<u>(3,763)</u>
Operating income	94,352	90,592
Finance income	732	989
Finance costs	<u>(2,027)</u>	<u>(2,270)</u>
Profit before tax for the period	93,057	89,310
Income tax expense	<u>(20,667)</u>	<u>(23,166)</u>
Profit for the period	<u><u>72,389</u></u>	<u><u>66,143</u></u>
Attributable to:		
Owners of the Company	65,815	57,801
Non-controlling interests	<u>6,573</u>	<u>8,342</u>
Profit for the period	<u><u>72,389</u></u>	<u><u>66,143</u></u>
Earnings per share (Yen)	213.00	187.06

(3) Condensed quarterly consolidated statement of comprehensive income

Millions of yen

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Profit for the period	72,389	66,143
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets	0	436
Remeasurement of post-employment benefit plans	(74)	(668)
Total	(73)	(231)
Items that may be reclassified to profit or loss:		
Translation adjustments of foreign operations	(11,140)	(26,685)
Net gain (loss) on revaluation of cash flow hedges	836	(239)
Changes in comprehensive income of investments accounted for using the equity method	(2)	(54)
Total	(10,307)	(26,978)
Other comprehensive income for the period, net of tax	(10,381)	(27,210)
Comprehensive income for the period	62,008	38,933
Attributable to:		
Owners of the Company	54,912	31,162
Non-controlling interests	7,096	7,770
Comprehensive income for the period	62,008	38,933

(4) Condensed quarterly consolidated statement of changes in equity

Nine months ended September 30, 2018

Millions of yen

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2018	168,384	182,404	364,274	–	(24,625)	690,437	55,763	746,201
Profit for the period			65,815			65,815	6,573	72,389
Other comprehensive income					(10,903)	(10,903)	522	(10,381)
Total comprehensive income for the period	–	–	65,815	–	(10,903)	54,912	7,096	62,008
Dividends			(23,793)			(23,793)	(4,042)	(27,835)
Increase due to business combinations						–	26,881	26,881
Transactions with non-controlling interests		(54)				(54)	108	54
Reclassification to retained earnings			41		(41)	–		–
Total transactions with owners of the Company	–	(54)	(23,751)	–	(41)	(23,847)	22,947	(900)
Balance at September 30, 2018	168,384	182,349	406,338	–	(35,570)	721,501	85,808	807,310

Nine months ended September 30, 2019

Millions of yen

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at December 31, 2018	168,384	182,349	420,638	–	(56,548)	714,823	84,054	798,877
Cumulative effect of adopting new accounting standards			(710)			(710)	(165)	(876)
Balance at January 1, 2019	168,384	182,349	419,927	–	(56,548)	714,112	83,888	798,000
Profit for the period			57,801			57,801	8,342	66,143
Other comprehensive income					(26,638)	(26,638)	(572)	(27,210)
Total comprehensive income for the period	–	–	57,801	–	(26,638)	31,162	7,770	38,933
Purchase of treasury shares				(0)		(0)		(0)
Dividends			(24,101)			(24,101)	(8,805)	(32,907)
Transactions with non-controlling interests						–	(598)	(598)
Reclassification to retained earnings			(11)		11	–		–
Total transactions with owners of the Company	–	–	(24,113)	(0)	11	(24,102)	(9,403)	(33,505)
Balance at September 30, 2019	168,384	182,349	453,614	(0)	(83,174)	721,172	82,255	803,428

(5) Condensed quarterly consolidated statement of cash flows

Millions of yen

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Cash flows from operating activities		
Profit before tax for the period	93,057	89,310
Depreciation and amortization	46,814	53,023
Impairment losses (reversal of impairment losses)	165	479
Interest and dividends income	(623)	(985)
Interest expense	1,813	1,958
Loss (gain) on investments accounted for using the equity method	(58)	(0)
Loss (gain) on sales of shares of subsidiaries	(12,038)	–
Decrease (increase) in inventories	(8,566)	(2,367)
Decrease (increase) in trade and other receivables	(46,995)	(36,190)
Increase (decrease) in trade and other payables	41,084	31,456
Other	(5,181)	11,448
Subtotal	109,472	148,134
Interest and dividends received	570	878
Interest paid	(2,173)	(2,178)
Income tax paid	(23,619)	(22,760)
Net cash inflow (outflow) from operating activities	84,249	124,074
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(40,252)	(44,293)
Proceeds on sale of property, plant and equipment and intangible assets	970	29
Payments for purchase of shares of subsidiaries	(26,719)	(900)
Proceeds from sales of shares of subsidiaries	24,216	–
Other	174	(187)
Net cash inflow (outflow) from investing activities	(41,609)	(45,352)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	18,341	(12,231)
Proceeds from long-term borrowings	9,500	–
Repayments of long-term borrowings	(62,633)	(27,598)
Proceeds from issuance of bonds	29,883	–
Redemption of bonds	–	(25,000)
Payments of lease liabilities	(5,499)	(11,110)
Dividends paid to owners of the Company	(23,793)	(24,101)
Dividends paid to non-controlling interests	(4,042)	(8,805)
Other	54	(135)
Net cash inflow (outflow) from financing activities	(38,188)	(108,983)

	Millions of yen	
	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Net increase (decrease) in cash and cash equivalents	4,450	(30,261)
Cash and cash equivalents at the beginning of the period		
(Opening balance on the condensed quarterly consolidated statement of financial position)	113,883	146,535
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	3,439	–
Cash and cash equivalents at the beginning of the period	117,322	146,535
Effects of exchange rate changes on cash and cash equivalents	(107)	(1,287)
Cash and cash equivalents at the end of the period	<u>121,665</u>	<u>114,986</u>

(6) Notes to condensed quarterly consolidated financial statements

(Going concern)

The condensed quarterly consolidated financial statements are prepared on going concern basis.

(Changes in accounting policies)

The Group has adopted IFRS 16 “Leases” (hereinafter, “IFRS 16”) from the first quarter ended March 31, 2019. With regard to a lessee of lease transactions, IFRS 16, which makes amendments to the previous IAS 17, eliminates the classification as operating or finance leases and provides that assets and liabilities related to all significant lease transactions are recorded under a single model. In the application of IFRS 16, the Group has adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application, which is allowed as the transitional measure, without making retrospective adjustments for each reporting period. In addition, the Group adopts the following practical expedients on a regional or business basis in light of practical burdens.

- Not to reassess whether a contract is, or contains, a lease at the date of initial application
- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- To exclude initial direct costs from the measurement of the right-of-use asset arising from leases previously classified as operating leases at the date of initial application
- To measure the right-of-use asset arising from leases previously classified as operating leases at the same value as the lease liabilities
- To account in the same way as short-term leases for leases with a lease term of 12 months or less from the date of initial application
- To use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease

At the commencement date of a lease, the right-of-use assets are measured at cost and the lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. If ownership of the underlying asset is transferred to the Group by the end of the lease term, or if the cost of the right-of-use asset reflects the exercise of a purchase option, the right-of-use assets are depreciated on a straight-line basis over their useful lives. Otherwise, right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful lives or the end of the lease terms. Lease payments are allocated to finance costs and the repayment of the lease liabilities, using the effective interest rate method, and finance costs are recognized in the consolidated statement of profit or loss.

The lease term is determined after adjustment for periods covered by an extension and termination option that the Group is reasonably certain to exercise in the non-cancellable period under the lease contract. In the measurement of the present value, the interest rate implicit in the lease or the incremental borrowing rate is used.

For short-term leases for which the lease term ends within 12 months and leases in which the underlying asset is of low value, total lease payments are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Reconciliation of operating lease commitments disclosed under IAS 17 and lease liabilities recognized on the consolidated statement of financial position as at the adoption date is as follows:

	Amount
	Millions of yen
Operating lease commitments disclosed on December 31, 2018	30,092
Discounted operating lease commitments disclosed on December 31, 2018	26,710
Finance lease liabilities recognized on December 31, 2018	12,144
Additionally recognized lease liabilities due to reassessment of lease term	20,130
Others	(10,132)
Lease liabilities on January 1, 2019	<u>48,852</u>

“Others” includes short-term leases and low-value leases which are principally lease of pallets used for transport of products and are exempted from the scope of recognition. Current and non-current lease liabilities are included in other financial liabilities, respectively.

Assets newly recognized on the consolidated statement of financial position as at the adoption date of IFRS 16 are as follows:

	Millions of yen					
	Reportable segment					Segment total
	Japan	Europe	Asia	Oceania	Americas	
Carrying amount of right-of-use assets						
Land, buildings and structures	18,760	5,100	2,469	2,832	3,006	32,169
Machinery and vehicles	–	2,116	387	402	97	3,003
Tools, fixtures and equipment	–	–	6	–	–	6
Others	–	546	20	–	–	567
Total right-of-use assets	18,760	7,763	2,884	3,234	3,103	35,747
Weighted average of incremental borrowing rate	1.0%	2.3%	4.8%	3.1%	3.7%	1.7%

For land, buildings and structures recorded as right-of-use assets, lease contracts have been entered into principally to use these assets as the head office, other offices, and manufacturing sites as well as warehouses. The Group estimates the lease terms by evaluating the reasonable certainty of exercising options to extend or terminate leases, making reference to its business plans and considering all relevant facts and circumstances that create an economic incentive for the Group to exercise such options. Other than those above, right-of-use assets recorded on the consolidated statement of financial position include balances transferred from property, plant and equipment, intangible assets, and other non-current assets at ¥11,936 million, ¥18 million, and ¥2,306 million, respectively.