
***Suntory Beverage & Food Limited
and Its Subsidiaries***

*Consolidated Financial Statements for the
Year Ended December 31, 2021, and
Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Suntory Beverage & Food Limited:

Opinion

We have audited the consolidated financial statements of Suntory Beverage & Food Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Valuation of goodwill and intangible assets with indefinite useful lives

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group's consolidated financial statements as of December 31, 2021 included goodwill of ¥255,599 million and intangible assets with indefinite useful lives of ¥369,190 million, which accounted for approximately 37% of its total assets.</p> <p>As described in Note 12, goodwill consisted of, among others, the goodwill amount of ¥130,680 million allocated to Japan Business resulting from the acquisition of Japan Beverage Holdings Inc. in 2015 as well as the amount of ¥87,135 million allocated to the Orangina Schweppes Group resulting from the acquisition of Orangina Schweppes Holding B.V. in 2009. Intangible assets with indefinite useful lives consist primarily of trademarks. As described in Note 12, these trademarks consisted of the amount of ¥160,083 million recognized resulting from the acquisition of Lucozade and Ribena in 2013 and the one recognized resulting from the acquisition of Orangina Schweppes Holding B.V. in 2009, including Schweppes: ¥78,345 million, Orangina: ¥22,017 million, Oasis: ¥21,194 million, and La Casera: ¥9,631 million. These trademarks are classified as intangible assets with indefinite useful lives because they are expected to exist as long as the business continues. These trademarks represent brands with long histories in each region, and the businesses are expected to continue for the foreseeable future.</p> <p>These goodwill and intangible assets with indefinite useful lives are required to be tested for impairment at least once a year, and the Group calculates the recoverable amount, which is the higher of the fair value less the cost of disposal or the value in use of the asset, and compares it to the carrying amount.</p> <p>The Group calculates these recoverable amounts utilizing the discounted present value of estimated future cash flows based on the business plan and the long-term growth rate in the business plan for the applicable future periods.</p> <p>Key inputs to the business plan are forecasts of future revenues and operating income that will be affected by not only the expectations of recovery from the economic downturn caused by COVID-19 and the growth rate of the beverage market in each country, but also estimates of the effects of the respective sales and promotion strategies for each brand, and for each sales channel, such as off-premises and on-premises channels.</p>	<p>In evaluating the valuation of goodwill and intangible assets with indefinite useful lives, we have performed the following procedures, among others. Regarding goodwill and intangible assets with indefinite useful lives of the overseas consolidated subsidiaries, we instructed the auditors of the overseas consolidated subsidiaries and performed the following procedures:</p> <ul style="list-style-type: none"> ● We tested the design and operating effectiveness of internal controls over the impairment test of goodwill and intangible assets with indefinite useful lives, including internal controls over the forecasts of future revenues and operating income as well as the selection of the discount rate by management. ● We evaluated the reasonableness of the allocation of goodwill to the cash-generating unit. ● With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rate, which is a significant assumption in calculating the recoverable amount. ● With regard to the forecasts of future revenues and operating income, which are key inputs to the business plan, we performed the following procedures: <ul style="list-style-type: none"> - We assessed the consistency between management's expectations of the recovery from the economic downturn caused by COVID-19 as well as the growth rate of the beverage market in each country and external market information as well as each country's economic growth rate. - With regard to estimates of the effects of the respective sales and promotion strategies for each brand, and for each sales channel such as off-premises and on-premises channels, we held discussions with appropriate personnel in charge and evaluated the consistency with items discussed at various important meetings, and critically assessed its feasibility. - In order to evaluate the precision of management's forecasts of future revenues and operating income, we retrospectively assessed estimates made in the previous year by comparing the business plan prepared in previous years with actual figures.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>In addition, the selection of underlying input data, such as the long-term growth rate in the business plan for the applicable future periods and the weighted average cost of capital used as the discount rate, is based on management's judgment, and these assumptions have a significant impact on the recoverable amount.</p> <p>Since the estimates of future cash flows, including the long-term growth rate, and the discount rate require significant accounting estimates involving uncertainties and management's judgments with regard to the impairment test for goodwill and intangible assets with indefinite useful lives, we determined the valuation of goodwill and intangible assets with indefinite useful lives as a key audit matter.</p>	<ul style="list-style-type: none"> ● We compared the long-term growth rate with observable information such as the economic growth rate and inflation rate of each country to evaluate the reasonableness. ● We performed sensitivity analyses to assess the possibility that the recoverable amounts of goodwill and intangible assets with indefinite useful lives may fall below their carrying amounts due to reasonably possible changes in significant assumptions such as the long-term growth rate and the discount rate.

Responsibilities of Management and Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

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

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

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

Deloitte Touche Tohmatsu LLC
March 18, 2022

Consolidated Statement of Financial Position
Suntory Beverage & Food Limited and Its subsidiaries
As at December 31, 2021

Millions of yen

	Notes	2020	2021
Assets			
Current assets:			
Cash and cash equivalents		167,480	176,655
Trade and other receivables	7, 31	196,242	240,584
Other financial assets	8, 31	717	1,252
Inventories	9	79,260	87,807
Other current assets	10	23,496	23,953
Total current assets		467,198	530,253
Non-current assets:			
Property, plant and equipment	11	360,358	372,337
Right-of-use assets	16	50,772	52,260
Goodwill	12	250,448	255,599
Intangible assets	12	405,175	430,086
Investments accounted for using the equity method	13	895	1,005
Other financial assets	8, 31	14,513	13,847
Deferred tax assets	14	15,465	14,173
Other non-current assets	10	9,423	7,362
Total non-current assets		1,107,052	1,146,673
Total assets		1,574,251	1,676,926

See notes to consolidated financial statements.

Consolidated Statement of Financial Position
Suntory Beverage & Food Limited and Its subsidiaries
As at December 31, 2021 (continued)

Millions of yen

	Notes	2020	2021
Liabilities and equity			
Liabilities:			
Current liabilities:			
Bonds and borrowings	15, 31	83,401	55,789
Trade and other payables	17, 31	308,381	354,595
Other financial liabilities	16, 18, 31	33,542	30,877
Accrued income taxes		14,628	14,757
Provisions	20	1,586	2,016
Other current liabilities		4,986	5,529
Total current liabilities		446,526	463,565
Non-current liabilities:			
Bonds and borrowings	15, 31	120,292	109,558
Other financial liabilities	16, 18, 31	52,867	54,241
Post-employment benefit liabilities	19	15,073	14,697
Provisions	20	2,287	4,312
Deferred tax liabilities	14	71,695	81,403
Other non-current liabilities		5,952	5,196
Total non-current liabilities		268,168	269,409
Total liabilities		714,694	732,974
Equity:			
Share capital	21	168,384	168,384
Share premium	21	182,414	182,423
Retained earnings	21	492,451	536,996
Treasury shares		(0)	(0)
Other components of equity	21	(61,495)	(27,210)
Total equity attributable to owners of the Company		781,755	860,593
Non-controlling interests		77,801	83,358
Total equity		859,556	943,952
Total liabilities and equity		1,574,251	1,676,926

See notes to consolidated financial statements.

Consolidated Statement of Profit or Loss
Suntory Beverage & Food Limited and Its subsidiaries
For the year ended December 31, 2021

		Millions of yen	
	Notes	2020	2021
Revenue	6, 23	1,178,137	1,268,917
Cost of sales	9, 11, 12, 19	(694,282)	(745,735)
Gross profit		483,855	523,181
Selling, general and administrative expenses	11, 12, 19, 24	(382,331)	(397,707)
Gain (loss) on investments accounted for using the equity method	13	(85)	70
Other income	25	3,341	2,887
Other expenses	11, 12, 26	(8,603)	(9,863)
Operating income	6	96,177	118,568
Finance income	27, 31	861	508
Finance costs	27, 31	(2,871)	(2,024)
Profit before tax		94,168	117,052
Income tax expense	14	(29,873)	(34,023)
Profit for the year		<u>64,294</u>	<u>83,029</u>
Attributable to:			
Owners of the Company		52,212	68,676
Non-controlling interests		12,082	14,353
Profit for the year		<u>64,294</u>	<u>83,029</u>

		Yen	
	Note	2020	2021
Earnings per share (Yen)	29	168.97	222.25

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Suntory Beverage & Food Limited and Its subsidiaries
For the year ended December 31, 2021

Millions of yen

	Notes	2020	2021
Profit for the year		64,294	83,029
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in the fair value of financial assets	28, 31	(1,354)	(711)
Remeasurement of defined benefit plans	19, 28	1,064	1,181
Total	28	(289)	470
<i>Items that may be reclassified to profit or loss:</i>			
Translation adjustments of foreign operations	28	(5,680)	37,608
Changes in the fair value of cash flow hedges	28, 31	(846)	1,447
Changes in comprehensive income of investments accounted for using the equity method	13, 28	(43)	83
Total	28	(6,570)	39,139
Other comprehensive income (loss) for the year, net of tax	28	(6,860)	39,609
Comprehensive income for the year		57,434	122,638
Attributable to:			
Owners of the Company		49,223	102,932
Non-controlling interests		8,210	19,706
Comprehensive income for the year		57,434	122,638

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity
Suntory Beverage & Food Limited and Its subsidiaries
For the year ended December 31, 2021

Millions of yen

	Notes	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity			
Balance at January 1, 2020		168,384	182,349	464,705	(0)	(58,870)	756,568	80,997	837,565
Profit for the year				52,212			52,212	12,082	64,294
Other comprehensive income (loss)						(2,988)	(2,988)	(3,871)	(6,860)
Total comprehensive income (loss) for the year		-	-	52,212	-	(2,988)	49,223	8,210	57,434
Dividends	22			(24,101)			(24,101)	(11,338)	(35,440)
Transactions with non-controlling interests			65				65	(68)	(2)
Reclassifications to retained earnings	8			(364)		364	-		-
Total transactions with owners of the Company		-	65	(24,466)	-	364	(24,036)	(11,406)	(35,442)
Balance at December 31, 2020		168,384	182,414	492,451	(0)	(61,495)	781,755	77,801	859,556
Profit for the year				68,676			68,676	14,353	83,029
Other comprehensive income (loss)						34,256	34,256	5,353	39,609
Total comprehensive income (loss) for the year		-	-	68,676	-	34,256	102,932	19,706	122,638
Purchase of treasury shares					(0)		(0)		(0)
Dividends	22			(24,101)			(24,101)	(14,165)	(38,267)
Transactions with non-controlling interests			8				8	16	24
Reclassifications to retained earnings	8			(28)		28	-		-
Total transactions with owners of the Company		-	8	(24,130)	(0)	28	(24,093)	(14,149)	(38,243)
Balance at December 31, 2021		168,384	182,423	536,996	(0)	(27,210)	860,593	83,358	943,952

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows
Suntory Beverage & Food Limited and Its subsidiaries
For the year ended December 31, 2021

Millions of yen

	Notes	2020	2021
Cash flows from operating activities			
Profit before tax		94,168	117,052
Depreciation and amortization		70,652	69,376
Impairment losses (reversal of impairment losses)		1,962	1,647
Interest and dividends income		(833)	(450)
Interest expense		2,137	1,926
Loss (gain) on investments accounted for using the equity method		85	(70)
Decrease (increase) in inventories		5,058	(5,503)
Decrease (increase) in trade and other receivables		(5,556)	(36,634)
Increase (decrease) in trade and other payables		(1,337)	32,109
Other		(3,072)	10,099
Subtotal		163,265	189,553
Interest and dividends received		955	439
Interest paid		(1,968)	(2,925)
Income tax paid		(28,232)	(28,887)
Net cash inflow (outflow) from operating activities		134,019	158,180
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(62,485)	(56,122)
Proceeds on sale of property, plant and equipment and intangible assets		352	1,191
Payments for acquisition of businesses		-	(2,223)
Other		915	286
Net cash inflow (outflow) from investing activities		(61,217)	(56,867)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings and commercial paper	30	30,197	(29,622)
Proceeds from long-term borrowings	30	30,000	11,189
Repayments of long-term borrowings	30	(57,194)	(27,820)
Proceeds from issuance of bonds	30	-	19,927
Redemption of bonds	30	-	(15,000)
Payments of lease liabilities	30	(13,983)	(16,484)
Dividends paid to owners of the Company	22	(24,101)	(24,101)
Dividends paid to non-controlling interests		(11,655)	(14,197)
Other		(16)	(0)
Net cash inflow (outflow) from financing activities		(46,754)	(96,109)
Net increase (decrease) in cash and cash equivalents		26,047	5,203
Cash and cash equivalents at the beginning of the year		143,564	167,480
Effects of exchange rate changes on cash and cash equivalents		(2,131)	3,971
Cash and cash equivalents at the end of the year		167,480	176,655

See notes to consolidated financial statements.

Notes to consolidated financial statements

1. Reporting entity

Suntory Beverage & Food Limited (the "Company") is a company incorporated in Japan and listed in the first section of the Tokyo Stock Exchange. The Company is a 59.48% owned subsidiary of Suntory Holdings Limited (the "Parent"), a non-listed holdings company that was established on February 16, 2009, through a stock transfer from Suntory Limited (currently, Suntory Spirits Limited), a company founded in Japan in 1899. The Parent and its subsidiaries (together, the "Suntory Group") produce and distribute various popular brands of beverages in various alcoholic and non-alcoholic beverage and food categories. Kotobuki Realty Co., Ltd. is the ultimate parent company of the Suntory Group. The Company was established on January 23, 2009 and commenced the non-alcoholic beverage and food business of the Suntory Group on April 1, 2009. Such business was transferred to the Company by way of corporate split with Suntory Limited in connection with the reorganization of the Suntory Group, which adopted the holdings company structure mentioned above. The addresses of its registered offices and locations of principal offices are disclosed on our website (URL <https://www.suntory.co.jp/softdrink/>). The Company and its subsidiaries (the "Group") operate the beverage and food segment of the Suntory Group by manufacturing and distributing the products. Principal activities of the Group are described in "Note 6. Segment information."

2. Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements were approved by the Chief Executive Officer and Chief Strategy Officer, Chief Financial Officer on March 18, 2022.

The Group's consolidated financial statements are prepared on the cost basis, except for the financial instruments and other items that are measured at fair value as described in "Note 3. Significant accounting policies."

3. Significant accounting policies

(1) Basis of consolidation

The Group's consolidated financial statements with the fiscal closing date of December 31 are composed of the Company and its 81 subsidiaries (93 as at December 31, 2020), together with the Group's attributable share of the results of 7 associates (8 as at December 31, 2020).

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group's subsidiaries are included in the scope of consolidation, which begins when it obtains control over a subsidiary and ceases when it loses control of the subsidiary. Disposal of the Group's ownership interests in a subsidiary that does not result in the Group losing control over the subsidiary is accounted for as an equity transaction. Any difference between the amount of adjustment to non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is attributed to owners of the Company. Non-controlling interests of the subsidiaries are identified separately from ownership interests attributable to the Group. Comprehensive income of subsidiaries is attributed to owners of the Company and non-controlling interests, even when comprehensive income attributed to non-controlling interests results in a negative balance.

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy of the entity but does not have control or joint control of those policies. Investments in an associate are initially recognized at cost upon the acquisition and are subsequently accounted for using the equity method. Investments in an associate include goodwill recognized upon the acquisition, net of accumulated impairment losses.

A joint venture is an entity jointly controlled by two or more parties including the Group under the contractually agreed sharing of control of an arrangement over economic activities of the joint venture, which exists only when decisions for strategic financial and operating decisions related to relevant activities require unanimous consent of the parties sharing control. A joint venture of the Group is accounted for using the equity method.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The acquisition cost is measured as the sum of the acquisition date fair values of the assets transferred, liabilities assumed, and the equity financial instruments issued by the Company in exchange for control of the acquiree. Excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill in the consolidated statement of financial position. Conversely, any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the acquisition cost is immediately recognized as income in the consolidated statement of profit or loss. The Group accounts for the acquisition of additional non-controlling interests as an equity transaction, and accordingly, it does not recognize goodwill attributable to such transactions.

Identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except for the following:

- Deferred tax assets or liabilities and assets or liabilities associated with employee benefit arrangements; and
- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations."

Transaction costs that are directly attributable to a business combination, such as agent, legal, and due diligence fees, are expensed as incurred.

(3) Foreign currencies

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). In preparing the separate financial statements of each entity, a transaction denominated in a currency other than the entity's functional currency is translated into its functional currency using the exchange rate that approximates the exchange rate prevailing at the date of the transaction. The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. Amounts presented in the consolidated financial statements are rounded down to the nearest million yen.

Assets and liabilities of the Group's foreign operations are translated into Japanese yen using exchange rates prevailing at the reporting date ("Closing rates"). In principle, income and expense items of the Group's foreign operations are translated into Japanese yen at the average exchange rates for the reporting period ("Average rates"). Any exchange differences arising from translation of the financial statements of the Group's foreign operations are recognized in other comprehensive income. Any exchange differences arising from translation of the Group's foreign operation disposed are recognized in profit or loss for the reporting period in which that foreign operation is disposed of.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at the reporting date. Any exchange differences arising from translation or settlement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. However, exchange differences arising from translation or settlement of financial assets measured at fair value through other comprehensive income ("FVTOCI") and cash flow hedges are recognized in other comprehensive income.

The exchange rates between principal foreign currencies and the Japanese yen used for the years ended December 31, 2020 and 2021 are as follows:

	Yen	
	2020	2021
U.S. Dollar:		
Average rates	106.8	109.9
Closing rates	103.5	115.0
Euro:		
Average rates	121.9	129.9
Closing rates	127.0	130.5
Pound Sterling:		
Average rates	137.0	151.2
Closing rates	139.8	155.2
Singapore Dollar:		
Average rates	77.4	81.8
Closing rates	78.0	85.2
Thai Baht:		
Average rates	3.4	3.4
Closing rates	3.4	3.4
Vietnam Dong:		
Average rates	0.0046	0.0048
Closing rates	0.0045	0.0050
New Zealand Dollar:		
Average rates	69.4	77.7
Closing rates	74.1	78.7
Australian Dollar:		
Average rates	73.7	82.5
Closing rates	78.8	83.4

(4) Financial instruments

a. Financial assets

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables at the originated date. Other financial assets are initially recognized at the transaction date when the Group becomes a party to the contractual provision for the financial instruments. Financial assets are classified into the following specific categories: financial assets measured at fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI") and financial assets measured at amortized cost. The classification is determined at the initial recognition.

All financial assets, excluding financial assets classified as measured at FVTPL, are measured at their fair value plus transaction costs. Financial assets are classified as measured at amortized cost if both of the following conditions are met:

- The financial assets are held within a business model whose objective is to hold the asset in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value. For financial assets measured at fair value other than equity instruments held for trading that should be measured at FVTPL, each equity instrument is designated as measured at FVTPL or FVTOCI. Such designation is continuously applied.

(ii) Subsequent measurement

Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest method. Financial assets measured at fair value are remeasured at fair value. Any gain or loss on financial assets measured at fair value is recognized in profit or loss. However, changes in the fair value of equity instruments designated as measured at FVTOCI are recognized in other comprehensive income, and the changes are reclassified to retained earnings when equity instruments are derecognized or when there is a significant decline in their fair value. Dividends from such financial assets are recognized as part of finance income in profit or loss for the year.

(iii) Impairment

For impairment of financial assets measured at amortized cost, the Group recognizes a loss allowance against expected credit losses on such financial assets. At each reporting date, financial assets are assessed to determine whether there has been a significant increase in credit risk of the financial asset subsequent to initial recognition.

If the credit risk on financial assets has not increased significantly subsequent to initial recognition, a loss allowance is measured at an amount equal to 12-month expected credit losses. In contrast, if the credit risk on financial assets has increased significantly subsequent to initial recognition, a loss allowance is measured at an amount equal to the lifetime expected credit losses. However, a loss allowance for trade and other receivables is always measured at an amount equal to the lifetime expected credit losses. Expected credit losses on financial assets are assessed based on objective evidence which reflects changes in credit information, and past due information of receivables. An impairment loss is recognized in profit or loss. If any event resulting in a decrease of impairment losses occurs after the recognition of impairment losses, impairment gains are recognized through profit or loss. The carrying amount of financial assets, net of any cumulative impairment losses, presented in the consolidated financial statements represents the maximum exposure of the Group's financial assets to credit risk, without considering value of associated collaterals obtained.

(iv) Derecognition

The Group derecognizes financial assets when the contractual rights of the cash flows from the assets expire, or when it substantially transfers all the risks and rewards of ownership of the assets to another party. If the Group continues to control the transferred assets, the Group continues to recognize the asset, and related liabilities, to the extent of its continuing involvement.

b. Financial liabilities

(i) Initial recognition and measurement

The Group initially recognizes bonds and borrowings at the issuance date, and other financial liabilities at the transaction date. Financial liabilities are classified into either subsequently measured at FVTPL or amortized cost. The classifications are determined at initial recognition. All of the financial liabilities are initially measured at fair value, and any directly attributable transaction costs are further deducted from the fair value of financial liabilities measured at amortized cost.

(ii) Subsequent measurement

Financial liabilities measured at FVTPL include those held for trading purposes and those designated as measured at FVTPL upon initial recognition. Such financial liabilities measured at FVTPL are subsequently measured at fair value, with changes recognized in profit or loss for the reporting period. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. A gain or loss on financial liabilities no longer amortized using the effective interest method and derecognized is recognized as part of finance costs in profit or loss for the reporting period.

(iii) Derecognition

Financial liabilities are derecognized when they are extinguished, i.e., when the obligations specified in the contract are discharged, cancelled, or expired.

c. Presentation of financial assets and liabilities

Financial assets and liabilities are presented at their net amount in the consolidated statement of financial position only when the Group has a legally enforceable right to offset the financial asset and liability balances and it intends either to settle on a net basis or to realize financial assets and settle financial liabilities simultaneously.

d. Derivatives and hedge accounting

The Group utilizes derivatives, such as foreign exchange contracts and interest rate swap contracts, to hedge foreign exchange and interest rate risks, respectively. Derivatives are initially measured at fair value upon execution of a contract and are subsequently remeasured at fair value.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which it applies hedge accounting and its risk management objective and strategy for undertaking the hedge. That documentation includes identification of a specific hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will test the effectiveness of changes in fair value of the hedging instrument in offsetting the exposure to fair value or cash flow changes of the hedged item attributable to the hedged risks. These hedges are presumed to be highly effective in offsetting fair value or cash flow changes. Further, continuing assessments are made as to whether the hedges are highly effective over all of the reporting periods of such designation.

If the hedging relationship does not meet the hedge effectiveness requirements in terms of hedge ratios due to a change in an economic relationship between the hedged item and the hedging instrument, despite the risk management objective remaining unchanged, the hedge ratio will be adjusted to meet the hedge effectiveness requirement. If the hedging relationship no longer meets the hedge effectiveness requirement despite the hedge ratio adjustment, hedge accounting is discontinued for the portion of the hedge relationship that no longer meets the requirement.

The hedges that meet the hedge accounting criteria are classified and are accounted for under IFRS 9, "Financial Instruments" (hereinafter, "IFRS 9") as follows:

(i) Fair value hedges

Changes in the fair value of the hedging instrument are recognized in profit or loss in the consolidated statement of profit or loss. However, changes in fair value of a hedged item that is an equity instrument designated as measured at FVTOCI are recognized in other comprehensive income in the consolidated statement of comprehensive income. For changes in fair value of the hedged item attributable to the risk being hedged, such changes are adjusted with the carrying amount of the hedged item and are recognized in profit or loss in the consolidated statement of profit or loss. However, changes in fair value of an equity instrument with an election to present such changes in other comprehensive income are recognized in other comprehensive income in the consolidated statement of comprehensive income.

(ii) Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income in the consolidated statement of comprehensive income. The portion of the gain or loss on the hedging instrument that is hedge ineffective is immediately recognized in profit or loss in the consolidated statement of profit or loss. The amount of the hedging instrument recognized in other comprehensive income is reclassified to profit or loss at the point a hedged future transaction affects profit or loss. If the hedged item gives rise to the recognition of a non-financial asset or liability, the amount recognized in other comprehensive income is removed to adjust the original carrying amount of the non-financial asset or liability.

If a forecasted hedge transaction or firm commitment is no longer expected to arise, the cumulative gains and losses previously recognized in equity through other comprehensive income are reclassified to profit or loss. If hedged future cash flows are still expected to arise, the cumulative gains and losses previously recognized in equity through other comprehensive income remain in equity until such future cash flows arise.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks that can be withdrawn at any time, and short-term investments with a maturity of three months or less from the acquisition date which are readily convertible into cash and are exposed to insignificant risk in changes in value.

(6) Inventories

Inventories are stated at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale. The cost of inventories is principally determined using the average basis, comprising all costs of purchase and conversion and other costs incurred in bringing the inventories to their present location and condition.

(7) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment comprises any costs directly attributable to the acquisition of the item, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs that should be capitalized.

Depreciation on an item of property, plant and equipment, other than land and construction in progress, are recognized on a straight-line basis over its estimated useful life. The range of estimated useful lives by major asset item are as follows:

- Buildings and structures 5 to 50 years
- Machinery, equipment and vehicles 2 to 20 years
- Tools, furniture and fixtures 2 to 15 years

The estimated useful lives, residual values, and depreciation methods are reviewed at each reporting date. Any change is treated as a change in accounting estimate and is accounted for prospectively.

(8) Intangible assets

Intangible assets are measured at cost at initial recognition. Upon initial recognition, intangible assets, exclusive of intangible assets with indefinite useful lives, are amortized on a straight-line basis over their estimated useful lives, and are stated at their carrying amounts, i.e., at cost less accumulated amortization and any accumulated impairment losses.

The estimated useful lives of principal intangible assets with definite useful lives are as follows:

- Trademarks 10 to 20 years
- Computer software 2 to 10 years

The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period. Any change is treated as a change in accounting estimates and is accounted for prospectively.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment in each reporting period, or if there is any indication of impairment.

Goodwill is measured at the acquisition date as the excess of the aggregate of the consideration transferred, the value of any non-controlling interests, and the fair value of any previously held equity interest in the subsidiary acquired over the fair value of the identifiable net assets (i.e., net of identifiable assets acquired and the liabilities assumed). Goodwill is not amortized, but is tested for impairment in each reporting period or if there is any indication of impairment.

(9) Leases

At the commencement date of a lease, right-of-use assets are recorded and measured at cost and lease liabilities are recorded and measured at the present value of the lease payments that are not paid. 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 that the Group will 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 option that the Group is reasonably certain to exercise and a termination option that the Group is reasonably certain not 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 either on a straight-line basis over the lease term or another systematic basis.

(10) Impairment of non-financial assets

The carrying amount of non-financial assets of the Group, exclusive of inventories and deferred tax assets, is assessed at each reporting date to test whether there is any indication that the asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Further, the recoverable amount is estimated annually at the same time every year for goodwill and intangible assets with indefinite useful lives and intangible assets that are not yet available for use.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. In determining the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the asset. Non-financial assets not tested for impairment on an individual basis are grouped into the smallest cash-generating unit that generates cash inflows from the continued use of the asset, which are largely independent of those from other assets or asset groups. In performing impairment testing on goodwill, an entity groups cash-generating units to which goodwill is allocated to perform impairment testing in a manner that reflects the smallest unit to which it relates. Goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Corporate assets of the Group do not generate independent cash inflows. If there is any indication that a corporate asset may be impaired, the recoverable amount of the cash-generating unit to which the corporate asset belongs is determined.

Impairment loss is recognized in profit or loss when the carrying amount of an asset or cash-generating unit is greater than its recoverable amount. An impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then, to the other assets of the unit pro rata based on the carrying amount of each asset.

Impairment losses recognized for goodwill are not subsequently reversed. Impairment losses recognized for other assets are assessed at each reporting date whether or not there is any indication that they may no longer exist or may have decreased. If there is a change in the estimates used to determine the recoverable amount of an asset, an entity reviews the recoverable amount of the asset and reverses an impairment loss for the asset. An impairment loss is reversed to the extent of carrying amount that would have been determined, net of any amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

(11) Post-employment benefit plans

The Company and certain subsidiaries established post-employment benefit plans for their employees: defined benefit and defined contribution plans. The present value of defined benefit obligations, related current service cost, and, where applicable, past service cost are determined using the projected unit credit method. The discount rate is determined by reference to market yields at each reporting date of high-quality corporate bonds corresponding to a discount period that is defined based on the period to the date of expected future benefit payment. Net defined benefit liability (asset) is determined as the present value of defined benefit obligation less the fair value of plan assets (if any). Remeasurements of the net defined benefit liability (asset) are recognized collectively in other comprehensive income for the period in which they are incurred. The past service cost is accounted for as profit or loss for the period in which it is incurred. Expenses related to defined contribution benefits are recognized when related services are rendered.

(12) Provisions

A provision is recognized only when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision is measured at the present value of estimated future cash outflows discounted using a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

(13) Revenue

The Group is engaged in the sale of soft drinks and foods. As customers usually obtain control of the goods and the Group's performance obligation is satisfied at the time when the goods are delivered, the Group recognizes revenue at the amount of consideration promised under the contracts with customer after deduction of trade discounts, rebates, taxes collected on behalf of third parties such as consumption taxes or value added tax, sales incentives, and returned goods. Interest income and expense is recognized by using the effective interest method.

(14) Government grant

The Group measures and recognizes grant revenue at its fair value when there is reasonable assurance that an entity will comply with the conditions attached to them and will receive the grants. The grants received to compensate costs incurred are recognized as revenue in the period in which such costs are incurred. The grants related to the acquisition of an asset are deducted from the carrying amount of the asset.

(15) Corporate income tax

Corporate income tax is comprised of current and deferred tax. Current and deferred taxes are recognized through profit and loss, except for those that arise from a business combination or are recognized in other comprehensive income or directly in equity.

Current tax is measured at the amount expected to be paid to (collected from) the taxation authorities. The amount of current tax is determined based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in each tax jurisdiction where the Group owns the business activities and earns taxable profit (or loss). Deferred tax is recognized for the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their value for tax purposes as at the reporting date, as well as the carryforward of unused tax losses and unused tax credits.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising on initial recognition of an asset or liability arising in a transaction other than business combinations and affecting neither accounting profit nor taxable profit;
- Deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangement, to the extent it is probable that the temporary difference will not reverse in the foreseeable future; and
- Taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangement, to the extent it is probable that the Group is able to control the timing of the reversal of the temporary difference and the temporary difference will not reverse in the foreseeable future.

A deferred tax liability is principally recognized for all taxable temporary differences, and a deferred tax asset is recognized for all deductible temporary differences to the extent it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed in each period and are adjusted to the extent it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are also reviewed in each period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that are expected to be applied in the period when the asset is realized or liability is settled, based on statutory tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are netted when the entity has a legally enforceable right to offset current tax assets and liabilities, and the deferred tax balances relate to the same taxation authority.

An asset or liability is recognized for uncertain tax positions at the estimated amount expected to arise from the uncertain tax position if it is probable that the position will result in a payment (or redemption) of taxes.

(16) Earnings per share

Earnings per share is calculated by the profit or loss attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares issued.

(17) Assets held for sale

The Group classifies an asset or asset group that will be recovered principally through a sales transaction rather than through continuing use as assets held for sale only when it is highly probable that the sale will occur within one year, the asset or asset group is available for immediate sale in its present condition, and the appropriate level of management of the Group is committed to a plan to sell the asset or asset group. The assets held for sale are not depreciated or amortized and are measured at the lower of its carrying amount and the fair value less costs to sell.

4. Critical accounting estimates and judgements

During the process of preparation of the consolidated financial statements in accordance with IFRSs, management is required to make judgements, estimates, and assumptions. These judgements, estimates, and assumptions may affect application of the Group's accounting policies and amount of assets, liabilities, revenue, and expenses. However, actual results could differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. The effects of a change in accounting estimates are recognized prospectively from the period in which the estimate is revised.

The following are the judgements and estimates that management has made that have significant effects on the amounts in the consolidated financial statements:

- Estimates used for impairment of property, plant and equipment, intangibles, and goodwill (Notes 3. Significant accounting policies (10), 11. Property, plant and equipment, and 12. Goodwill and intangible assets)
- Measurement of post-employment obligations (Notes 3. Significant accounting policies (11) and 19. Post-employment benefit plants)
- Judgements and estimates made for the recognition and measurement of provisions (Notes 3. Significant accounting policies (12) and 20. Provisions)
- Judgements made for assessing the recoverability of deferred tax assets (Notes 3. Significant accounting policies (15) and 14. Income tax expense)
- Judgements made in determining whether the Group controls another entity (Notes 3. Significant accounting policies (1) and 13. Investments accounted for using the equity method)
- Fair value of financial instruments (Notes 3. Significant accounting policies (4) and 31. Financial instruments (4))
- Estimates used for residual value and useful life of property, plant and equipment and intangible assets (Notes 3. Significant accounting policies (7) (8), 11. Property, plant and equipment, and 12. Goodwill and intangible assets)
- Measurement of the fair value of the assets acquired and liabilities assumed in a business combination (Note 3. Significant accounting policies (2)).

(Additional information)

With regard to the impact of the COVID-19 pandemic, while the situation differs by region, our business has been following a recovery trend and the Group assumes that its business will gradually recover in the future. Based on that assumption, the Group made accounting estimates and judgements for matters such as impairment losses on property, plant and equipment, intangible assets, and goodwill and the recoverability of differed tax assets. However, there are many uncertainties regarding the impact of COVID-19, and actual results may differ from these estimates in the future.

5. New accounting standards and interpretations not yet adopted

There are no new accounting standards and interpretations, not yet adopted by the Group, which may have material impacts on the Group's consolidated financial statements.

6. Segment information

The reportable segments are components of the Group for which separate financial information is available and regularly reviewed by management to make decisions about the allocation of resources and to assess segment performance.

The Group manufactures and distributes soft drinks and foods, including mineral water, coffee drinks, tea drinks, carbonated drinks, sports drinks and food for specified health uses. The Company, together with its manufacturing and sales subsidiaries, operates in the domestic market, and its regional subsidiaries operate in overseas markets. Therefore, the Group comprises of four reportable segments: "Japan business," "Asia Pacific business," "Europe business," and "Americas business." The accounting policies of the reportable segments are the same as the Group's accounting policies described in "Note 3. Significant accounting policies." The intersegment transactions are considered on an arm's length basis.

The Group implemented changes to its organization on January 1, 2021, to achieve dramatic growth in key markets in Asia and Oceania regions. Due to these changes in organization, the Group reclassified the reportable segments, which until now comprised "Japan business," "Europe business," "Asia business," "Oceania business," and "Americas business" in the previous year, into the reportable segments comprised "Japan business," "Asia Pacific business," "Europe business," and "Americas business" effective from the three months ended March 31, 2021. The figures for the year ended December 31, 2020, have been restated to reflect the reclassification of the change in the reportable segments.

The Group operates a single business, the manufacturing and distribution of soft drinks and foods; therefore, financial information by product and service is not prepared.

Profit or loss for each reportable segment of the Group is as follows:

Year ended December 31, 2020

Millions of yen							
	Reportable segments				Segment total	Reconciliations	Consolidated
	Japan	Asia Pacific	Europe	Americas			
Revenue:							
External customers	633,002	265,025	189,970	90,138	1,178,137	-	1,178,137
Intersegment	48	848	1,114	-	2,011	(2,011)	-
Total revenue	633,051	265,874	191,085	90,138	1,180,149	(2,011)	1,178,137
Segment profit	36,981	34,354	27,236	9,099	107,671	(11,493)	96,177
Depreciation and amortization	36,536	15,147	11,698	3,921	67,303	3,349	70,652

Year ended December 31, 2021

Millions of yen							
	Reportable segments				Segment total	Reconciliations	Consolidated
	Japan	Asia Pacific	Europe	Americas			
Revenue:							
External customers	629,640	295,948	234,862	108,466	1,268,917	-	1,268,917
Intersegment	55	992	1,318	-	2,366	(2,366)	-
Total revenue	629,695	296,940	236,180	108,466	1,271,283	(2,366)	1,268,917
Segment profit	40,945	39,744	35,726	13,330	129,747	(11,178)	118,568
Depreciation and amortization	34,139	15,296	12,582	4,196	66,215	3,161	69,376

"Reconciliations" to segment profit represents overhead costs incurred by the Company to manage the Group's operations and is not allocated to each reportable segment. Segment profit agrees with operating income presented in the consolidated statement of profit or loss.

Geographical areas are comprised of the following countries.

Japan business	Japan
Asia Pacific business	Vietnam, Thailand, Indonesia, New Zealand, Australia, and others
Europe business	France, United Kingdom, Spain, and others
Americas business	United States of America

Revenue from external customers by location is as follows:

	Millions of yen				
	Japan	Asia Pacific	Europe	Americas	Total
Year ended December 31, 2020	633,002	259,620	195,375	90,138	1,178,137
Year ended December 31, 2021	629,640	288,998	241,812	108,466	1,268,917

Revenue is allocated to countries or areas based on the customers' location for the analysis above.

Non-current assets by location are as follows:

	Millions of yen				
	Japan	Asia Pacific	Europe	Americas	Total
As at December 31, 2020	362,395	158,078	482,943	63,336	1,066,754
As at December 31, 2021	367,309	165,098	505,604	72,270	1,110,283

Non-current assets (property, plant and equipment, right-of-use assets, goodwill and intangible assets) are allocated based on their domiciles for the analysis above.

There is no customer to which sales exceed 10% of the Group's total revenue.

7. Trade and other receivables

Trade and other receivables are as follows:

	Millions of yen	
	2020	2021
Trade receivables	178,492	223,099
Other receivables	17,594	17,418
Other	1,406	1,200
Loss allowance	(1,250)	(1,133)
Total	<u>196,242</u>	<u>240,584</u>

Trade receivables are contracted amounts due from customers for goods sold in the ordinary course of business.

8. Other financial assets

Other financial assets as at December 31, 2020 and 2021 are as follows:

	Millions of yen	
	2020	2021
Financial assets measured at amortized cost:		
Guarantee deposits	4,991	4,627
Other	853	772
Loss allowance	(34)	(23)
Financial assets designated as hedging instruments:		
Derivative assets	274	1,067
Financial assets measured at FVTPL:		
Derivative assets	6	10
Other	1,265	1,553
Financial assets measured at FVTOCI:		
Listed equity investments	4,876	4,903
Unlisted equity investments	2,991	2,183
Other	7	5
Total	<u>15,231</u>	<u>15,100</u>
Current assets	717	1,252
Non-current assets	14,513	13,847
Total	<u>15,231</u>	<u>15,100</u>

Equity investments are primarily listed and unlisted equity investments in Japan, which are held for the purpose of maintaining or strengthening business relations with customers. Such investments are designated as financial assets measured at fair value through other comprehensive income.

Certain items designated as financial assets measured at fair value through other comprehensive income have been disposed of during the years as part of the Group's capital strategy. Fair value and cumulative gains (or losses) recognized in other comprehensive income in other components of equity at the time of disposal are as follows:

	Millions of yen	
	2020	2021
Fair value	69	76
Cumulative gains (losses)	34	1

The cumulative gains or losses recognized in other comprehensive income in other components of equity are reclassified to retained earnings when the associated financial asset is sold, or significant deterioration in fair value is recognized. The cumulative gains or losses (net of tax) reclassified to retained earnings during the years ended December 31, 2020 and 2021 are ¥364 million losses and ¥28 million losses, respectively.

9. Inventories

The breakdown of inventories is as follows:

	Millions of yen	
	2020	2021
Merchandise and finished goods	47,415	51,589
Work in progress	4,471	4,409
Raw materials	22,181	25,613
Consumables	5,191	6,194
Total	<u>79,260</u>	<u>87,807</u>

Inventories recognized as an expense and write-down of inventories to its net realizable value during the year are as follows:

	Millions of yen	
	2020	2021
Inventories recognized as an expense	631,130	677,761
Write-down of inventories to its net realizable value	956	606

10. Other assets

Other assets are as follows:

	Millions of yen	
	2020	2021
Other current assets:		
Prepaid expenses	11,830	11,655
Consumption tax receivables	8,144	6,538
Corporate tax receivables	2,420	3,811
Other	1,102	1,948
Total	<u>23,496</u>	<u>23,953</u>
Other non-current assets:		
Long-term prepaid expenses	7,875	5,191
Other	1,547	2,171
Total	<u>9,423</u>	<u>7,362</u>

11. Property, plant and equipment

The movement of carrying amount, cost, and accumulated depreciation and impairment losses for property, plant and equipment is as follows:

Carrying amount

	Millions of yen					
	Land, buildings and structures	Machinery and vehicles	Tools, fixtures and equipment	Assets under construction	Other	Total
Balance at January 1, 2020	124,783	144,243	75,067	17,177	10,764	372,036
Additions	1,431	1,574	17,282	27,076	715	48,080
Depreciation	(6,097)	(22,021)	(18,130)	-	(2,724)	(48,974)
Impairment losses	(207)	(1,394)	(195)	(48)	(89)	(1,934)
Reversal of impairment losses	0	17	0	-	18	36
Sales or disposals	(107)	(878)	(2,715)	(142)	(240)	(4,084)
Reclassifications	2,909	19,589	1,983	(25,527)	1,044	(0)
Exchange differences	(1,817)	(2,522)	(123)	(156)	(193)	(4,812)
Other	52	67	60	(166)	(2)	11
Balance at December 31, 2020	120,946	138,675	73,229	18,212	9,293	360,358
Additions	1,508	3,751	4,218	44,415	912	54,805
Depreciation	(6,316)	(22,744)	(17,536)	-	(2,483)	(49,080)
Impairment losses	(154)	(1,273)	(12)	(3)	(57)	(1,501)
Reversal of impairment losses	0	6	-	-	5	12
Sales or disposals	(767)	(987)	(1,993)	(31)	(256)	(4,036)
Reclassifications	15,012	22,622	11,821	(50,402)	945	(0)
Exchange differences	3,528	6,939	322	579	403	11,774
Other	27	(68)	60	(170)	154	4
Balance at December 31, 2021	133,786	146,922	70,110	12,600	8,917	372,337

Depreciation expenses of property, plant and equipment are included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss. The carrying value of property, plant and equipment as at December 31, 2020 and 2021 is deducted by government grants, and the amounts are ¥2,139 million and ¥2,141 million, respectively. These grants are primarily received for acquiring production facilities (buildings and machinery) in Japan.

Cost

	Millions of yen					
	Land, buildings and structures	Machinery and vehicles	Tools, fixtures and equipment	Assets under construction	Other	Total
Balance at January 1, 2020	195,010	380,269	202,668	17,180	24,074	819,203
Balance at December 31, 2020	196,408	387,572	199,991	18,267	23,780	826,020
Balance at December 31, 2021	215,079	419,180	200,159	12,665	25,284	872,369

Accumulated depreciation and impairment losses

Millions of yen

	Land, buildings and structures	Machinery and vehicles	Tools, fixtures and equipment	Assets under construction	Other	Total
Balance at January 1, 2020	(70,227)	(236,025)	(127,600)	(3)	(13,309)	(447,167)
Balance at December 31, 2020	(75,461)	(248,897)	(126,761)	(54)	(14,486)	(465,661)
Balance at December 31, 2021	(81,292)	(272,258)	(130,048)	(65)	(16,366)	(500,032)

Impairment

The breakdown of impairment losses by segment is as follows:

Millions of yen

	2020	2021
Japan	(252)	(134)
Asia Pacific	(1,627)	(1,367)
Europe	(53)	-
Total	(1,934)	(1,501)

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are included in other expenses in the consolidated statement of profit and loss.

Impairment losses were recognized for the years ended December 31, 2020 and 2021, due to that the Group made a decision to dispose of certain property, plant and equipment, or significant deterioration of net cash flow from the assets in use or operating profit, reflecting the reduction of carrying amounts of assets to their recoverable amounts. The recoverable amounts are primarily calculated as fair value less costs of disposal. Fair value less costs of disposal is based on disposal prices or nil if disposal is not possible. These assets are classified as Level 3 in the fair value hierarchy.

12. Goodwill and intangible assets

The movement of carrying amount, cost, and accumulated amortization and impairment losses for goodwill and intangible assets is as follows:

Carrying amount

	Millions of yen					
	Goodwill	Intangible assets				Total
		Trademarks	Franchises	Software	Other	
Balance at January 1, 2020	247,851	312,240	64,304	5,921	28,908	411,374
Additions	-	-	-	571	2,399	2,970
Amortization	-	(3,236)	-	(2,640)	(1,687)	(7,565)
Impairment losses	-	-	-	(41)	-	(41)
Sales or disposals	-	-	-	(24)	(10)	(35)
Exchange differences	2,596	1,957	(3,451)	405	122	(966)
Other	-	-	-	2,855	(3,417)	(561)
Balance at December 31, 2020	250,448	310,961	60,852	7,046	26,315	405,175
Additions	361	-	1,791	390	4,252	6,434
Amortization	-	(3,446)	-	(2,555)	(1,717)	(7,719)
Impairment losses	-	-	-	(114)	(48)	(163)
Sales or disposals	-	-	-	(214)	(1)	(216)
Exchange differences	4,790	20,582	4,738	500	772	26,594
Other	-	-	-	3,607	(3,626)	(18)
Balance at December 31, 2021	255,599	328,097	67,382	8,661	25,944	430,086

Amortization expenses are included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss. There are no significant internally generated intangible assets recorded at each reporting date.

Cost

	Millions of yen					
	Goodwill	Intangible assets				Total
		Trademarks	Franchises	Software	Other	
Balance at January 1, 2020	372,705	367,200	64,304	25,596	37,632	494,733
Balance at December 31, 2020	378,457	371,031	60,852	29,585	36,312	497,782
Balance at December 31, 2021	387,246	393,424	67,382	27,082	37,992	525,883

Accumulated amortization and impairment losses

	Millions of yen					
	Goodwill	Intangible assets				Total
		Trademarks	Franchises	Software	Other	
Balance at January 1, 2020	(124,853)	(54,960)	-	(19,674)	(8,723)	(83,359)
Balance at December 31, 2020	(128,009)	(60,070)	-	(22,538)	(9,997)	(92,606)
Balance at December 31, 2021	(131,646)	(65,327)	-	(18,421)	(12,047)	(95,796)

The breakdown of goodwill and intangible assets with indefinite useful lives is as follows:

Goodwill

	Millions of yen		
		2020	2021
		Japan business	130,680
Orangina Schweppes Group	84,759	87,135	
Other	35,008	37,782	
Total	250,448	255,599	

Goodwill for Japan business mainly consists of that recognized through the acquisition of Japan Beverage Holdings Inc., carried out on July 31, 2015. Goodwill for Orangina Schweppes Group was recognized through the acquisition of Orangina Schweppes Holding B.V. on November 12, 2009. Goodwill attributable to business combinations was allocated to cash-generating units or groups of cash-generating units at the acquisition date.

Intangible assets with indefinite useful lives

		Millions of yen	
		2020	2021
Trademarks:	Lucozade and Ribena	144,182	160,083
	Schweppes	76,220	78,345
	Orangina	21,425	22,017
	Oasis	20,598	21,194
	La Casera	9,551	9,631
	Other	10,219	10,518
	Franchises:	North Carolina, U.S.A.	31,487
Thailand		19,884	19,824
Vietnam		9,480	10,691
Other		15	17
	Total	343,066	369,190

Trademarks of Lucozade and Ribena are related to the acquisition of the business of Lucozade Ribena Suntory Limited on December 31, 2013. Trademarks of Schweppes, Orangina, Oasis, and La Casera were acquired through the aforementioned acquisition of Orangina Schweppes Holding B.V. Franchises for some areas in the U.S.A., Thailand, and Vietnam are the assets recognized by evaluating Exclusive Bottling Appointments engaged in with PepsiCo, Inc. and others. These trademarks represent brands with long histories in each region, and the businesses are expected to continue in the foreseeable future. Franchises have long contract terms, and the associated businesses are expected to continue in the foreseeable future. Since these trademarks and franchises are expected to contribute to the Group as long as the business continues, these are deemed to have indefinite useful lives for accounting purposes and are not amortized.

Impairment tests of goodwill and intangible assets with indefinite useful lives are performed for the preceding units. The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is calculated as the discounted future cash flows, which are estimated based on the business plan for one to three years and the long-term growth rate for subsequent years approved by management, and discount rates which are determined with reference to the pre-tax weighted-average cost of capital ("WACC") (4.5%-14.1% and 5.0%-13.5% for the years ended December 31, 2020 and 2021, respectively) of the cash-generating units or groups of cash-generating units.

The business plans are made to reflect forecasts of future revenues and operating income for five years or less, including not only the expectations of recovery from the economic downturn caused by COVID-19 and the growth rate of the beverage market in each country, but also estimates of the effects of the respective sales and promotion strategies for each brand and for each sales channel, such as off-premises and on-premises channels. The growth rate has been determined with reference to long-term average growth rates in the markets or countries to which the cash-generating units or groups of cash-generating units belong.

The Group annually performs impairment testing on a regular basis, and no impairment losses for goodwill and intangible assets with indefinite useful lives were recorded for the years ended December 31, 2020 and 2021.

As a result of annual impairment tests performed during the year ended December 31, 2021, the Group did not record impairment losses for goodwill and intangible assets with indefinite useful lives.

The value in use of significant goodwill and intangible assets with indefinite useful lives, such as goodwill for Japan business and Orangina Schweppes Group, trademark of Lucozade and Ribena, Schweppes, Orangina, and Oasis, and franchises substantially exceeds the carrying amount of the cash-generating units or groups of cash-generating units. Therefore, the Group assessed it unlikely that the Group would recognize any significant impairment losses, supposing the discount rate and growth rate fluctuate at reasonably assumable levels.

13. Investments accounted for using the equity method

Total investments for associates after applying the equity method are as follows. There are no individually material associates.

	Millions of yen	
	2020	2021
Carrying amount:		
Associates	895	1,005

Comprehensive income arising from investments in associates using the equity method is as follows:

	Millions of yen	
	2020	2021
Profit (loss) for the year:		
Associates	(85)	70
Other comprehensive income (loss):		
Associates	(43)	83
Total comprehensive income (loss) for the year:		
Associates	(128)	153

14. Income tax expense

The balance and movement of deferred tax assets and deferred tax liabilities by nature are as follows:

Year ended December 31, 2020

	Millions of yen				
	As at January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Other	As at December 31, 2020
Deferred tax assets:					
Other payables	6,014	196	-	(187)	6,024
Unrealized gain	5,243	(560)	-	29	4,712
Post-employment benefit liabilities	4,581	(227)	(502)	187	4,039
Other	10,182	1,685	360	(68)	12,159
Total	<u>26,021</u>	<u>1,094</u>	<u>(142)</u>	<u>(38)</u>	<u>26,935</u>
Deferred tax liabilities:					
Intangible assets	(48,620)	(3,639)	-	(710)	(52,970)
Property, plant and equipment	(12,500)	550	-	28	(11,921)
Temporary differences associated with investments in subsidiaries	(8,664)	(332)	5	489	(8,503)
Other	(7,642)	(2,636)	412	96	(9,770)
Total	<u>(77,428)</u>	<u>(6,058)</u>	<u>417</u>	<u>(96)</u>	<u>(83,165)</u>

"Other" in the table above primarily comprises of foreign exchange movements.

Year ended December 31, 2021

Millions of yen

	As at January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Other	As at December 31, 2021
Deferred tax assets:					
Other payables	6,024	604	-	141	6,769
Unrealized gain	4,712	(426)	-	46	4,333
Post-employment benefit liabilities	4,039	328	(606)	(76)	3,685
Other	12,159	(663)	126	96	11,719
Total	26,935	(156)	(479)	208	26,507
Deferred tax liabilities:					
Intangible assets	(52,970)	(7,579)	-	(2,249)	(62,799)
Property, plant and equipment	(11,921)	(102)	-	(515)	(12,538)
Temporary differences associated with investments in subsidiaries	(8,503)	350	(16)	(930)	(9,099)
Other	(9,770)	461	(410)	421	(9,298)
Total	(83,165)	(6,869)	(427)	(3,275)	(93,737)

"Other" in the table above primarily comprises of foreign exchange movements.

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

Millions of yen

	2020	2021
Unused tax losses	15,389	15,270
Unused tax credits	3,677	4,137
Deductible temporary differences	62,320	47,982

Expiration schedule of unused tax losses and unused tax credits for which no deferred tax asset is recognized is as follows:

Millions of yen

Unused tax losses	2020	2021
Expires within 1 year	2,712	1,636
Expires between 1 and 2 years	1,523	1,110
Expires between 2 and 3 years	1,024	876
Expires between 3 and 4 years	820	218
Expires after 4 years	9,308	11,427
Total	15,389	15,270

Millions of yen

Deferred tax credits	2020	2021
Expires within 1 year	-	-
Expires between 1 and 2 years	-	-
Expires between 2 and 3 years	-	-
Expires between 3 and 4 years	-	-
Expires after 4 years	3,677	4,137
Total	3,677	4,137

Taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities are not recognized as at December 31, 2020 and 2021 are ¥89,932 million and ¥96,787 million, respectively. Deferred tax liabilities are not recognized since the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary difference will not be reversed in the foreseeable future.

Income tax expense is as follows:

	Millions of yen	
	2020	2021
Current tax expense	24,909	26,997
Deferred tax expense	4,964	7,025
Total	29,873	34,023

The effective statutory tax rate and the average actual effective tax rate are reconciled as follows:

	%	
	2020	2021
Effective statutory tax rate	30.6	30.6
Tax rate change	4.6	4
Differences in overseas tax rates	(4.8)	(6.1)
Other	1.3	0.6
Average actual effective tax rate	31.7	29.1

Income tax, inhabitant tax, and business tax are the main components of income tax expense imposed on the Group, and the effective statutory tax rate based on those taxes was 30.61% for the year ended December 31, 2020 and 30.61% for the year ended December 31, 2021. Foreign subsidiaries are subject to income tax expense in the tax jurisdiction in which they are located.

For the year ended December 31, 2020, mainly due to the amendment of the Netherlands tax enacted in December 2020, the corporate income tax rate in the Netherlands increased from 21.7% to 25% from 2021 onwards. According to these changes in the effective tax rate, the Group additionally recognized deferred tax assets and liabilities and debited deferred tax expense by ¥4,312 million for the year ended December 31, 2020.

During the year ended December 31, 2021, there was an amendment to the UK tax enacted in May 2021 and the corporate income tax rate in the UK will increase from 19% to 25% from 2023 onwards. According to these changes in the effective tax rate, the Group additionally recognized deferred tax assets and liabilities and debited deferred tax expense by ¥4,659 million for the year ended December 31, 2021.

[Change in presentation]

"Permanent differences, such as non-taxable dividend income," which was separately presented for the year ended December 31, 2020, has become quantitatively immaterial and therefore, was included in "Other" for the year ended December 31, 2021.

As a result of this change in presentation, "Permanent differences, such as non-taxable dividend income" by (1.0)% and "Other" by 2.3% in the consolidated financial statements for the year ended December 31, 2020 were reclassified to and presented as "Other" by 1.3% for the year ended December 31, 2021.

15. Bonds and borrowings

The breakdown of bonds and borrowings is as follows:

					Millions of yen
	2020	2021	Average interest rate (%)	Maturity period	
Short-term borrowings	2,750	13,016	0.14	-	
Commercial papers	40,000	-	-	-	
Current portion of long-term borrowings	25,661	42,773	0.46	-	
Current portion of bonds	14,989	-	-	-	
Long-term borrowings	90,350	59,657	0.41	2023-2025	
Bonds	29,942	49,901	0.23	2023-2024	
Total	<u>203,693</u>	<u>165,348</u>			
Current liabilities	83,401	55,789			
Non-current liabilities	120,292	109,558			
Total	<u>203,693</u>	<u>165,348</u>			

Bonds and borrowings are classified as financial liabilities measured at amortized cost. The average interest rate is calculated as the weighted-average interest rate as at the end of the reporting period.

Summary of terms of bonds is as follows:

								Millions of yen
Issuer	Type	Issue date	2020	2021	Interest rate (%)	Collateral	Maturity date	
	The 2nd issue of unsecured corporate bonds	June 26, 2014	14,974	14,981	0.700	None	June 26, 2024	
	The 3rd issue of unsecured corporate bonds	July 26, 2018	14,989	-	0.001	None	July 26, 2021	
Suntory Beverage & Food Limited	The 4th issue of unsecured corporate bonds	July 26, 2018	14,967	14,980	0.070	None	July 26, 2023	
	The 5th issue of unsecured corporate bonds	July 8, 2021	-	19,939	0.001	None	July 8, 2024	
	Total		<u>44,931</u>	<u>49,901</u>				

There is no asset pledged as collateral for bonds and borrowings.

16. Leases

The Group leases land, buildings, vending machines, vehicles, and other assets as a lessee. Expenses attributable to leases are as follows.

		Millions of yen	
		2020	2021
Depreciation of right-of-use assets			
Land, buildings and structures		9,238	7,988
Machinery and equipment		2,381	1,774
Others		2,493	2,813
	Total	14,113	12,576
Others (Note)		10,824	10,682

(Note) "Others" includes lease payments for short-term leases and leases of low-value assets.

Depreciation of right-of-use assets are included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

Please refer to "Note 27. Finance income and costs" as for finance costs of lease liabilities.

Carrying amount of right-of-use assets are as follows.

		Millions of yen	
		2020	2021
Land, buildings and structures		41,313	43,112
Machinery and equipment		3,813	3,440
Others		5,645	5,706
	Total	50,772	52,260

The amounts of increase in right-of-use assets for the years ended December 31, 2020 and 2021 are ¥17,721 million and ¥15,544 million, respectively. The total amounts of lease cash outflow for the years ended December 31, 2020 and 2021 are ¥25,582 million and ¥27,958 million, respectively.

Please refer to "Note 31. Financial instruments (2) Risk management for financial instruments b. Liquidity risk management" as for the maturity analysis of lease liabilities.

Some of the property leases in which the Group is a lessee contain an extension option and a termination option. An extension option enables the Group to extend the lease term unless either of a lessor or the Group makes an objection. A termination option enables the Group to terminate a lease agreement by informing a lessor of the termination prior to the expiration date. These terms and conditions differ by lease agreement.

17. Trade and other payables

Trade and other payables are as follows:

		Millions of yen	
		2020	2021
Trade payables		119,334	139,789
Accrued expenses		164,318	185,253
Accrued employee benefits		24,728	29,552
	Total	308,381	354,595

Accrued employee benefits is comprised of various employee-related accruals, such as salaries, bonuses, and paid vacation.

18. Other financial liabilities

Other financial liabilities as at December 31, 2020 and 2021 are as follows:

	Millions of yen	
	2020	2021
Financial liabilities measured at amortized cost:		
Lease liabilities	50,147	50,292
Deposits received	30,063	27,386
Other	365	269
Financial liabilities designated as hedging instruments:		
Derivative liabilities	5,811	7,153
Financial liabilities measured at FVTPL:		
Derivative liabilities	22	16
Total	86,409	85,118
Current liabilities	33,542	30,877
Non-current liabilities	52,867	54,241
Total	86,409	85,118

19. Post-employment benefit plans

(1) Defined benefit plans

The Company and some of its subsidiaries established post-employment benefit plans, such as a defined benefit corporate pension plan and a lump-sum employment benefit plan, and defined contribution pension plans. These plans are exposed to a variety of risks, such as general investment risk, interest rate risk, and inflation risk.

The defined benefit plans are administered by a separate fund that is legally isolated from the Group. The board of the pension fund and pension property management trust institutions are obliged by law to act in the interest of the members in the scheme and to manage the plan assets in accordance with designated management policies.

The Company divides the risk with the Parent as for company pension system, and contributes the amounts based on the standard regulated by Ministry of Health, Labour and Welfare.

The liability recorded in the consolidated statement of financial position and with defined benefit obligation and plan assets are reconciled as follows:

	Millions of yen	
	2020	2021
Present value of funded defined benefit obligations	36,303	38,835
Fair value of plan assets	(35,981)	(40,162)
Subtotal	321	(1,326)
Present value of unfunded defined benefit obligation	13,929	14,431
Net defined benefit liability	14,251	13,105
Balance in consolidated statement of financial position:		
Post-employment benefit liabilities	15,073	14,697
Post-employment benefit assets	(822)	(1,591)
Net of liabilities and assets	14,251	13,105

Changes in the present value of the defined benefit obligation during the years ended December 31, 2020 and 2021 are as follows:

	Millions of yen	
	2020	2021
Balance at beginning of the year	49,305	50,232
Current service cost	3,550	3,693
Interest expense	313	383
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	228	(61)
Actuarial gains and losses arising from changes in financial assumptions	(1,139)	(376)
Past service cost	(2)	(441)
Benefits paid	(1,911)	(2,776)
Other	(111)	2,613
Balance at end of the year	50,232	53,267

"Other" in the table above primarily comprises of movement of defined benefit obligation due to mutual employees transfer between Suntory Holdings Limited and the Company.

The weighted-average durations of the defined benefit obligation as at December 31, 2020 and 2021 are 15.3 years and 16.3 years, respectively.

Changes in the fair value of plan assets during the years ended December 31, 2020 and 2021 are as follows:

	Millions of yen	
	2020	2021
Balance at beginning of the year	34,460	35,981
Interest income	184	257
Remeasurements:		
Return on plan assets	656	1,350
Employer contributions	2,072	1,799
Benefits paid	(1,424)	(1,764)
Other	32	2,538
Balance at end of the year	35,981	40,162

"Other" in the table above primarily comprises of movement of plan assets due to mutual employees transfer between the Parent and the Company.

The contribution by the Group to defined benefit plans after the reporting date is expected to be ¥2,408 million.

Fair values of plan assets are as follows:

	Millions of yen					
	2020			2021		
	Quoted market price	Unquoted market price	Total	Quoted market price	Unquoted market price	Total
Cash and cash equivalents	635	-	635	699	-	699
Equity instruments	-	6,795	6,795	-	7,054	7,054
Domestic	-	2,685	2,685	-	1,967	1,967
Overseas	-	4,109	4,109	-	5,087	5,087
Debt instruments	-	14,113	14,113	-	15,660	15,660
Domestic	-	4,691	4,691	-	5,039	5,039
Overseas	-	9,422	9,422	-	10,620	10,620
Life insurance- General accounts	-	5,698	5,698	-	6,129	6,129
Other	-	8,738	8,738	-	10,618	10,618
Total	635	35,345	35,981	699	39,462	40,162

Plan assets are invested primarily in joint investment trusts in trust banks and are deemed not to have a quoted market price in an active market except for cash and cash equivalents. Life insurance general accounts represent the pension assets managed by the general accounts of life insurance companies, which usually guarantee principal amounts and interest. "Other" includes alternative assets with risk or return characteristics that differ from traditional investments, such as stocks and bonds.

The Group's plan asset management policy aims to maintain sustainable earnings over the medium to long term in order to secure payment for future defined benefit liabilities, as prescribed by corporate rules. Assets are managed to maintain a predetermined return rate and asset composition, accepting a certain level of tolerable risk which is reviewed every year. Asset compositions are determined by category of investment assets. Investments in assets which have a higher degree of correlation with fluctuations in the value of the defined benefit obligation are considered when reviewing the asset compositions. The policy allows adjustment of the weight of risk assets by following corporate rules as a temporary solution when unexpected situations occur in the market environment.

Significant actuarial assumptions are as follows:

	2020	2021	%
Discount rate	0.5~0.8	0.5~0.8	

The sensitivity analysis below illustrates the impact on defined benefit obligations when the key actuarial assumption change. This analysis holds all other assumptions constant; however, in practice, changes in some other assumptions may affect this analysis.

		Change in assumption		Millions of yen
		2020	2021	
Discount rate:	Increase by 0.5%	(2,713)		(3,136)
	Decrease by 0.5%	3,014		3,461

Defined benefit costs are as follows:

		Millions of yen	
		2020	2021
Current service cost		3,550	3,693
Interest expense		313	383
Interest income		(184)	(257)
Past service cost		(2)	(441)
Total		<u>3,676</u>	<u>3,378</u>

The Group's contribution to the defined contribution pension plans for the years ended December 31, 2020 and 2021 are ¥9,661 million and ¥9,666 million, respectively, and those are not included in the defined benefit costs analyzed above.

(2) Employee benefit expenses

Employee benefit expenses for the years ended December 31, 2020 and 2021 are ¥163,461 million and ¥167,243 million, respectively. Employee benefit expenses are primarily composed of salaries, bonuses, legal welfare costs, welfare expense, and post-employment costs. They are included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

20. Provisions

Changes in provisions are as follows:

	Millions of yen			
	Asset retirement obligations	Provision for restructuring	Other	Total
Balance at January 1, 2020	2,044	1,573	450	4,068
Additional provisions recognized	147	550	195	893
Interest expense	129	-	-	129
Utilized during the period	(11)	(678)	(169)	(859)
Reversed during the period	(56)	(139)	(183)	(379)
Other	(25)	(543)	588	19
Balance at December 31, 2020	2,228	762	882	3,873
Additional provisions recognized	520	3,167	118	3,806
Interest expense	8	-	53	62
Utilized during the period	(369)	(594)	(92)	(1,057)
Reversed during the period	(45)	(210)	(224)	(480)
Other	93	31	-	124
Balance at December 31, 2021	2,435	3,157	736	6,329

Asset retirement obligations are provided for the obligation to restore a site to its original condition. Asset retirement obligations are measured as the estimated cost to be incurred in the future period based on historical transactions. These costs are generally expected to be disbursed after more than one year; however, such disbursement affected by the execution of the Group's business plan in the future.

The restructuring provision are ¥1,556 million in current liabilities and ¥1,600 million in non-current liabilities primarily relates to business integration and rationalization measures in the Europe business.

Provisions included in the consolidated statement of financial position are classified as follows:

	Millions of yen	
	2020	2021
Current liabilities	1,586	2,016
Non-current liabilities	2,287	4,312
Total	3,873	6,329

21. Equity

Share premium is the remaining of the proceeds from issuance of equity instruments less the amount recognized as share capital. The Companies Act of Japan requires the Company to recognize one-half or more of the proceeds from issuance of equity instruments as share capital, and the remaining amount as share premium. Equity transactions designated by IFRS 10, "Consolidated Financial Statements," as to charge to equity are also recorded in share premium.

Retained earnings are the accumulated amount of profit attributable to owners of the Company up to the reporting period less dividends paid. The Group also reclassifies the cumulative gains or losses associated with equity financial instruments designated as measured at FVTOCI to retained earnings from other comprehensive income when equity instruments are derecognized or when there is a significant decline in fair value.

The number of shares authorized and shares issued is as follows. The Company only issues ordinary shares, and the issued shares are fully paid in.

	Shares	
	Shares authorized	Shares issued
Balance at January 1, 2020	480,000,000	309,000,000
Increase (decrease)	-	-
Balance at December 31, 2020	480,000,000	309,000,000
Increase (decrease)	-	-
Balance at December 31, 2021	480,000,000	309,000,000

Other components of equity are as follows:

	Millions of yen				
	Other components of equity				
	Translation adjustments of foreign operations	Changes in the fair value of cash flow hedges	Changes in the fair value of financial assets	Remeasurement of defined benefit plans	Total
Balance at January 1, 2020	(56,017)	(189)	3,209	(5,872)	(58,870)
Other comprehensive income	(1,781)	(834)	(1,352)	979	(2,988)
Transferred to retained earnings	-	-	364	-	364
Balance at December 31, 2020	(57,798)	(1,024)	2,220	(4,892)	(61,495)
Other comprehensive income	32,516	1,411	(709)	1,038	34,256
Transferred to retained earnings	-	-	28	-	28
Balance at December 31, 2021	(25,282)	386	1,539	(3,854)	(27,210)

22. Dividends

Dividends paid are as follows:

Year ended December 31, 2020

	Millions of yen		Yen		
Resolution	Total dividends	Dividends per share	Record date	Effective date	
Annual general meeting of shareholders held on March 27, 2020	12,050	39.00	December 31, 2019	March 30, 2020	
Board of Directors meeting held on August 5, 2020	12,050	39.00	June 30, 2020	September 2, 2020	

Year ended December 31, 2021

	Millions of yen		Yen		
Resolution	Total dividends	Dividends per share	Record date	Effective date	
Annual general meeting of shareholders held on March 26, 2021	12,050	39.00	December 31, 2020	March 29, 2021	
Board of Directors meeting held on August 12, 2021	12,050	39.00	June 30, 2021	September 9, 2021	

Dividends which were proposed before the reporting date and will be effective in the year following that of the record date are as follows;

Year ended December 31, 2020

Resolution	Millions of yen		Yen	
	Total dividends	Dividends per share	Record date	Effective date
Annual general meeting of shareholders held on March 26, 2021	12,050	39.00	December 31, 2020	March 29, 2021

Year ended December 31, 2021

Resolution	Millions of yen		Yen	
	Total dividends	Dividends per share	Record date	Effective date
Annual general meeting of shareholders held on March 25, 2022	12,050	39.00	December 31, 2021	March 28, 2022

23. Revenue

The Group primarily manufactures and distributes soft drinks and foods. The Group's business in Japan is operated by the Company and its domestic subsidiaries, and the businesses outside of Japan are operated by local subsidiaries in each region. Products of the Group comprise of mineral water, coffee, tea, carbonated drinks, sports drinks, and food for specified health uses (hereinafter, "Beverages" in aggregate) and health supplements. These products are sold to customers through a variety of local brands in each region. Customers for the Group are local wholesalers or consumers, and the Group carries out its sales activities in conformity with the nature of local markets or consumers. In order to assess nature, amount, timing, and uncertainty of revenue and cash flows of the Group under such business environment, it is most appropriate to review revenue segregated by product (Beverages and Health supplements) and by areas of business activity. Revenue information by area is reviewed by the Board of Directors on a periodic basis to determine allocation of resources and to review performance of the Group.

The Group reclassified the reportable segments as described in "Note 6. Segment information" from the three months ended March 31, 2021. As a result of the establishment of the Asia Pacific Region, the health supplement business companies and the beverage business companies began to operate together in some of the countries in the region, and health supplement sales in those countries are included in the beverage business from the three months ended March 31, 2021. The figures for the year ended December 31, 2020, have been restated to reflect the changes in the reportable segments and product categories.

Disaggregated revenues by reportable segment and product are as follows:

Year ended December 31, 2020

	Millions of yen				
	Reportable segment				
	Japan	Asia Pacific	Europe	Americas	Segment total
Beverages	633,002	231,240	189,970	90,138	1,144,352
Health supplements	-	33,784	-	-	33,784
Total	633,002	265,025	189,970	90,138	1,178,137

Year ended December 31, 2021

	Millions of yen				
	Reportable segment				
	Japan	Asia Pacific	Europe	Americas	Segment total
Beverages	629,640	257,674	234,862	108,466	1,230,642
Health supplements	-	38,274	-	-	38,274
Total	629,640	295,948	234,862	108,466	1,268,917

There are no significant contract assets or liabilities. The liabilities incurred from contracts with customers, such as sales incentives, which the Group expects to pay in relation to the sales transactions recorded for the reporting period, are recognized as refund liabilities and presented in accrued expenses.

The Group adopted the practical expedient of not disclosing its remaining performance obligations, as performance obligations are parts of contracts that have original expected durations of one year or less. In addition, there is no material consideration which is not included in the transaction prices based on the contracts with customers. Promised considerations include no significant financing component as the Group receives considerations within one year after the delivery of goods to the customers.

There has been no significant cost incurred to obtain or fulfil a contract with a customer for the years ended December 31, 2020 and 2021. The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less, as allowed as practical expedients.

24. Selling, general and administrative expenses

Selling, general and administrative expenses are as follows:

	Millions of yen	
	2020	2021
Advertising and sales promotions	130,689	139,331
Brand royalties	20,827	21,344
Employee benefits expenses	133,428	135,417
Rental expenses	6,454	6,334
Depreciation and amortization	37,619	36,201
Other	53,310	59,078
Total	382,331	397,707

Expenditures for research and development activities recognized as expenses for the years ended December 31, 2020 and 2021 are ¥8,091 million and ¥8,526 million.

25. Other income

Other income is as follows:

	Millions of yen	
	2020	2021
Government grants	780	227
Gain on sales of property, plant and equipment	686	223
Insurance claim income	356	197
Reversals of impairment losses	36	17
Other	1,481	2,221
Total	3,341	2,887

26. Other expenses

Other expenses are as follows:

	Millions of yen	
	2020	2021
Loss on disposal of property, plant and equipment	3,918	3,041
Restructuring charges	1,646	4,153
Impairment losses	1,998	1,664
Other	1,039	1,004
Total	8,603	9,863

Restructuring charges for the year ended December 31, 2020 are primarily for expenses related to the Headquarters relocation of the Japan business and restructuring activities to renew and enhance management in the Europe business. Restructuring charges for the year ended December 31, 2021 are primarily for expenses related to restructuring activities of business integration and rationalization measures in the Europe business.

Impairment losses primarily recognized for the years ended December 31, 2020 and 2021 are ¥1,934 million and ¥1,501 million, respectively, for plant, property and equipment.

27. Finance income and costs

Finance income and costs are as follows:

		Millions of yen	
Finance income	2020	2021	
Interest received:			
From financial assets measured at amortized cost	695	365	
Dividends received:			
From financial assets measured at FVTOCI:			
From financial assets derecognized during the year	0	-	
From financial assets held at the end of the year	137	84	
Other	28	58	
Total	861	508	

		Millions of yen	
Finance costs	2020	2021	
Interest paid:			
From financial liabilities measured at amortized cost	2,137	1,926	
Net foreign exchange losses	629	-	
Other	103	97	
Total	2,871	2,024	

Finance costs of lease liabilities amount to ¥841 million and ¥792 million for the years ended December 31, 2020 and 2021, respectively, are included in the interest paid from financial liabilities measured at amortized cost in the table above.

28. Other comprehensive income

Details on amounts arising during the year, reclassifications, and tax effects for other comprehensive income are as follows:

Year ended December 31, 2020

		Millions of yen			
	Amount arising during the year	Reclassifications	Before tax	Tax effects	After tax
<i>Items that will not be reclassified to profit or loss:</i>					
Changes in the fair value of financial assets	(1,764)	-	(1,764)	409	(1,354)
Remeasurement of defined benefit plans	1,567	-	1,567	(502)	1,064
Subtotal	(197)	-	(197)	(92)	(289)
<i>Items that may be reclassified to profit or loss:</i>					
Translation adjustments of foreign operations	(5,680)	(0)	(5,680)	-	(5,680)
Changes in the fair value of cash flow hedges	(1,222)	7	(1,215)	368	(846)
Changes in comprehensive income of investments accounted for using the equity method	(43)	-	(43)	-	(43)
Subtotal	(6,945)	7	(6,938)	368	(6,570)
Total	(7,143)	7	(7,136)	275	(6,860)

Year ended December 31, 2021

Millions of yen

	Amount arising during the year	Reclassifications	Before tax	Tax effects	After tax
<i>Items that will not be reclassified to profit or loss:</i>					
Changes in the fair value of financial assets	(1,004)	-	(1,004)	293	(711)
Remeasurement of defined benefit plans	1,787	-	1,787	(606)	1,181
Subtotal	782	-	782	(312)	470
<i>Items that may be reclassified to profit or loss:</i>					
Translation adjustments of foreign operations	37,608	(0)	37,608	-	37,608
Changes in the fair value of cash flow hedges	1,702	339	2,041	(594)	1,447
Changes in comprehensive income of investments accounted for using the equity method	83	-	83	-	83
Subtotal	39,394	339	39,733	(594)	39,139
Total	40,176	339	40,515	(906)	39,609

29. Earnings per share

The basis for calculating earnings per share is as follows. There is no diluted share issued.

Millions of yen

	2020	2021
Profit for the year attributable to owners of the Company	52,212	68,676
Profit for the year not attributable to ordinary equity holders of the Company	-	-
Profit for the year used in the calculation of earnings per share	52,212	68,676
Weighted-average number of ordinary shares (Shares)	308,999,997	308,999,994
Earnings per share (Yen)	168.97	222.25

30. Cash flow information

Cash and cash equivalents is comprised of cash on hand and cash in banks.

(1) Liabilities for financing activities

Liabilities for financing activities are as follows:

Year ended December 31, 2020

Millions of yen

	January 1, 2020	Cash flows	Non-cash movements				Other movements	December 31, 2020
			Foreign exchange adjustments	Changes in fair value	New leases	Other		
Bonds and borrowings	207,368	(1,343)	(2,370)	-	-	39	-	203,693
Derivatives	(4,011)	4,346	-	2,097	-	-	258	2,690
Lease liabilities	46,402	(13,983)	(467)	-	17,663	532	-	50,147

Cash flows associated with the bonds and borrowings and derivatives presented above reconcile to the net amount of increases (decreases) in short-term borrowings and commercial paper, proceeds from long-term borrowings and repayments of long-term borrowings presented in the consolidated statement of cash flows. "Other" in the table above includes the receipt and payment of interests. Derivatives are utilized to hedge bonds and borrowings.

Year ended December 31, 2021

Millions of yen

	January 1, 2021	Cash flows	Non-cash movements				Other movements	December 31, 2021
			Foreign exchange adjustments	Changes in fair value	New leases	Other		
Bonds and borrowings	203,693	(39,581)	1,266	-	-	(30)	-	165,348
Derivatives	2,690	(1,745)	-	(372)	-	-	78	650
Lease liabilities	50,147	(16,484)	1,318	-	15,098	212	-	50,292

Cash flows associated with the bonds and borrowings and derivatives presented above mainly reconcile to the net amount of increase (decrease) in short-term borrowings and commercial paper, proceeds from long-term borrowings and repayments of long-term borrowings presented in the consolidated statement of cash flows. "Other" in the table above includes the receipt and payment of interests. Derivatives are utilized to hedge bonds and borrowings.

(2) Non-cash transactions

Please refer to "Note 16. Leases" as for lease transactions.

31. Financial instruments

(1) Capital management

The Group manages its capital with the goal of maximizing its corporate value through sustainable growth.

The key index the Company uses for its capital management is net debt-to-equity ratio. The net debt-to-equity ratio is determined as net interest-bearing liabilities, i.e., interest-bearing liabilities less cash and cash equivalents, divided by total equity.

The net interest-bearing liabilities are determined as the balance of bonds and borrowings, adjusted for the net valuation gain (loss) arising from derivative transactions under hedge accounting, subtracted the cash and cash equivalents, and added lease liabilities. The computation of net debt-to-equity ratio for the Group is shown below.

	Millions of yen	
	2020	2021
Bonds and borrowings	203,693	165,348
Net valuation loss arising from derivative transactions	2,596	627
Bonds and borrowings (adjusted)	206,290	165,975
Cash and cash equivalents	(167,480)	(176,655)
Lease liabilities	50,147	50,292
Net interest-bearing liabilities	88,957	39,612
Total equity	859,556	943,952
Net debt-to-equity ratio (Times)	0.10	0.04

The Board of Directors of the Company monitors the Group's financial indices. There have been no significant restrictions on the Group's capital imposed by regulation authorities.

(2) Risk management for financial instruments

The Group is exposed to financial risks, e.g., risks of changes in credit, liquidity, foreign exchange rates, interest rates, and market prices in the course of its business activities. The Group performs risk management activities to mitigate such financial risks. The Group utilizes derivative transactions to avoid foreign exchange or interest rate fluctuation risks and has a policy in place not to engage in speculative transactions. The finance department monitors performance and balances of derivative transactions based on the Group's risk management policies and reports derivative transaction records as necessary to the head of the finance function.

a. Credit risk management

Credit risk is the risk that a counterparty to financial assets held by the Group is unable to fulfil its contractual obligations, resulting in a financial loss for the Group. The Group is also exposed to credit risks from financial institutions. Financial institutions are counterparties with which the Group enters into derivative transactions to hedge foreign exchange and interest rate fluctuation risks and with which it deposits surplus capital. However, since the Group controls the impact from credit risks of such financial institutions by entering into transactions only with highly credible financial institutions, the impact on credit risks is immaterial. The Group sets credit lines for each business counterparty based on internal guidelines for credit management by business and country or region, focusing on management of overdue debtors and outstanding balances. The Group's receivables are due from many business counterparties which reside in a wide range of countries and regions. The Group does not have any excessively concentrated credit risk for a single counterparty or group to which such a counterparty belongs. A loss allowance is determined by classifying receivables based on credit risk characteristics. A loss allowance for trade receivables is always measured at an amount equal to the lifetime expected credit losses. A loss allowance for other than trade receivables is principally measured at an amount equal to 12-month expected credit losses. However, if other receivables become overdue, a loss allowance for such receivables is recognized at an amount equal to the lifetime expected credit losses on the basis that the credit risk on such receivables has increased significantly since initial recognition. All receivables other than trade receivables for which a loss allowance is measured at 12-month expected credit losses are measured collectively. The amount of expected credit losses is calculated as follows.

Trade receivables

Trade receivables are classified by credit risk characteristics of customers based on the simplified approach. The lifetime expected credit losses for trade receivables are determined by multiplying their carrying amounts by an allowance percentage that is based on historical credit loss experience determined for each classification and adjusted for projected future economic conditions and other factors.

Receivables other than trade receivables

Unless the credit risk assessed on other receivables has not increased significantly since initial recognition, the 12-month expected credit losses for other receivables are determined based on the principle approach by multiplying carrying amount by an allowance percentage that is based on historical credit loss experience adjusted for projected future economic conditions and other factors.

For an asset or credit-impaired financial asset that is assessed to have increased its credit risks significantly since initial recognition, the lifetime expected credit losses for such an asset are determined as the difference between its carrying amount and the present value of its estimated future cash flows discounted using its original effective interest rate.

The carrying amounts of trade and other receivables subject to establishing loss allowances are as follows:

Trade and other receivables

				Millions of yen
Carrying amount	Financial assets measured at 12-month expected credit losses	Financial assets measured at lifetime expected credit losses	Financial assets applying the simplified approach	
Balance at January 1, 2020	26,332	25	172,198	
Balance at December 31, 2020	24,821	20	178,492	
Balance at December 31, 2021	23,994	18	223,099	

Financial assets measured at an amount equal to the lifetime expected credit losses are principally credit-impaired financial assets.

Credit risk ratings

The credit risk ratings of financial assets measured at an amount equal to the lifetime expected credit losses are relatively low, compared with those of financial assets measured at an amount equal to the 12-month expected credit losses. The credit risk ratings for financial assets to which the simplified approach is applied are equivalent to credit risk ratings of financial assets principally measured at an amount equal to 12-month expected credit losses. The credit risk ratings of financial assets classified in the same categories are relatively similar. The collectability of trade and other receivables is determined based on the credit status of each business counterparty, and a loss allowance is recognized as needed. The following table shows increases (decreases) in loss allowances:

Loss allowance

				Millions of yen
	Allowance measured at 12-month expected credit losses	Allowance measured at lifetime expected credit losses	Allowance for financial assets applying the simplified approach	
Balance at January 1, 2020	7	25	1,199	
Decrease (increase) due to financial assets incurred or collected	7	(4)	95	
Direct amortization	-	-	(21)	
Exchange differences	(0)	-	(23)	
Balance at December 31, 2020	14	20	1,250	
Decrease (increase) due to financial assets acquired or collected	(9)	(1)	(133)	
Direct amortization	-	-	(35)	
Exchange differences	0	-	51	
Balance at December 31, 2021	4	18	1,133	

There is no significant change in the carrying amount of financial instruments in total during the years ended at December 31, 2020 and 2021 that may affect changes in loss allowances.

b. Liquidity risk management

Liquidity risk is the risk that an entity is unable to make a payment by its due date in performing its repayment obligations for financial liabilities that become due.

The Group diversifies its means of financing to prevent or mitigate its liquidity risks, considering the market environment and balancing short-term and long-term financing, such as utilizing indirect financing through bank borrowings and direct financing through issuance of bonds and commercial papers. Temporary excess funds are invested in highly secure financial assets, such as short-term deposits.

The Group develops its financing plans based on its annual business plan and manages its liquidity risks by continuous monitoring of the actual performance of financing against the plan. Further, these credit lines are secured and are available at any time with credible financial institutions. Liquidity on hand, including these credit lines and interest-bearing liabilities, are periodically reviewed and reported to the President & Chief Executive Officer and the Board of Directors of the Company.

The balances of financial liabilities (including derivative financial instruments) by payment due date are as follows:

Net receivables or payables from derivative transactions are presented at their net amount.

As at December 31, 2020

	Millions of yen							
	Carrying amount	Contractual amount	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative financial liabilities:								
Trade and other payables	308,381	308,381	308,381	-	-	-	-	-
Borrowings	118,761	119,937	28,862	35,648	30,166	130	25,129	-
Commercial papers	40,000	40,000	40,000	-	-	-	-	-
Bonds	44,931	45,399	15,115	115	15,115	15,052	-	-
Lease liabilities	50,147	54,328	12,576	9,738	7,324	5,627	3,942	15,118
Derivative financial liabilities:								
Currency derivatives	2,818	2,955	745	911	1,299	-	-	-
Interest rate derivatives	2,690	2,510	1,073	1,436	-	-	-	-
Commodity derivatives	43	43	38	4	-	-	-	-
Total	567,775	573,556	406,793	47,855	53,906	20,810	29,072	15,118

As at December 31, 2021

	Millions of yen							
	Carrying amount	Contractual amount	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative financial liabilities:								
Trade and other payables	354,595	354,595	354,595	-	-	-	-	-
Borrowings	115,446	116,233	56,088	30,207	4,807	25,129	-	-
Bonds	49,901	50,284	115	15,115	35,053	-	-	-
Lease liabilities	50,292	52,090	11,989	9,078	6,656	5,213	3,518	15,633
Derivative financial liabilities:								
Currency derivatives	5,354	6,030	425	5,604	-	-	-	-
Interest rate derivatives	650	617	617	-	-	-	-	-
Commodity derivatives	(58)	(58)	(54)	(4)	-	-	-	-
Total	576,182	579,792	423,777	60,002	46,518	30,342	3,518	15,633

c. Foreign currency risk management

The Group engages in business activities globally and is exposed to risks of changes in foreign exchange rates related to business activities contracted in foreign currencies, such as the purchase of raw materials and packing materials, trading transactions including import and export of goods, financing, and investments.

The Group avoids or limits risks of changes in foreign exchange markets for cash flows denominated in non-functional currencies by utilizing foreign exchange contracts, currency options, and other instruments after considering netting effects of assets denominated in foreign currencies with liabilities or unrecognized firm commitments, as well as future forecasted transactions that can be determined reasonably. Accordingly, the Group assesses exposures to risks of changes in foreign exchange rates as immaterial to the Group.

d. Interest rate risk management

The Group finances its operating and investing activities through bonds and borrowings. Floating-rate borrowings are exposed to risks of changes in future cash flows, while fixed rate borrowings are exposed to risks of changes in their fair values. To mitigate the risk of changes in future interest rates, changes in foreign currency exchange rates, and changes in fair value, the Group uses interest rate swaps, interest rate currency swaps, and interest rate option contracts (i.e., interest rate caps and swaptions) as its hedging instruments.

The Group's exposures to interest rate risk are limited, and the amount of interest rate risk impacts on profit for the year is minor.

e. Management of market price fluctuation risks

The Group limits risks of changes in market prices by utilizing commodity swap transactions.

The Group is exposed to risks of changes in market prices of equity financial instruments (shares). For investment securities, the Group manages such risks by periodically monitoring market quotes and financial conditions of issuers (i.e., business counterparties). The effect of one percent increase or decrease in the market value of equity instruments on the Group's other comprehensive income (before tax effects) is as follows. However, this analysis is based on the assumption that all other variable factors remain the same.

Millions of yen

	2020	2021
Other comprehensive income (before tax effects)	78	70

(3) Hedge accounting

Please refer to "(2) Risk management for financial instruments" for the Group's risk management policy over hedge accounting, determined for each class of risk exposure. Foreign currency exchange risks are managed by focusing on controlling risk exposures according to foreign currency risk management policy and hedge policy. Exposure to interest rate risk is managed considering financial market trends, asset-liability composition, interest rate fluctuation risks, and other factors.

The effect of hedge accounting on the consolidated statements of financial position and comprehensive income

Details of hedging instruments designated as cash flow hedges

(Millions of yen)

2020	Contractual amounts	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Foreign exchange risks				
Foreign exchange contracts				
Long position				
Yen and U.S. dollar	12,083	363	2	400
Yen and Euro	2,018	-	1	23
Short position				
Yen and Singapore dollar	11,135	-	-	81
Yen and Australian dollar	5,921	-	88	1
Currency swap contracts				
Payment in Yen	1,482	1,482	-	216
Receipt in New Zealand dollar (hedged item)				
Payment in Yen	2,917	2,917	-	450
Receipt in Australian dollar (hedged item)				
Payment in Yen	33,556	33,556	-	534
Receipt in Pound sterling (hedged item)				
Payment in Yen	20,946	20,946	-	1,124
Receipt in Euro (hedged item)				
Interest rate risks				
Currency and interest swap contracts:				
Receiving on a floating rate and paying on a fixed rate	8,525	-	271	21
Payment in U.S. dollar (hedged item)				
Receipt in Pound sterling				
Receiving on a floating rate and paying on a fixed rate	26,908	11,798	-	2,941
Payment in U.S. dollar (hedged item)				
Receipt in Euro				

(Millions of yen)

2021	Contractual amounts	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Foreign exchange risks				
Foreign exchange contracts				
Long position				
Yen and U.S. dollar	15,369	499	672	10
Yen and Euro	3,589	-	4	38
Short position				
Yen and Australian dollar	5,690	-	53	9
Yen and U.S. dollar	1,666	-	-	17
Currency swap contracts				
Payment in Yen	1,573	-	-	294
Receipt in New Zealand dollar (hedged item)				
Payment in Yen	3,086	-	-	597
Receipt in Australian dollar (hedged item)				
Payment in Yen	37,257	37,257	190	3,897
Receipt in Pound sterling (hedged item)				
Payment in Yen	21,534	21,534	-	1,638
Receipt in Euro (hedged item)				
Interest rate risks				
Currency and interest swap contracts:				
Receiving on a floating rate and paying on a fixed rate	12,129	-	-	650
Payment in U.S. dollar (hedged item)				
Receipt in Euro				

The carrying amounts of derivatives are presented in other financial assets or other financial liabilities in the consolidated statement of financial position.

Increases (decreases) in net valuation gain (loss) on hedging instruments designated as cash flow hedges

Millions of yen

	Effective portion of changes in fair value of cash flow hedges			
	Foreign exchange risks	Interest rate risks	Market price fluctuation risks	Total
Balance at January 1, 2020	113	(304)	(2)	(193)
Other comprehensive income:				
Incurred for the period	(1,705)	512	(29)	(1,222)
Reclassified	265	(258)	-	7
Tax effect	378	(14)	4	368
Balance at December 31, 2020	(947)	(64)	(27)	(1,040)
Other comprehensive income:				
Incurred for the period	1,482	147	71	1,702
Reclassified	416	(77)	-	339
Tax effect	(557)	(21)	(15)	(594)
Balance at December 31, 2021	394	(16)	29	407

Changes in the value of hedged items used as a basis for recognizing the ineffective hedge portion approximate the changes in the fair values of the hedging instruments. "Reclassified" in the preceding schedule represents the amounts reclassified to profit or loss when the hedged items affected net profit or loss, which are recognized as finance income or finance costs in the consolidated statement of profit or loss. The amount of the ineffective hedge portions is insignificant.

(4) Fair value of financial instruments

a. Classification by the fair value hierarchy

For financial instruments measured at fair value, their fair values are classified into Levels 1 through 3 based on the observability of inputs used for measurement and their materiality.

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Fair value determined using directly or indirectly observable prices other than Level 1 for the asset or liability

Level 3: Fair value determined using the valuation technique including unobservable inputs for the asset or liability

b. Financial instruments measured at fair value

The fair value measurement methods for major financial instruments are as follows.

Derivative assets and liabilities

The fair values of derivative instruments - e.g., foreign exchange contracts, currency options, interest rate swaps, interest rate currency swaps, interest rate options - are determined based on the prices presented by financial institutions that are counterparties. For example, the fair value of a foreign exchange contract is measured at fair value based on quoted prices of forward foreign exchange markets. The fair value of an interest rate swap is measured at fair value as the present value of future cash flows, discounted using an interest rate swap rate as of the reporting date over a period to its maturity.

Equity instruments

The fair values of listed shares are measured based on the quoted prices available at the reporting date. Unlisted shares are principally measured at fair value using the valuation model primarily based on the net assets approach (i.e., a method to determine corporate values based on the net assets of issuing companies).

The fair value hierarchy of financial instruments measured at fair value at each reporting date is as follows:

As at December 31, 2020

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets designated as hedging instruments:				
Derivative assets	-	274	-	274
Financial assets measured at FVTPL:				
Derivative assets	-	6	-	6
Other	1,178	85	2	1,265
Financial assets measured at FVTOCI:				
Equity instruments	4,876	-	2,991	7,867
Other	-	-	7	7
Liabilities:				
Financial liabilities designated as hedging instruments:				
Derivative liabilities	-	5,811	-	5,811
Financial liabilities measured at FVTPL:				
Derivative liabilities	-	22	-	22

As at December 31, 2021

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets designated as hedging instruments:				
Derivative assets	-	1,067	-	1,067
Financial assets measured at FVTPL:				
Derivative assets	-	10	-	10
Other	1,467	84	1	1,553
Financial assets measured at FVTOCI:				
Equity instruments	4,903	-	2,183	7,086
Other	-	-	5	5
Liabilities:				
Financial liabilities designated as hedging instruments:				
Derivative liabilities	-	7,153	-	7,153
Financial liabilities measured at FVTPL:				
Derivative liabilities	-	16	-	16

There were no transfers among Levels 1, 2, and 3 during the year ended at December 31, 2020.

c. Changes in financial instruments classified as Level 3 during the period

Changes in financial instruments classified as Level 3 during the period are as follows:

Year ended December 31, 2021

	Millions of yen	
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at January 1, 2020	2	3,361
Total gains and losses	-	(353)
Other comprehensive income	-	(353)
Sales	-	(9)
Other	-	(0)
Balance at December 31, 2020	2	2,998
Total gains and losses	-	(736)
Other comprehensive income	-	(736)
Additions	-	0
Sales	(0)	(70)
Other	-	(1)
Balance at December 31, 2021	1	2,189

Gains and losses included in profit or loss relate to financial assets measured at FVTPL at the reporting date, which are included in finance income or finance costs in the consolidated statement of profit or loss.

Gains and losses included in other comprehensive income relate to financial assets measured at FVTOCI at the reporting date, which are included in financial assets measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

Financial instruments classified as Level 3 are measured at fair value based on related internal policies. In performing the fair value measurement, the Group applies the valuation techniques and inputs that best reflect the nature, characteristics, and risks of financial instruments subject to fair value measurement. The result of fair value measurements is reviewed by supervising managers.

d. Financial instruments measured at amortized cost

The fair value measurement methods for major financial instruments measured at amortized cost are described below. Financial instruments whose carrying amounts reasonably approximate their fair values and immaterial financial instruments are excluded from the following table.

Cash and cash equivalents, trade and other receivables, and trade and other payables

The carrying amount of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair value due to their short-term maturities.

Trade and other receivables are classified into financial assets measured at amortized cost, while trade and other payables are classified into financial liabilities measured at amortized cost.

Bonds and borrowings

Fair values of bonds are determined as the present value of the obligations, discounted by credit risk adjusted interest rates over periods to their maturity.

The following table shows the carrying amounts and the fair value hierarchy of major financial instruments measured at amortized cost at each reporting date.

Year ended December 31, 2020

		Millions of yen			
	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities measured at amortized cost:					
Bonds	44,931	-	45,446	-	45,446
Borrowings	118,761	-	119,823	-	119,823
Commercial papers	40,000	-	40,000	-	40,000

Year ended December 31, 2021

		Millions of yen			
	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities measured at amortized cost:					
Bonds	49,901	-	50,276	-	50,276
Borrowings	115,446	-	116,151	-	116,151

32. Principal subsidiaries

The Group's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation and operation	Reportable segment	Proportion of ownership interest and voting power held by the Group	
			2020 (%)	2021 (%)
Suntory Foods Limited	Japan	Japan	100.0	100.0
Suntory Beverage Solution Limited	Japan	Japan	100.0	100.0
Suntory Beverage Service Limited	Japan	Japan	100.0	100.0
Japan Beverage Holdings Inc.	Japan	Japan	82.7	82.7
Suntory Foods Okinawa Limited	Japan	Japan	100.0	100.0
Suntory Products Limited	Japan	Japan	100.0	100.0
Suntory Beverage & Food Asia Pte. Ltd.	Singapore	Asia Pacific	100.0	100.0
BRAND'S SUNTORY INTERNATIONAL Co., Ltd.	Thailand	Asia Pacific	100.0	100.0
PT SUNTORY GARUDA BEVERAGE	Indonesia	Asia Pacific	75.0	75.0
Suntory PepsiCo Vietnam Beverage Co., Ltd.	Vietnam	Asia Pacific	100.0	100.0
Suntory PepsiCo Beverage (Thailand) Co., Ltd.	Thailand	Asia Pacific	51.0	51.0
FRUCOR SUNTORY NEW ZEALAND LIMITED	New Zealand	Asia Pacific	100.0	100.0
FRUCOR SUNTORY AUSTRALIA PTY. LIMITED	Australia	Asia Pacific	100.0	100.0
Orangina Schweppes Holding B.V.	Netherlands	Europe	100.0	100.0
Lucozade Ribena Suntory Limited	United Kingdom	Europe	100.0	100.0
Pepsi Bottling Ventures LLC	United States of America	Americas	65.0	65.0
65 other companies				

33. Related-party transactions

Related-party transactions and balances are as follows:

Year ended December 31, 2020

				Millions of yen	
Nature of relationship	Name	Nature of the related-party transaction	Amount of transaction	Balance at period end	
Parent company	Suntory Holdings Limited	Payment of brand royalty	20,827	1,814	
Company owned by the same parent company	Suntory MONOZUKURI Expert Limited	Advance payment of raw materials and others	-	54,464	

Year ended December 31, 2021

				Millions of yen	
Nature of relationship	Name	Nature of the related-party transaction	Amount of transaction	Balance at period end	
Parent company	Suntory Holdings Limited	Payment of brand royalty	21,344	1,966	
Company owned by the same parent company	Suntory MONOZUKURI Expert Limited	Advance payment of raw materials and others	-	57,914	

Brand royalty rate is negotiated considering brand values and determined to be reasonable as consideration for usage. Suntory MONOZUKURI Expert Limited (merged into Suntory Holdings Limited on January 1, 2022) makes advance payments on behalf of the Group to third-party suppliers, which does not represent substantive transactions with the Group. The balance at the end of each period in the tables above includes consumption tax.

Remuneration for principal executives is as follows:

			Millions of yen	
			2020	2021
Basic remuneration and bonuses			470	410

34. Commitments

Commitments related to expenditures in subsequent periods are as follows:

	Millions of yen	
	2020	2021
Acquisition of property, plant and equipment	19,216	2,356

Commitments for the year ended December 31, 2021 are mainly for the investment in production facilities.

In addition to the commitment represented above, the Group entered into a contract for logistics service agreement including a lease contract for warehouse and other lease assets for the year ended December 31, 2021. The commencement date of the contract is in the following fiscal year, and therefore, no right-of-use asset and lease liability was recorded as at December 31, 2021. The estimated total lease payments amount to ¥7,248 million.

35. Subsequent events

On February 9, 2022, the Company agreed to transfer all shares of its subsidiary Suntory Coffee Australia Ltd., which operates a fresh coffee business in Oceania, to UCC ANZ MANAGEMENT PTY LTD (UCC ANZ), a subsidiary of UCC Holdings Co., Ltd. for approximately ¥18.5 billion as part of revisions to the sustainable business portfolio.

Suntory Coffee Australia Ltd. belongs to Asia Pacific business.

The transfer is scheduled to be completed in the three months ending June 30, 2022.