Suntory Beverage & Food Limited and Its Subsidiaries

Consolidated Financial Statements for the Year Ended December 31, 2022, and Independent Auditor's Report

Deloitte.

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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, 2022, 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, 2022, 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
The Group's consolidated financial statements as of December 31, 2022 included goodwill of ¥264,573 million and intangible assets with indefinite useful lives of ¥393,961 million, which accounted for approximately 37% of its total assets. As described in Note 13, 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 and the amount of ¥94,453 million allocated to Orangina Schweppes Holding B.V. and its subsidiaries 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 13, these trademarks consisted of the amount of ¥164,992 million recognized resulting from the acquisition of the business of Lucozade Ribena Suntory Limited in 2013, those recognized resulting from the acquisition of Orangina Schweppes Holding B.V. in 2009, Schweppes: ¥84,924 million, Orangina: ¥23,865 million, Oasis: ¥22,974 million, and La Casera: ¥10,440 million, and other trademarks. 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. These goodwill and intangible assets with indefinite useful lives are required to be tested for impairment at least once a year, and the Group compares the recoverable amount to the carrying amount of its cash-generating unit. 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 for the periods beyond the term of the business plan. Key inputs to the business plan are forecasts of future revenues and operating income that will be affected by not only the growth rate of the beverage market and impact from soaring raw material and energy prices, 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. In addition, the selection of the long-term growth rate for the periods beyond the term of the business plan and the inputs as the basis to calculate 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.	For the key audit matter, 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: 1. Evaluation of internal controls ● 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 and the long-term growth rate by management. 2. Evaluation of the reasonableness of management's estimate related to the recoverable amounts ● 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: - We assessed the forecasts of future revenues and operating income including the impact from soaring raw material and energy prices by comparing them to the growth rate of the beverage market and other external market information. - 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 to assess 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 underlying business plan prepared in previous years with actual figures.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As the estimates of future cash flows, including the long-term growth rate, and the discount rate used in the impairment test for goodwill and intangible assets with indefinite useful lives require significant accounting estimates involving uncertainties and management's judgments, we determined the valuation of goodwill and intangible assets with indefinite useful lives as a key audit matter.	● 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 analysis 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.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

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 17, 2023

Consolidated Statement of Financial Position
Suntory Beverage & Food Limited and Its subsidiaries
As at December 31, 2022

Millions of yen

	Notes	2021	2022
Assets			
Current assets:			
Cash and cash equivalents		176,655	200,630
Trade and other receivables	8, 32	240,584	270,969
Other financial assets	9, 32	1,252	3,118
Inventories	10	87,807	106,086
Other current assets	11	23,953	25,564
Total current assets		530,253	606,370
Non-current assets:			
Property, plant and equipment	12	372,337	381,511
Right-of-use assets	17	52,260	48,841
Goodwill	13	255,599	264,573
Intangible assets	13	430,086	452,444
Investments accounted for using the equity method	14	1,005	1,305
Other financial assets	9, 32	13,847	14,777
Deferred tax assets	15	14,173	6,398
Other non-current assets	11	7,362	7,125
Total non-current assets		1,146,673	1,176,978
Total assets		1,676,926	1,783,349

See notes to consolidated financial statements.

Consolidated Statement of Financial Position
Suntory Beverage & Food Limited and Its subsidiaries
As at December 31, 2022 (continued)

Millions of yen

	Notes	2021	2022
Liabilities and equity			
Liabilities:			
Current liabilities:			
Bonds and borrowings	16, 32	55,789	57,996
Trade and other payables	18, 32	354,595	384,366
Other financial liabilities	17, 19, 32	30,877	34,026
Accrued income taxes		14,757	18,098
Provisions	21	2,016	1,417
Other current liabilities		5,529	8,254
Total current liabilities		463,565	504,160
Non-current liabilities:			
Bonds and borrowings	16, 32	109,558	64,752
Other financial liabilities	17, 19, 32	54,241	44,987
Post-employment benefit liabilities	20	14,697	13,732
Provisions	21	4,312	5,722
Deferred tax liabilities	15	81,403	84,922
Other non-current liabilities		5,196	4,965
Total non-current liabilities		269,409	219,083
Total liabilities		732,974	723,244
Equity:			
Share capital	22	168,384	168,384
Share premium	22	182,423	182,229
Retained earnings	22	536,996	594,773
Treasury shares		(0)	(0)
Other components of equity	22	(27,210)	19,834
Total equity attributable to owners of the Company		860,593	965,220
Non-controlling interests		83,358	94,883
Total equity		943,952	1,060,104
Total liabilities and equity		1,676,926	1,783,349

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, 2022

Millions of yen

	Notes	2021	2022
Revenue	6, 24	1,268,917	1,450,397
Cost of sales	10, 12, 13, 20	(745,735)	(897,879)
Gross profit		523,181	552,518
Selling, general and administrative expenses	12, 13, 20, 25	(397,707)	(420,240)
Gain (loss) on investments accounted for using the equity method	14	70	411
Other income	7, 26	2,887	19,375
Other expenses	7, 12, 13, 27	(9,863)	(12,375)
Operating income	6	118,568	139,688
Finance income	28, 32	508	1,629
Finance costs	28, 32	(2,024)	(2,026)
Profit before tax		117,052	139,291
Income tax expense	15	(34,023)	(38,192)
Profit for the year		83,029	101,099
Attributable to:			
Owners of the Company		68,676	82,317
Non-controlling interests		14,353	18,781
Profit for the year		83,029	101,099

Yen

	Note	2021	2022
Earnings per share (Yen)	30	222.25	266.40

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Suntory Beverage & Food Limited and Its subsidiaries

For the year ended December 31, 2022

Millions of yen

	Notes	2021	2022
Profit for the year		83,029	101,099
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Changes in the fair value of financial assets	29, 32	(711)	340
Remeasurement of defined benefit plans	20, 29	1,181	1,782
Total	29	470	2,123
Items that may be reclassified to profit or loss:			
Translation adjustments of foreign operations	29	37,608	54,253
Changes in the fair value of cash flow hedges	29, 32	1,447	(394)
Changes in comprehensive income of investments accounted for using the equity method	14, 29	83	165
Total	29	39,139	54,024
Other comprehensive income (loss) for the year, net of tax	29	39,609	56,147
Comprehensive income for the year		122,638	157,246
Attributable to:			
Owners of the Company		102,932	128,729
Non-controlling interests		19,706	28,517
Comprehensive income for the year		122,638	157,246

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, 2022

Millions of yen

		Attributable to owners of the Company							
	Notes	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2021		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	23			(24,101)			(24,101)	(14,165)	(38,267)
Transactions with non-controlling interests			8				8	16	24
Reclassifications to retained earnings	9			(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
Profit for the year				82,317			82,317	18,781	101,099
Other comprehensive income (loss)						46,412	46,412	9,735	56,147
Total comprehensive income (loss) for the year		-	-	82,317	-	46,412	128,729	28,517	157,246
Purchase of treasury shares					(0)		(0)		(0)
Dividends	23			(24,101)			(24,101)	(16,994)	(41,096)
Transactions with non-controlling interests			(193)	193			-	1	1
Reclassifications to retained earnings	9			(632)		632	-		-
Total transactions with owners of the Company		-	(193)	(24,541)	(0)	632	(24,102)	(16,992)	(41,094)
Balance at December 31, 2022		168,384	182,229	594,773	(0)	19,834	965,220	94,883	1,060,104

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Suntory Beverage & Food Limited and Its subsidiaries

For the year ended December 31, 2022

Millions of yen

	Notes	2021	2022
Cash flows from operating activities			
Profit before tax		117,052	139,291
Depreciation and amortization		69,376	70,791
Impairment losses (reversal of impairment losses)		1,647	2,675
Interest and dividends income		(450)	(1,475)
Interest expense		1,926	1,949
Loss (gain) on investments accounted for using the equity method		(70)	(411)
Loss (gain) on sale of shares of subsidiaries	7	-	(16,020)
Decrease (increase) in inventories		(5,503)	(19,213)
Decrease (increase) in trade and other receivables		(36,634)	(23,615)
Increase (decrease) in trade and other payables		32,109	23,472
Other		10,099	3,676
Subtotal		189,553	181,122
Interest and dividends received		439	1,355
Interest paid		(2,925)	(2,026)
Income tax paid		(28,887)	(29,941)
Net cash inflow (outflow) from operating activities		158,180	150,509
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(56,122)	(60,228)
Proceeds on sale of property, plant and equipment and intangible assets		1,191	477
Payments for transfer of business		(2,223)	-
Proceeds from sale of subsidiaries	7	-	18,400
Other		286	(1,044)
Net cash inflow (outflow) from investing activities		(56,867)	(42,395)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings and commercial paper	31	(29,622)	(323)
Proceeds from long-term borrowings	31	11,189	6,618
Repayments of long-term borrowings	31	(27,820)	(43,832)
Proceeds from issuance of bonds	31	19,927	-
Redemption of bonds	31	(15,000)	-
Payments of lease liabilities	31	(16,484)	(13,524)
Dividends paid to owners of the Company	23	(24,101)	(24,101)
Dividends paid to non-controlling interests		(14,197)	(17,042)
Other		(0)	(0)
Net cash inflow (outflow) from financing activities		(96,109)	(92,207)
Net increase (decrease) in cash and cash equivalents		5,203	15,907
Cash and cash equivalents at the beginning of the year		167,480	176,655
Effects of exchange rate changes on cash and cash equivalents		3,971	8,067
Cash and cash equivalents at the end of the year		176,655	200,630

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 Prime Market 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 and its ultimate parent company of the Parent is Kotobuki Realty Co., Ltd. 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. 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 17, 2023.

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 74 subsidiaries (81 as at December 31, 2021), together with the Group's attributable share of the results of 7 associates (7 as at December 31, 2021).

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, 2021 and 2022 are as follows:

		Yen
	2021	2022
U.S. Dollar:		
Average rates	109.9	131.7
Closing rates	115.0	132.7
Euro:		
Average rates	129.9	138.2
Closing rates	130.5	141.5
Pound Sterling:		
Average rates	151.2	162.0
Closing rates	155.2	160.0
Singapore Dollar:		
Average rates	81.8	95.4
Closing rates	85.2	98.8
Thai Baht:		
Average rates	3.4	3.8
Closing rates	3.4	3.8
Vietnam Dong:		
Average rates	0.0048	0.0056
Closing rates	0.0050	0.0056
New Zealand Dollar:		
Average rates	77.7	83.3
Closing rates	78.7	83.9
Australian Dollar:		
Average rates	82.5	91.2
Closing rates	83.4	89.6

(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 no longer meets 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 is adjusted to meet the hedge effectiveness requirement. If the hedging relationship no longer meets the hedge effectiveness requirement in spite of 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 3 to 50 years
- Machinery and vehicles 2 to 25 years
- Tools, fixtures and equipment 2 to 20 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 5 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 on either a straight-line basis over the lease term or another systematic basis.

(10) Impairment of non-financial assets

The carrying amount of a non-financial asset 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 on the basis of 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 (adjusting for any effect of limiting a net defined benefit asset to the asset ceiling and of giving rise to a liability by a minimum funding requirement, if necessary). 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 to wholesalers etc., the Group recognizes revenue at the time of delivery of goods. Revenue is measured 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), 12. Property, plant and equipment, and 13. Goodwill and intangible assets)
- Measurement of post-employment obligations (Notes 3. Significant accounting policies (11) and 20. Post-employment benefit plants)
- Judgements and estimates made for the recognition and measurement of provisions (Notes 3. Significant accounting policies (12) and 21. Provisions)
- Judgements made for assessing the recoverability of deferred tax assets (Notes 3. Significant accounting policies (15) and 15. Income tax expense)
- Judgements made in determining whether the Group controls another entity (Notes 3. Significant accounting policies (1) and 14. Investments accounted for using the equity method)
- Fair value of financial instruments (Notes 3. Significant accounting policies (4) and 32. 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), 12. Property, plant and equipment, and 13. 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)).

5. New accounting standards and interpretations not yet adopted

The following new accounting standard was issued as of the date of approval of the consolidated financial statements but has not yet been applied by the Group.

IFRS		Date of mandatory application (from the fiscal year beginning on or after)	Reporting periods of application by the Group (The reporting period ending)	Description of new and revised standards
IAS 12	Income taxes	January 1, 2023	December 31, 2023	Clarification of deferred tax accounting for leases and decommissioning obligations

The Group is currently evaluating the potential impact from the application of the standard above on the 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 operates a single business, the manufacturing and distribution of soft drinks and foods; therefore, financial information by product and service is not presented.

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

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

Year ended December 31, 2022

Millions of yen

	Reportable segments				Segment total	Reconciliations	Consolidated
	Japan	Asia Pacific	Europe	Americas			
Revenue:							
External customers	653,199	359,423	292,297	145,477	1,450,397	-	1,450,397
Intersegment	57	1,076	1,303	-	2,438	(2,438)	-
Total revenue	653,256	360,500	293,601	145,477	1,452,835	(2,438)	1,450,397
Segment profit	33,430	56,445	43,418	18,212	151,506	(11,817)	139,688
Depreciation and amortization	33,445	16,580	12,383	5,274	67,684	3,107	70,791
Capital expenditures	30,556	17,923	9,749	7,159	65,388	-	65,388

"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, 2021	629,640	288,998	241,812	108,466	1,268,917
Year ended December 31, 2022	653,199	353,152	298,568	145,477	1,450,397

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, 2021	367,309	165,098	505,604	72,270	1,110,283
As at December 31, 2022	357,629	175,931	528,982	84,827	1,147,371

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. Business combinations

(1) Transfer of fresh coffee business

On April 1, 2022, the Company completed the sale of all shares of Suntory Coffee Australia Limited, which operated a fresh coffee business mainly in Oceania for the Asia Pacific business, to UCC ANZ MANAGEMENT PTY LTD. The amount of consideration received by cash in this share transfer was ¥21,303 million (A$233 million), and ¥16,020 million of gain on sale of the shares of the subsidiary, net of the expenses related to this share transfer, was recorded in "other income" in the current fiscal year.

The assets and liabilities at the time of the loss of control of the subsidiary by the sale of shares were as follows.

Assets and liabilities at time of loss of control	Amount
	Millions of yen
Assets	
Current assets	9,312
Non-current assets	6,122
Total assets	15,435
Liabilities	
Current liabilities	2,498
Non-current liabilities	8,071
Total liabilities	10,570

Cash flow analysis of sale of shares	Amount
	Millions of yen
Amount of consideration received by cash	21,303
Cash and cash equivalents at time of loss of control	(1,889)
Proceeds from sale of subsidiaries	19,413

(2) Transfer of non-alcoholic beverages production and sales business in Nigeria

On July 29, 2022, Suntory Beverage & Food Asia Pte. Ltd. (SBFA), a subsidiary of the Company, completed the sale of all shares of Suntory Beverage & Food Nigeria Limited (SBFN), which operates the basic business infrastructure related to the production and sale of non-alcoholic beverages in Nigeria for the Asia Pacific business, along with the loan receivables held by SBFA against SBFN, to Africa FMCG Distribution Ltd. The amount of consideration received by cash in this transfer of shares and loan receivables was ¥1,997 million (US$15 million), and ¥2,168 million of loss on sale of the shares of the subsidiary and loan receivables, net of the expenses related to this share and loan receivables transfer, was recorded in "other expenses" in the current fiscal year.

The assets and liabilities at the time of the loss of control of the subsidiary by the sale of shares were as follows.

Assets and liabilities at time of loss of control	Amount
	Millions of yen
Assets	
Current assets	5,120
Non-current assets	561
Total assets	5,681
Liabilities	
Current liabilities	3,210
Total liabilities	3,210

Cash flow analysis of sale of shares	Amount
	Millions of yen
Amount of consideration received by cash	1,997
Other receivables	(146)
Cash and cash equivalents at time of loss of control	(2,864)
Proceeds from sale of subsidiaries	(1,013)

8. Trade and other receivables

The breakdown of trade and other receivable is as follows:

Millions of yen

	2021	2022
Trade receivables	223,099	246,885
Other receivables	17,418	23,736
Other	1,200	1,312
Loss allowance	(1,133)	(963)
Total	240,584	270,969

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

9. Other financial assets

The breakdown of other financial assets is as follows:

Millions of yen

	2021	2022
Financial assets measured at amortized cost:		
Guarantee deposits	4,627	4,314
Other	772	1,979
Loss allowance	(23)	(21)
Financial assets designated as hedging instruments:		
Derivative assets	1,067	1,877
Financial assets measured at FVTPL:		
Derivative assets	10	57
Other	1,553	1,675
Financial assets measured at FVTOCI:		
Listed equity investments	4,903	5,191
Unlisted equity investments	2,183	2,817
Other	5	3
Total	15,100	17,896
Current assets	1,252	3,118
Non-current assets	13,847	14,777
Total	15,100	17,896

Equity investments are primarily listed and unlisted equity investments in Japan, 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

	2021	2022
Fair value	76	44
Cumulative gains (losses)	1	22

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, 2021 and 2022 are ¥28 million losses and ¥632 million losses, respectively.

10. Inventories

The breakdown of inventories is as follows:

Millions of yen

	2021	2022
Merchandise and finished goods	51,589	58,764
Work in progress	4,409	5,231
Raw materials	25,613	34,540
Consumables	6,194	7,549
Total	87,807	106,086

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

Millions of yen

	2021	2022
Inventories recognized as an expense	677,761	816,783
Write-down of inventories to its net realizable value	606	718

11. Other assets

The breakdown of other assets is as follows:

Millions of yen

	2021	2022
Other current assets:		
Prepaid expenses	11,655	10,476
Consumption tax receivables	6,538	9,639
Corporate tax receivables	3,811	2,667
Other	1,948	2,780
Total	23,953	25,564
Other non-current assets:		
Long-term prepaid expenses	5,191	4,390
Other	2,171	2,734
Total	7,362	7,125

12. 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, 2021	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
Additions	1,328	1,938	5,075	40,108	834	49,284
Depreciation	(7,298)	(22,747)	(17,289)	-	(2,374)	(49,709)
Impairment losses	(62)	(515)	(74)	-	(52)	(704)
Reversal of impairment losses	177	10	0	-	42	231
Sales or disposals	(161)	(946)	(1,914)	(100)	(102)	(3,225)
Reclassifications	4,009	12,493	13,534	(31,277)	1,239	(0)
Exchange differences	5,661	10,072	449	900	889	17,972
Decrease due to change in scope of consolidation	(319)	(2,792)	(104)	(193)	(548)	(3,958)
Other	(327)	(377)	17	0	(27)	(715)
Balance at December 31, 2022	136,793	144,056	69,804	22,037	8,819	381,511

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, 2021 and 2022 is deducted by government grants, and the amounts are ¥2,141 million and ¥2,100 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, 2021	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
Balance at December 31, 2022	228,241	444,483	207,665	22,109	27,350	929,851

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, 2021	(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)
Balance at December 31, 2022	(91,448)	(300,426)	(137,860)	(72)	(18,531)	(548,339)

Impairment

The breakdown of impairment losses by segment is as follows:

Millions of yen

	2021	2022
Japan	(134)	(66)
Asia Pacific	(1,367)	(518)
Americas	-	(119)
Total	(1,501)	(704)

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.

Due to the Group's decision to dispose of certain property, plant and equipment, and significant deterioration of net cash flow from the assets in use or operating profit, impairment losses were recognized for the years ended December 31, 2021 and 2022, 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.

13. 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				
		Trademarks	Franchises	Software	Other	Total
Balance at January 1, 2021	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
Additions	-	-	-	1,791	2,051	3,843
Amortization	-	(3,656)	-	(3,195)	(2,183)	(9,034)
Impairment losses	(623)	(1,074)	-	(287)	(216)	(1,578)
Sales or disposals	-	-	-	(70)	-	(70)
Exchange differences	9,771	18,870	9,056	800	397	29,124
Decrease due to change in scope of consolidation	(174)	-	-	(59)	(4)	(64)
Other	-	-	-	2,274	(2,137)	137
Balance at December 31, 2022	264,573	342,237	76,438	9,916	23,852	452,444

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				
		Trademarks	Franchises	Software	Other	Total
Balance at January 1, 2021	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
Balance at December 31, 2022	407,617	416,887	76,438	31,571	38,244	563,141

Accumulated amortization and impairment losses

Millions of yen

	Goodwill	Intangible assets				
		Trademarks	Franchises	Software	Other	Total
Balance at January 1, 2021	(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)
Balance at December 31, 2022	(143,043)	(74,649)	-	(21,655)	(14,392)	(110,697)

Impairment

The breakdown of impairment losses by segment is as follows:

Millions of yen

	2021	2022
Japan	(114)	(191)
Asia Pacific	(0)	(1,698)
Americas	(48)	(311)
Total	(163)	(2,201)

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.

Due to the Group's decision to dispose of certain goodwill and intangible assets, impairment losses were recognized for the years ended December 31, 2021 and 2022, 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.

[Change in presentation]

"The breakdown of impairment losses by segment" was separately presented for the year ended December 31, 2022 as the amounts became material.

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

Goodwill

Millions of yen

	2021	2022
Japan business	130,680	130,680
Orangina Schweppes Holding B.V. and its subsidiaries	87,135	94,453
Other	37,782	39,438
Total	255,599	264,573

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 Holding B.V. and its subsidiaries 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

		2021	2022
Trademarks:	Lucozade and Ribena	160,083	164,992
	Schweppes	78,345	84,924
	Orangina	22,017	23,865
	Oasis	21,194	22,974
	La Casera	9,631	10,440
	Other	10,518	10,300
Franchises:	North Carolina, U.S.A.	36,866	42,533
	Thailand	19,824	21,965
	Vietnam	10,691	11,939
Other		17	23
	Total	369,190	393,961

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") (5.0%-13.5% and 4.8%-17.2% for the years ended December 31, 2021 and 2022, 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 growth rate of the beverage market and impact from soaring raw material and energy prices, 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 regular basis, and no impairment losses for goodwill and intangible assets with indefinite useful lives were recorded for the years ended December 31, 2021 and 2022.

The value in use of significant goodwill and intangible assets with indefinite useful lives such as goodwill for Japan business and Orangina Schweppes Holding B.V. and its subsidiaries, 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.

14. Investments accounted for using the equity method

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

Millions of yen

	2021	2022
Carrying amount:		
Associates	1,005	1,305

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

Millions of yen

	2021	2022
Profit (loss) for the year:		
Associates	70	411
Other comprehensive income (loss):		
Associates	83	165
Total comprehensive income (loss) for the year:		
Associates	153	576

15. Income tax expense

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

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.

Year ended December 31, 2022

Millions of yen

	As at January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Other	As at December 31, 2022
Deferred tax assets:					
Other payables	6,769	121	-	581	7,472
Unrealized gain	4,333	238	-	20	4,592
Post-employment benefit liabilities	3,685	407	(664)	(6)	3,420
Other	11,719	(3,303)	396	(260)	8,551
Total	26,507	(2,535)	(268)	334	24,037
Deferred tax liabilities:					
Intangible assets	(62,799)	(1,256)	-	(4,043)	(68,099)
Property, plant and equipment	(12,538)	209	-	(757)	(13,087)
Temporary differences associated with investments in subsidiaries	(9,099)	14	14	(1,398)	(10,470)
Other	(9,298)	(1,008)	(445)	(152)	(10,905)
Total	(93,737)	(2,041)	(430)	(6,352)	(102,561)

"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

	2021	2022
Unused tax losses	15,270	12,077
Unused tax credits	4,137	4,857
Deductible temporary differences	47,982	37,828

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	2021	2022
Expires within 1 year	1,636	1,132
Expires between 1 and 2 years	1,110	894
Expires between 2 and 3 years	876	274
Expires between 3 and 4 years	218	941
Expires after 4 years	11,427	8,834
Total	15,270	12,077

Millions of yen

Deferred tax credits	2021	2022
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	4,137	4,857
Total	4,137	4,857

Taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities are not recognized as at December 31, 2021 and 2022 are ¥96,787 million and ¥134,844 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

	2021	2022
Current tax expense	26,997	33,614
Deferred tax expense	7,025	4,577
Total	34,023	38,192

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

%

	2021	2022
Effective statutory tax rate	30.6	30.6
Permanent differences, such as non-deductible entertainment expenses	1.3	2.1
Tax rate change	4.0	(0.0)
Differences in overseas tax rates	(6.1)	(5.8)
Other	(0.7)	0.5
Average actual effective tax rate	29.1	27.4

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, 2021 and 30.61% for the year ended December 31, 2022. Foreign subsidiaries are subject to income tax expense in the tax jurisdiction in which they are located.

[Change in presentation]

"Permanent differences, such as non-deductible entertainment expenses," which was included in "Other" for the year ended December 31, 2021, has become quantitatively material and was therefore separately presented for the year ended December 31, 2022.

As a result of this change in presentation, "Other" by 0.6% in the consolidated financial statements for the year ended December 31, 2021 were reclassed to and presented as "Permanent differences, such as non-deductible entertainment expenses" by 1.3% and "Other" by (0.7)% for the year ended December 31, 2022.

16. Bonds and borrowings

The breakdown of bonds and borrowings is as follows:

Millions of yen

	2021	2022	Average interest rate (%)	Maturity period
Short-term borrowings	13,016	13,003	2.73	-
Current portion of bonds	-	14,992	0.07	-
Current portion of long-term borrowings	42,773	30,000	0.24	-
Bonds	49,901	34,952	0.30	2024
Long-term borrowings	59,657	29,800	0.58	2024-2025
Total	165,348	122,748		
Current liabilities	55,789	57,996		
Non-current liabilities	109,558	64,752		
Total	165,348	122,748		

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	2021	2022	Interest rate (%)	Collateral	Maturity date
Suntory Beverage & Food Limited	The 2nd issue of unsecured corporate bonds	June 26, 2014	14,981	14,989	0.700	None	June 26, 2024
	The 4th issue of unsecured corporate bonds	July 26, 2018	14,980	14,992	0.070	None	July 26, 2023
	The 5th issue of unsecured corporate bonds	July 8, 2021	19,939	19,963	0.001	None	July 8, 2024
	Total		49,901	49,945			

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

17. 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

	2021	2022
Depreciation of right-of-use assets		
Land, buildings and structures	7,988	8,335
Machinery and equipment	1,774	1,408
Others	2,813	2,304
Total	12,576	12,047
Others (Note)	10,682	12,791

(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 28. Finance income and costs" as for finance costs of lease liabilities.

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

Millions of yen

	2021	2022
Land, buildings and structures	43,112	41,511
Machinery and equipment	3,440	3,484
Others	5,706	3,844
Total	52,260	48,841

The amounts of increase in right-of-use assets for the years ended December 31, 2021 and 2022 are ¥15,544 million and ¥11,152 million, respectively. The total amounts of lease cash outflow for the years ended December 31, 2021 and 2022 are ¥27,958 million and ¥27,146 million, respectively.

Please refer to "Note 32. 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.

18. Trade and other payables

The breakdown of trade and other payables is as follows:

Millions of yen

	2021	2022
Trade payables	139,789	159,482
Accrued expenses	185,253	192,793
Accrued employee benefits	29,552	32,090
Total	354,595	384,366

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

19. Other financial liabilities

The breakdown of other financial liabilities is as follows:

Millions of yen

	2021	2022
Financial liabilities measured at amortized cost:		
Lease liabilities	50,292	46,175
Deposits received	27,386	21,376
Other	269	237
Financial liabilities designated as hedging instruments:		
Derivative liabilities	7,153	11,204
Financial liabilities measured at FVTPL:		
Derivative liabilities	16	20
Total	85,118	79,014
Current liabilities	30,877	34,026
Non-current liabilities	54,241	44,987
Total	85,118	79,014

20. 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

	2021	2022
Present value of funded defined benefit obligations	38,835	33,448
Fair value of plan assets	(40,162)	(37,362)
Subtotal	(1,326)	(3,913)
Present value of unfunded defined benefit obligation	14,431	13,884
Effect of the asset ceiling	-	1,711
Net defined benefit liability	13,105	11,682
Balance in consolidated statement of financial position:		
Post-employment benefit liabilities	14,697	13,732
Post-employment benefit assets	(1,591)	(2,049)
Net of liabilities and assets	13,105	11,682

Changes in the present value of the defined benefit obligation during the years ended December 31, 2021 and 2022 are as follows:

Millions of yen

	2021	2022
Balance at beginning of the year	50,232	53,267
Current service cost	3,693	3,643
Interest expense	383	416
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	(61)	(345)
Actuarial gains and losses arising from changes in financial assumptions	(376)	(7,672)
Past service cost	(441)	(144)
Benefits paid	(2,776)	(2,156)
Other	2,613	324
Balance at end of the year	53,267	47,333

Remeasurements include adjustments due to actual results.

The weighted-average durations of the defined benefit obligation as at December 31, 2021 and 2022 are 16.3 years and 17.6 years, respectively.

Changes in the fair value of plan assets during the years ended December 31, 2021 and 2022 are as follows:

Millions of yen

	2021	2022
Balance at beginning of the year	35,981	40,162
Interest income	257	281
Remeasurements:		
Return on plan assets	1,350	(3,859)
Employer contributions	1,799	2,307
Benefits paid	(1,764)	(1,617)
Other	2,538	87
Balance at end of the year	40,162	37,362

The contribution by the Group to defined benefit plans after the reporting date is expected to be ¥2,232 million.

Fair values of plan assets are as follows:

Millions of yen

	2021			2022		
	Quoted market price	Unquoted market price	Total	Quoted market price	Unquoted market price	Total
Cash and cash equivalents	699	-	699	1,806	-	1,806
Equity instruments	-	7,054	7,054	-	6,392	6,392
Domestic	-	1,967	1,967	-	1,958	1,958
Overseas	-	5,087	5,087	-	4,434	4,434
Debt instruments	-	15,660	15,660	-	12,006	12,006
Domestic	-	5,039	5,039	-	5,747	5,747
Overseas	-	10,620	10,620	-	6,258	6,258
Life insurance-General accounts	-	6,129	6,129	-	6,085	6,085
Other	-	10,618	10,618	-	11,071	11,071
Total	699	39,462	40,162	1,806	35,555	37,362

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 so as 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.

Changes in effect of the asset ceiling are as follows:

Millions of yen

	2021	2022
Balance at beginning of the year	-	-
Remeasurements:		
Changes in effect of the asset ceiling	-	1,711
Balance at end of the year	-	1,711

Major actuarial assumptions are as follows:

%

	2021	2022
Discount rate	0.5〜0.8	1.3〜1.7

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

		2021	2022
Discount rate:	Increase by 0.5%	(3,136)	(2,467)
	Decrease by 0.5%	3,461	2,725

Defined benefit costs are as follows:

Millions of yen

	2021	2022
Current service cost	3,693	3,643
Interest expense	383	416
Interest income	(257)	(281)
Past service cost	(441)	(144)
Total	3,378	3,634

The Group's contribution to the defined contribution pension plans for the years ended December 31, 2021 and 2022 are ¥9,666 million and ¥8,947 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, 2021 and 2022 are ¥167,243 million and ¥181,832 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.

21. Provisions

Breakdown and changes in provisions are as follows:

Millions of yen

	Asset retirement obligations	Provision for restructuring	Other	Total
Balance at January 1, 2021	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
Additional provisions recognized	699	3,118	223	4,041
Interest expense	20	-	-	20
Utilized during the period	(95)	(1,118)	(86)	(1,299)
Reversed during the period	(29)	(2,129)	(193)	(2,351)
Other	81	265	54	400
Balance at December 31, 2022	3,111	3,293	735	7,140

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 ¥726 million in current liabilities and ¥2,567 million in non-current liabilities primarily relates to business integration and rationalization measures for the business in Europe.

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

Millions of yen

	2021	2022
Current liabilities	2,016	1,417
Non-current liabilities	4,312	5,722
Total	6,329	7,140

22. 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 recorded in share premium as well.

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, 2021	480,000,000	309,000,000
Increase (decrease)	-	-
Balance at December 31, 2021	480,000,000	309,000,000
Increase (decrease)	-	-
Balance at December 31, 2022	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, 2021	(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)
Other comprehensive income	44,740	(363)	315	1,720	46,412
Transferred to retained earnings	-	-	632	-	632
Balance at December 31, 2022	19,458	22	2,487	(2,134)	19,834

23. Dividends

Dividends paid are as follows:

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

Year ended December 31, 2022

	Millions of yen	Yen		
Resolution	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
Board of Directors meeting held on August 9, 2022	12,050	39.00	June 30, 2022	September 6, 2022

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, 2021

	Millions of yen	Yen		
Resolution	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

Year ended December 31, 2022

	Millions of yen	Yen		
Resolution	Total dividends	Dividends per share	Record date	Effective date
Annual general meeting of shareholders held on March 24, 2023	12,668	41.00	December 31, 2022	March 27, 2023

24. 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 resource allocation and to review the Group's performance.

Disaggregated revenues by reportable segment and product are as follows:

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

Year ended December 31, 2022

Millions of yen

	Reportable segment				
	Japan	Asia Pacific	Europe	Americas	Segment total
Beverages	653,199	322,348	292,297	145,477	1,413,322
Health supplements	-	37,074	-	-	37,074
Total	653,199	359,423	292,297	145,477	1,450,397

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, 2021 and 2022. 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.

25. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows:

Millions of yen

	2021	2022
Advertising and sales promotions	139,331	143,888
Brand royalties	21,344	22,390
Employee benefits expenses	135,417	147,300
Rental expenses	6,334	5,892
Depreciation and amortization	36,201	37,638
Other	59,078	63,130
Total	397,707	420,240

Expenditures for research and development activities recognized as expenses for the years ended December 31, 2021 and 2022 are ¥8,526 million and ¥9,077 million, respectively.

26. Other income

The breakdown of other income is as follows:

Millions of yen

	2021	2022
Gain on sale of shares of subsidiaries and affiliates	-	16,020
Gain on sales of property, plant and equipment	223	371
Insurance claim income	197	256
Reversals of impairment losses	17	231
Other	2,449	2,495
Total	2,887	19,375

Gain on sale of shares of subsidiaries and affiliates is related to the sale of all shares of Suntory Coffee Australia Limited, which operated a fresh coffee business mainly in Oceania for the Asia Pacific business. Please refer to "Note 7. Business combinations."

27. Other expenses

The breakdown of other expenses is as follows:

Millions of yen

	2021	2022
Loss on disposal of property, plant and equipment	3,041	2,423
Restructuring charges	4,153	3,887
Impairment losses	1,664	2,906
Loss on sale of shares of subsidiaries and affiliates	-	2,168
Other	1,004	989
Total	9,863	12,375

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. Restructuring charges for the year ended December 31, 2022 are primarily for expenses related to restructuring activities of business integration and rationalization measures in the Europe and Asia Pacific businesses.

Impairment losses for the year ended December 31, 2021 are ¥1,501 million primarily for property, plant and equipment. Impairment losses for the year ended December 31, 2022 are ¥1,578 million primarily for intangible assets.

Loss on sale of shares of subsidiaries and affiliates is related to the sale of Suntory Beverage & Food Nigeria Limited, which produced and sold of non-alcoholic beverages in Nigeria for the Asia Pacific business. Please refer to "Note 7. Business combinations."

28. Finance income and costs

The breakdown of finance income and costs is as follows:

Millions of yen

Finance income	2021	2022
Interest received:		
From financial assets measured at amortized cost	365	1,432
Gain on fair value measurement:		
From financial assets or liabilities measured at FVTPL	-	5
Dividends received:		
From financial assets measured at FVTOCI:		
From financial assets derecognized during the year	-	1
From financial assets held at the end of the year	84	41
Other	58	148
Total	508	1,629

Millions of yen

Finance costs	2021	2022
Interest paid:		
From financial liabilities measured at amortized cost	1,926	1,949
Other	97	76
Total	2,024	2,026

Finance costs of lease liabilities amount to ¥792 million and ¥830 million for the years ended December 31, 2021 and 2022, respectively, are included in the interest paid from financial liabilities measured at amortized cost in the table above.

29. 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, 2021

Millions of yen

	Amount arising during the year	Reclassifications	Before tax	Tax effects	After tax
Items that will not be reclassified to profit or loss:					
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
Items that may be reclassified to profit or loss:					
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

Year ended December 31, 2022

Millions of yen

	Amount arising during the year	Reclassifications	Before tax	Tax effects	After tax
Items that will not be reclassified to profit or loss:					
Changes in the fair value of financial assets	542	-	542	(202)	340
Remeasurement of defined benefit plans	2,446	-	2,446	(664)	1,782
Subtotal	2,989	-	2,989	(866)	2,123
Items that may be reclassified to profit or loss:					
Translation adjustments of foreign operations	52,656	1,597	54,253	-	54,253
Changes in the fair value of cash flow hedges	(1,063)	501	(562)	167	(394)
Changes in comprehensive income of investments accounted for using the equity method	165	-	165	-	165
Subtotal	51,757	2,099	53,857	167	54,024
Total	54,747	2,099	56,847	(699)	56,147

30. Earnings per share

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

Millions of yen

	2021	2022
Profit for the year attributable to owners of the Company	68,676	82,317
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	68,676	82,317
Weighted-average number of ordinary shares (Shares)	308,999,994	308,999,936
Earnings per share (Yen)	222.25	266.40

31. Cash flow information

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

(1) Liabilities for financing activities

Changes in liabilities for financing activities are as follows:

<u>Year ended December 31, 2021</u>

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.

<u>Year ended December 31, 2022</u>

Millions of yen

	January 1, 2022	Cash flows	Non-cash movements				Other movements	December 31, 2022
			Foreign exchange adjustments	Changes in fair value	New leases	Other		
Bonds and borrowings	165,348	(36,762)	781	-	-	(6,618)	-	122,748
Derivatives	650	(774)	-	(125)	-	-	249	-
Lease liabilities	50,292	(13,524)	735	-	8,511	161	-	46,175

Cash flows associated with the bonds and borrowings and derivatives presented above 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" associated with the bonds and borrowings decreased due to change in scope of consolidation.

(2) Non-cash transactions

Please refer to "Note 17. Leases" as for lease transactions.

32. 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

	2021	2022
Bonds and borrowings	165,348	122,748
Net valuation loss arising from derivative transactions	627	-
Bonds and borrowings (adjusted)	165,975	122,748
Cash and cash equivalents	(176,655)	(200,630)
Lease liabilities	50,292	46,175
Net interest-bearing liabilities	39,612	(31,705)
Total equity	943,952	1,060,104
Net debt-to-equity ratio (Times)	0.04	(0.03)

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. If, however, 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, 2021	24,821	20	178,492
Balance at December 31, 2021	23,994	18	223,099
Balance at December 31, 2022	31,319	18	246,885

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, 2021	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
Decrease (increase) due to financial assets acquired or collected	(6)	0	(409)
Direct amortization	-	-	(20)
Exchange differences	5	-	260
Balance at December 31, 2022	3	18	963

There is no significant change in the carrying amount of financial instruments in total during the years ended at December 31, 2021 and 2022 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, 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

As at December 31, 2022

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	384,366	384,366	384,366	-	-	-	-	-
Borrowings	72,803	73,293	43,211	4,951	25,129	-	-	-
Bonds	49,945	50,169	15,115	35,053	-	-	-	-
Lease liabilities	46,175	48,799	11,931	8,527	5,942	4,232	3,307	14,858
Derivative financial liabilities:								
Currency derivatives	8,803	10,058	9,681	194	193	(11)	-	-
Commodity derivatives	466	466	466	-	-	-	-	-
Total	562,561	567,153	464,773	48,726	31,265	4,221	3,307	14,858

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 affects 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. This analysis, however, is based on the assumption that all other variable factors remain the same.

Millions of yen

	2021	2022
Other comprehensive income (before tax effects)	70	80

(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

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				

Millions of yen

2022	Contractual amounts	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Foreign exchange risks				
Foreign exchange contracts:				
Long position				
Yen and U.S. dollar	24,575	-	6	1,416
Yen and Euro	3,327	-	101	-
Short position				
Yen and U.S. dollar	7,044	-	620	-
Currency swap contracts:				
Payment in Yen	4,478	4,478	206	25
Receipt in Australian dollar (hedged item)				
Payment in Yen	38,400	-	615	5,040
Receipt in Pound sterling (hedged item)				
Payment in Yen	23,342	-	339	3,361
Receipt in Euro (hedged item)				

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, 2021	(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
Other comprehensive income:				
Incurred for the period	(837)	272	(498)	(1,063)
Reclassified	750	(249)	-	501
Tax effect	26	(7)	148	167
Balance at December 31, 2022	333	-	(321)	12

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, 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

As at December 31, 2022

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets designated as hedging instruments:				
Derivative assets	-	1,877	-	1,877
Financial assets measured at FVTPL:				
Derivative assets	-	57	-	57
Other	1,595	79	1	1,675
Financial assets measured at FVTOCI:				
Equity instruments	5,191	-	2,817	8,008
Other	-	-	3	3
Liabilities:				
Financial liabilities designated as hedging instruments:				
Derivative liabilities	-	11,204	-	11,204
Financial liabilities measured at FVTPL:				
Derivative liabilities	-	20	-	20

There were no transfers among Levels 1, 2, and 3 during the year ended at December 31, 2022.

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, 2022

Millions of yen

	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at January 1, 2021	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
Total gains and losses	-	160
Other comprehensive income	-	160
Additions	-	473
Other	-	(2)
Balance at December 31, 2022	1	2,821

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, 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

Year ended December 31, 2022

Millions of yen

	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities measured at amortized cost:					
Bonds	49,945	-	50,118	-	50,118
Borrowings	72,803	-	73,190	-	73,190

33. 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	
			2021 (%)	2022 (%)
Suntory Foods Limited	Japan	Japan	100.0	100.0
Suntory Beverage Solution 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
Suntory Beverage & Food International (Thailand) 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
59 other companies				

Notes: Suntory Beverage & Food International (Thailand) Co., Ltd. changed its trade name from the former name BRAND'S SUNTORY INTERNATIONAL CO., LTD. to the current name on March 1, 2022.

34. Related-party transactions

Amount of related-party transactions and balances are as follows:

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

Year ended December 31, 2022

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	22,390	1,623
		Advance payment of raw materials and others	-	62,577

For the payment of brand royalty, reasonable rate is determined based on the discussion with Suntory Holdings Limited considering the brand values and other factors.

Advance payment of raw materials and others during the year ended December 31, 2021 are primarily advance payments to third-party suppliers made by Suntory MONOZUKURI Expert Limited (currently known as Suntory Holdings Limited) on behalf of the Group, and the transaction amounts are omitted because it does not represent substantive transactions with its sister companies.

Advance payment of raw materials and others during the year ended December 31, 2022 are primarily advance payments to third-party suppliers made by Suntory Holdings Limited on behalf of the Group, and transaction amounts are omitted because it does not represent substantive transactions with the Parent.

The balances at the end of each period in the tables above include consumption tax.

Remuneration for principal executives is as follows:

Millions of yen

	2021	2022
Basic remuneration and bonuses	410	394

35. Commitments

Commitments related to expenditures in subsequent periods as at December 31, 2021 and 2022 are as follows:

Millions of yen

	2021	2022
Acquisition of property, plant and equipment	2,356	45,279

Commitments for the year ended December 31, 2022 are mainly for the construction of a beverage manufacturing plant in Queensland, Australia and expansion of beverage manufacturing lines at Kita-Alps Shinano-no-mori Water Plant.

In addition to the commitment represented above, the Group entered into a logistics service outsourcing contract including lease of a fixed-term building and others of prospect warehouse for the year ended December 31, 2022. The lease period of this contract has yet begun in the following fiscal year, and therefore, no right-of-use asset and lease liability was recorded as at December 31, 2022. The estimated total payments for this lease contract amount to ¥4,046 million.

36. Subsequent events

There were no subsequent events.