Suntory Beverage & Food Limited and Subsidiaries

Consolidated Financial Statements for the Year Ended December 31, 2023, and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

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

<Audit of Consolidated Financial Statements>

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, 2023, 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 material accounting policy information.

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, 2023, 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.

<table>
<tr><th colspan="2">Valuation of goodwill and intangible assets with indefinite useful lives</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>The Group's consolidated financial statements as of December 31, 2023, included goodwill of ¥278,231 million and intangible assets with indefinite useful lives of ¥437,629 million, which accounted for approximately 37% of its total assets.

As described in Note 14 to the consolidated financial statements, goodwill consists of 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 ¥104,902 million allocated to Orangina Schweppes Holding B.V. and its subsidiaries resulting from the acquisition of Orangina Schweppes Holding B.V. in 2009, and others. Intangible assets with indefinite useful lives consist primarily of trademarks. As described in Note 14 to the consolidated financial statements, these trademarks consist of the amount of ¥186,317 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: ¥94,334 million, Orangina: ¥26,517 million, Oasis: ¥25,494 million, and La Casera: ¥11,821 million, and other trademarks. These trademarks represent brands with long histories in each region, and the businesses are expected to continue in the foreseeable future. Therefore, these trademarks are classified as intangible assets with indefinite useful lives because they are expected to exist as long as the business continues.

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 their related cash-generating units or groups of cash-generating units.

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 rates for the periods beyond the term of the business plan.</td>
<td>For the key audit matter, we have performed the following audit 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 audit 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. These internal controls include internal controls over the forecasts of future revenues and operating income as well as the selection of the long-term growth rates and the discount rates 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 units.

• With regard to the forecasts of future revenues and operating income, which are key inputs to the business plan, we performed the following audit procedures:

—We assessed the reasonableness of the growth rates of the beverage markets and estimates of soaring raw material and energy prices, which are used in the forecasts of future revenues and operating income, by comparing them to the growth rates of the beverage markets in each country 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 management and appropriate personnel in charge and evaluated the consistency with items discussed at various important meetings including the board of directors' meeting to assess its feasibility.</td></tr>
</table>

Key inputs to the business plan are forecasts of future revenues and operating income, which are affected by not only the growth rates of the beverage markets and estimates of 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 rates 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 rates is based on management's judgment, and these assumptions have a significant impact on the recoverable amount. As the estimates of future cash flows, including the long-term growth rates, and the discount rates 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.	—In order to evaluate the precision of management's forecasts of future revenues and operating income, we retrospectively compared the underlying business plan prepared in previous years with actual figures. • We compared the long-term growth rates with observable information such as the economic growth rates and inflation rates in each country to evaluate the reasonableness. • With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rates. • We performed sensitivity analyses to assess the possibility that the recoverable amounts of goodwill and intangible assets with indefinite useful lives may fall below their carrying amounts due to reasonably possible changes in the long-term growth rates and the discount rates.

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 the 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, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended December 31, 2023, which were charged by us and our network firms to the Group were ¥835 million and ¥185 million, respectively.

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 21, 2024

Consolidated Statement of Financial Position
Suntory Beverage & Food Limited and subsidiaries
As at December 31, 2023

Millions of yen

	Notes	2022	2023
Assets			
Current assets:			
Cash and cash equivalents		200,630	171,755
Trade and other receivables	8, 33	270,969	309,923
Other financial assets	9, 33	3,118	1,664
Inventories	10	106,086	115,967
Other current assets	11	25,564	28,175
Subtotal		606,370	627,486
Assets held for sale	12	-	11,421
Total current assets		606,370	638,907
Non-current assets:			
Property, plant and equipment	13	381,511	416,600
Right-of-use assets	18	48,841	51,891
Goodwill	14	264,573	278,231
Intangible assets	14	452,444	495,339
Investments accounted for using the equity method	15	1,305	114
Other financial assets	9, 33	14,777	14,482
Deferred tax assets	16	6,398	8,969
Other non-current assets	11	7,125	7,878
Total non-current assets		1,176,978	1,273,507
Total assets		1,783,349	1,912,415

Consolidated Statement of Financial Position
Suntory Beverage & Food Limited and subsidiaries
As at December 31, 2023 (continued)

Millions of yen

	Notes	2022	2023
Liabilities and equity			
Liabilities:			
Current liabilities:			
Bonds and borrowings	17, 33	57,996	49,431
Trade and other payables	19, 33	384,366	430,812
Other financial liabilities	18, 20, 33	34,026	22,982
Accrued income taxes		18,098	19,926
Provisions	22	1,417	1,403
Other current liabilities		8,254	6,100
Subtotal		504,160	530,656
Liabilities directly associated with assets held for sale	12	-	5,073
Total current liabilities		504,160	535,730
Non-current liabilities:			
Bonds and borrowings	17, 33	64,752	25,000
Other financial liabilities	18, 20, 33	44,987	45,472
Post-employment benefit liabilities	21	13,732	14,323
Provisions	22	5,722	6,068
Deferred tax liabilities	16	84,922	93,954
Other non-current liabilities		4,965	6,838
Total non-current liabilities		219,083	191,657
Total liabilities		723,244	727,388
Equity:			
Share capital	23	168,384	168,384
Share premium	23	182,229	182,229
Retained earnings	23	594,773	652,706
Treasury shares		(0)	(0)
Other components of equity	23	19,834	84,050
Total equity attributable to owners of the Company		965,220	1,087,370
Non-controlling interests		94,883	97,656
Total equity		1,060,104	1,185,027
Total liabilities and equity		1,783,349	1,912,415

Consolidated Statement of Profit or Loss

Suntory Beverage & Food Limited and subsidiaries

For the year ended December 31, 2023

Millions of yen

	Notes	2022	2023
Revenue	6, 25	1,450,397	1,591,722
Cost of sales	10, 13, 14, 21	(897,879)	(1,001,726)
Gross profit		552,518	589,996
Selling, general and administrative expenses	13, 14, 21, 26	(420,240)	(445,401)
Share of the profit or loss of investments accounted for using the equity method	15	411	(27)
Other income	27	19,375	3,273
Other expenses	13, 14, 28	(12,375)	(6,114)
Operating income	6	139,688	141,726
Finance income	29, 33	1,629	4,281
Finance costs	29, 33	(2,026)	(4,226)
Profit before tax		139,291	141,781
Income tax expense	16	(38,192)	(37,301)
Profit for the year		101,099	104,480
Attributable to:			
Owners of the Company		82,317	82,743
Non-controlling interests		18,781	21,736
Profit for the year		101,099	104,480

Yen

	Note	2022	2023
Earnings per share (Yen)	31	266.40	267.78

Consolidated Statement of Comprehensive Income
Suntory Beverage & Food Limited and subsidiaries
For the year ended December 31, 2023

Millions of yen

	Notes	2022	2023
Profit for the year		101,099	104,480
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Changes in the fair value of financial assets	30, 33	340	(5)
Remeasurement of defined benefit plans	21, 30	1,782	(1,098)
Total	30	2,123	(1,104)
Items that may be reclassified to profit or loss:			
Translation adjustments of foreign operations	30	54,253	71,594
Changes in the fair value of cash flow hedges	30, 33	(394)	(241)
Changes in comprehensive income of investments accounted for using the equity method	15, 30	165	117
Total	30	54,024	71,471
Other comprehensive income for the year, net of tax	30	56,147	70,366
Comprehensive income for the year		157,246	174,847
Attributable to:			
Owners of the Company		128,729	147,178
Non-controlling interests		28,517	27,669
Comprehensive income for the year		157,246	174,847

Consolidated Statement of Changes in Equity
Suntory Beverage & Food Limited and subsidiaries
For the year ended December 31, 2023

Millions of yen

	Notes	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2022		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						46,412	46,412	9,735	56,147
Total comprehensive income for the year		-	-	82,317	-	46,412	128,729	28,517	157,246
Purchase of treasury shares					(0)		(0)		(0)
Dividends	24			(24,101)			(24,101)	(16,994)	(41,096)
Transactions with non-controlling interests			(193)	193			-	1	1
Reclassifications to retained earnings	9, 23			(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
Profit for the year				82,743			82,743	21,736	104,480
Other comprehensive income						64,434	64,434	5,932	70,366
Total comprehensive income for the year		-	-	82,743	-	64,434	147,178	27,669	174,847
Purchase of treasury shares					(0)		(0)		(0)
Dividends	24			(25,028)			(25,028)	(25,027)	(50,056)
Transactions with non-controlling interests							-	132	132
Reclassifications to retained earnings	9, 23			218		(218)	-		-
Total transactions with owners of the Company		-	-	(24,810)	(0)	(218)	(25,029)	(24,895)	(49,924)
Balance at December 31, 2023		168,384	182,229	652,706	(0)	84,050	1,087,370	97,656	1,185,027

Consolidated Statement of Cash Flows
Suntory Beverage & Food Limited and subsidiaries
For the year ended December 31, 2023

Millions of yen

	Notes	2022	2023
Cash flows from operating activities			
Profit before tax		139,291	141,781
Depreciation and amortization		70,791	73,079
Impairment losses (reversal of impairment losses)		2,675	553
Interest and dividends income		(1,475)	(4,225)
Interest expense		1,949	2,936
Share of the profit or loss of investments accounted for using the equity method		(411)	27
Loss (gain) on sale of shares of subsidiaries	7	(16,020)	(43)
Decrease (increase) in inventories		(19,213)	(4,683)
Decrease (increase) in trade and other receivables		(23,615)	(29,328)
Increase (decrease) in trade and other payables		23,472	26,729
Other		3,676	(13,994)
Subtotal		181,122	192,833
Interest and dividends received		1,355	4,000
Interest paid		(2,026)	(2,058)
Income tax paid		(29,941)	(36,482)
Net cash inflow (outflow) from operating activities		150,509	158,292
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(60,228)	(79,236)
Proceeds on sale of property, plant and equipment and intangible assets		477	173
Proceeds from sale of business		-	627
Proceeds from sale of subsidiaries	7	18,400	-
Other		(1,044)	636
Net cash inflow (outflow) from investing activities		(42,395)	(77,798)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings and commercial paper	32	(323)	(4,799)
Proceeds from long-term borrowings	32	6,618	-
Repayments of long-term borrowings	32	(43,832)	(30,000)
Redemption of bonds	32	-	(15,000)
Payments of lease liabilities	32	(13,524)	(15,475)
Dividends paid to owners of the Company	24	(24,101)	(25,028)
Dividends paid to non-controlling interests		(17,042)	(25,100)
Other		(0)	(0)
Net cash inflow (outflow) from financing activities		(92,207)	(115,404)
Net increase (decrease) in cash and cash equivalents		15,907	(34,910)
Cash and cash equivalents at the beginning of the year		176,655	200,630
Effects of exchange rate changes on cash and cash equivalents		8,067	7,337
Cash and cash equivalents included in assets held for sale	12	-	(1,301)
Cash and cash equivalents at the end of the year		200,630	171,755

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 consolidated 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 21, 2024.

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. Material accounting policy information."

3. Material accounting policy information

(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 68 subsidiaries (74 as at December 31, 2022), together with the Group's interest in 7 associates (7 as at December 31, 2022) and 2 joint ventures (0 as at December 31, 2022).

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 subsidiaries is accounted for as an equity transaction. Any difference between the amount of an adjustment to the 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 on the financial and operating policy of the entity, but does not have control or joint control. 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 equity instruments 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, 2022 and 2023 are as follows:

		Yen
	2022	2023
U.S. Dollar:		
Average rates	131.7	140.7
Closing rates	132.7	141.8
Euro:		
Average rates	138.2	152.2
Closing rates	141.5	157.1
Pound Sterling:		
Average rates	162.0	175.1
Closing rates	160.0	180.7
Singapore Dollar:		
Average rates	95.4	104.8
Closing rates	98.8	107.5
Thai Baht:		
Average rates	3.8	4.0
Closing rates	3.8	4.1
Vietnam Dong:		
Average rates	0.0056	0.0059
Closing rates	0.0056	0.0058
New Zealand Dollar:		
Average rates	83.3	86.3
Closing rates	83.9	89.9
Australian Dollar:		
Average rates	91.2	93.4
Closing rates	89.6	96.9

(4) Financial instruments

a. Financial assets

(i) Initial recognition and measurement

The Group initially recognizes trade and other receivables on the day when they are incurred, and it initially recognizes other financial assets at the transaction date when the Group becomes a party to the contract for the financial assets. Financial assets are classified into the following specific categories; financial assets measured at fair value through profit or loss ("FVTPL") or FVTOCI and financial assets measured at amortized cost. The classification is determined at the time of initial recognition.

All financial assets are measured at fair value, however, the financial assets that are not classified as measured at FVTPL are measured at the sum of the fair value and 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. There is no debt instrument measured at FVTOCI.

(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 and 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 whether there has been a significant increase in credit risk of the financial asset since initial recognition.

If the credit risk on financial assets has not increased significantly since initial recognition, a loss allowance is measured at an amount equal to 12-months of expected credit losses. In contrast, if the credit risk on financial assets has increased significantly since 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.

(iv) Derecognition

The Group derecognizes financial assets when the contractual rights to 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. In cases where the Group neither transfers nor retains substantially all the risks and rewards of ownership but continues to control the transferred assets, the Group continues to recognize the financial assets to the extent of its continuing involvement in the financial assets.

b. Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified into either subsequently measured at FVTPL or at amortized cost. The classifications are determined at the time of 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. There are no financial liabilities measured at FVTPL, except for derivative liabilities.

(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 forward 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 very effective in offsetting fair value or cash flow changes. Further, continuing assessments are made as to whether the hedges are very effective over all 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 that the risk management objective remains unchanged, the hedge ratio is adjusted to meet the hedge effectiveness requirements again. 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 hedged future cash flows are 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
• 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 over either shorter of their useful lives or 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 (including adjustments for the asset ceiling for defined benefit plans and minimum funding requirements, 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., who are customers, 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 transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, and affects 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 the Group is able to control the timing of the reversal of the temporary difference, and it is probable that 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.

In accordance with IAS 12 (Revised), since the current fiscal year, the Group has adopted a temporary exception to the recognition and information disclosure requirements about deferred tax assets and liabilities related to the International Tax Reform - Pillar Two Model Rules. The application of IAS 12 (Revised) has no significant impact on the Group's consolidated financial statements.

(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 ("Note 3. Material accounting policy information (10)," "Note 13. Property, plant and equipment," and "Note 14. Goodwill and intangible assets").
- Measurement of post-employment obligations ("Note 3. Material accounting policy information (11)" and "Note 21. Post-employment benefit plants").
- Judgements and estimates made for the recognition and measurement of provisions ("Note 3. Material accounting policy information (12)" and "Note 22. Provisions").
- Judgements made for assessing the recoverability of deferred tax assets ("Note 3. Material accounting policy information (15)" and "Note 16. Income tax expense").
- Judgements made in determining whether the Group controls another entity ("Note 3. Material accounting policy information (1)" and "Note 15. Investments accounted for using the equity method").
- Fair value measurement of financial instruments ("Note 3. Material accounting policy information (4)" and "Note 33. Financial instruments (4)").
- Estimates used for residual value and useful life of property, plant and equipment and intangible assets ("Note 3. Material accounting policy information (7) (8)," "Note 13. Property, plant and equipment," and "Note 14. Goodwill and intangible assets").
- Measurement of the fair value of the assets acquired and liabilities assumed in a business combination ("Note 3. Material accounting policy information (2)").

5. New accounting standards and interpretations not yet adopted

The impact on the consolidated financial statements of the adoption of the standards and guidance for the fiscal year ending December 31, 2024 is not expected to be material. The impact on the consolidated financial statements of adoption of the standards and guidance for the fiscal year ending December 31, 2025 or later is still under consideration.

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. Material accounting policy information." The intersegment transactions are considered on an arm's length basis.

Due to the organizational changes, the Africa business, which was previously reported in the "Asia Pacific business," has been reclassified to the "Europe business" from the "Asia Pacific business," effective from the current fiscal year. Accordingly, the figures for the previous fiscal year have been restated based on the reclassified reportable segments. The same applies to items after "Note 7 Business combinations."

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, 2022

Millions of yen

	Reportable segments				Segment total	Reconciliations	Consolidated
	Japan	Asia Pacific	Europe	Americas			
Revenue:							
External customers	653,199	352,615	299,105	145,477	1,450,397	-	1,450,397
Intersegment	57	1,076	1,303	-	2,438	(2,438)	-
Total revenue	653,256	353,692	300,408	145,477	1,452,835	(2,438)	1,450,397
Segment profit	33,430	57,731	42,131	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

Year ended December 31, 2023

Millions of yen

	Reportable segments				Segment total	Reconciliations	Consolidated
	Japan	Asia Pacific	Europe	Americas			
Revenue:							
External customers	708,141	371,435	339,274	172,871	1,591,722	-	1,591,722
Intersegment	93	5	1,026	-	1,125	(1,125)	-
Total revenue	708,234	371,440	340,301	172,871	1,592,847	(1,125)	1,591,722
Segment profit	40,455	43,075	51,725	20,982	156,239	(14,512)	141,726
Depreciation and amortization	32,621	17,286	13,942	5,825	69,675	3,404	73,079
Capital expenditures	30,575	43,580	13,801	10,687	98,644	-	98,644

"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, 2022	653,199	352,578	299,142	145,477	1,450,397
Year ended December 31, 2023	708,141	371,409	339,300	172,871	1,591,722

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, 2022	357,629	175,931	528,982	84,827	1,147,371
As at December 31, 2023	352,081	208,937	586,151	94,891	1,242,062

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

Year ended December 31, 2022

(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 previous 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 Europe 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 previous 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)

Year ended December 31, 2023

This note is omitted because it is not material either individually or in the aggregate.

8. Trade and other receivables

The breakdown of trade and other receivables is as follows:

Millions of yen

	2022	2023
Trade receivables	246,885	281,284
Other receivables	23,736	28,525
Other	1,312	1,029
Loss allowance	(963)	(917)
Total	270,969	309,923

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

	2022	2023
Financial assets measured at amortized cost:		
Guarantee deposits	4,314	4,092
Other	1,979	2,015
Loss allowance	(21)	(50)
Financial assets designated as hedging instruments:		
Derivative assets	1,877	104
Financial assets measured at FVTPL:		
Derivative assets	57	80
Other	1,675	2,087
Financial assets measured at FVTOCI:		
Listed equity investments	5,191	5,436
Unlisted equity investments	2,817	2,377
Other	3	3
Total	17,896	16,147
Current assets	3,118	1,664
Non-current assets	14,777	14,482
Total	17,896	16,147

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

	2022	2023
Fair value	44	45
Cumulative gains (losses)	22	19

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, 2022 and 2023 are ¥632 million losses and ¥104 million profits, respectively.

10. Inventories

The breakdown of inventories is as follows:

Millions of yen

	2022	2023
Merchandise and finished goods	58,764	62,565
Work in progress	5,231	5,849
Raw materials	34,540	38,983
Consumables	7,549	8,568
Total	106,086	115,967

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

Millions of yen

	2022	2023
Inventories recognized as an expense	816,783	915,575
Write-down of inventories to its net realizable value	718	547

11. Other assets

The breakdown of other assets is as follows:

Millions of yen

	2022	2023
Other current assets:		
Prepaid expenses	10,476	11,247
Consumption tax receivables	9,639	9,874
Corporate tax receivables	2,667	3,767
Other	2,780	3,286
Total	25,564	28,175
Other non-current assets:		
Long-term prepaid expenses	4,390	6,759
Other	2,734	1,119
Total	7,125	7,878

12. Assets held for sale

Year ended December 31, 2022

There were no assets held for sale and liabilities directly associated with assets held for sale.

Year ended December 31, 2023

The breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows:

	Amount
	Millions of yen
Assets held for sale	
Cash and cash equivalents	1,301
Trade and other receivables	1,842
Inventories	670
Property, plant and equipment	5,235
Right-of-use assets	446
Intangible assets	130
Investments accounted for using the equity method	1,398
Others	396
Total	11,421
Liabilities directly associated with assets held for sale	
Trade and other payables	3,183
Other current liabilities	850
Post-employment benefit liabilities	481
Others	556
Total	5,073

The assets and liabilities classified as held for sale at the end of the current fiscal year mainly refers to the signing of share purchase agreements to transfer shares of subsidiaries and associates which operate non-alcoholic beverages in Indonesia for the Asia Pacific business.

The sales of the shares of subsidiaries are expected to take place by the end of March 2024, and the sale of the shares of an associate is expected to take place during the second quarter of the fiscal year ending December 31, 2024.

The accumulated other comprehensive income related to "assets held for sale" amounted to ¥1,055 million (Debit) and was included in "other components of equity" in the consolidated statement of financial position for the year ended December 31, 2023.

13. 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, 2022	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
Additions	1,050	3,856	4,951	67,573	1,209	78,642
Acquisition through business combination	68	-	-	-	-	68
Depreciation	(7,027)	(24,392)	(17,522)	-	(2,476)	(51,419)
Impairment losses	(84)	(588)	(3)	(4)	(12)	(692)
Reversal of impairment losses	-	86	-	-	53	139
Sales or disposals	(196)	(668)	(1,175)	(39)	(191)	(2,271)
Reclassifications to assets held for sale	(3,559)	(1,597)	(76)	(2)	-	(5,235)
Reclassifications	2,978	15,963	15,182	(36,769)	2,645	(0)
Exchange differences	5,089	8,429	387	2,329	717	16,953
Other	(980)	22	(46)	(108)	17	(1,096)
Balance at December 31, 2023	134,131	145,168	71,501	55,016	10,782	416,600

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, 2022 and 2023 is deducted by government grants, and the amounts are ¥2,100 million and ¥3,080 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, 2022	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
Balance at December 31, 2023	231,977	465,740	214,637	55,063	31,329	998,748

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, 2022	(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)
Balance at December 31, 2023	(97,845)	(320,572)	(143,135)	(47)	(20,547)	(582,148)

Impairment

The breakdown of impairment losses by segment is as follows:

Millions of yen

	2022	2023
Japan	(66)	(1)
Asia Pacific	(518)	(691)
Americas	(119)	-
Total	(704)	(692)

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, 2022 and 2023, 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 sale is not possible. This fair value hierarchy is classified as Level 3.

14. 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, 2022	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
Additions	-	-	-	1,185	3,447	4,632
Amortization	-	(4,129)	-	(3,357)	(1,745)	(9,231)
Sales or disposals	-	-	-	(350)	(10)	(360)
Reclassifications to assets held for sale	-	(70)	-	(59)	-	(130)
Exchange differences	13,658	40,757	5,250	925	936	47,871
Other	-	-	-	3,418	(3,304)	114
Balance at December 31, 2023	278,231	378,795	81,689	11,678	23,176	495,339

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, 2022	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
Balance at December 31, 2023	435,372	463,582	81,689	37,021	39,836	622,129

Accumulated amortization and impairment losses

Millions of yen

	Goodwill	Intangible assets				
		Trademarks	Franchises	Software	Other	Total
Balance at January 1, 2022	(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)
Balance at December 31, 2023	(157,141)	(84,786)	-	(25,343)	(16,659)	(126,789)

Impairment

The breakdown of impairment losses by segment is as follows:

Millions of yen

	2022	2023
Japan	(191)	-
Asia Pacific	(1,698)	-
Americas	(311)	-
Total	(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 year ended December 31, 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 sale is not possible. This fair value hierarchy is classified as Level 3.

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

Goodwill

Millions of yen

	2022	2023
Japan business	130,680	130,680
Orangina Schweppes Holding B.V. and its subsidiaries	94,453	104,902
Other	39,438	42,648
Total	264,573	278,231

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

		2022	2023
Trademarks:	Lucozade and Ribena	164,992	186,317
	Schweppes	84,924	94,334
	Orangina	23,865	26,517
	Oasis	22,974	25,494
	La Casera	10,440	11,821
	Other	10,300	11,428
Franchises:	North Carolina, U.S.A.	42,533	45,459
	Thailand	21,965	23,874
	Vietnam	11,939	12,355
Other		23	25
	Total	393,961	437,629

Trademarks of Lucozade and Ribena are related to the acquisition of the business of Lucozade Ribena Suntory Limited on December 31, 2013. Trademarks of Schweppes, Orangina, Oasis, and La Casera were acquired through the aforementioned acquisition of Orangina Schweppes Holding B.V. Franchises for some areas in the U.S.A., Thailand, and Vietnam are the assets recognized by evaluating Exclusive Bottling Appointments engaged in with PepsiCo, Inc. and others.

These trademarks represent brands with long histories in each region, and the businesses are expected to continue in the foreseeable future. Franchises have long contract terms and the associated businesses are expected to continue in the foreseeable future. Since these trademarks and franchises are expected to contribute to the Group as long as the business continues, these are deemed to have indefinite useful lives for accounting purposes and are not amortized.

Impairment tests of goodwill and intangible assets with indefinite useful lives are performed for the preceding units. The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is calculated as the discounted future cash flows, which are estimated based on the business plan for one to three years and the long-term growth rate for subsequent years approved by management, and discount rates which are determined with reference to the pre-tax weighted-average cost of capital ("WACC") (4.8%-17.2% and 5.9%-17.8% for the years ended December 31, 2022 and 2023, 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 a regular basis, and no impairment losses for goodwill and intangible assets with indefinite useful lives were recorded for the year ended December 31, 2023. (Goodwill ¥623 million, intangible assets ¥1,074 million for the year ended December 31, 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.

15. Investments accounted for using the equity method

Total amount of investments for associates and joint ventures are as follows. There are no individually material associates nor joint ventures.

Millions of yen

	2022	2023
Carrying amount:		
Associates	1,305	-
Joint ventures	-	114
Total	1,305	114

Comprehensive income arising from investments in associates and joint ventures are as follows. There are no individually material associates nor joint ventures.

Millions of yen

	2022	2023
Profit (loss) for the year:		
Associates	411	(59)
Joint ventures	-	32
Total	411	(27)
Other comprehensive income:		
Associates	165	114
Joint ventures	-	2
Total	165	117
Total comprehensive income for the year:		
Associates	576	54
Joint ventures	-	35
Total	576	90

16. Income tax expense

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

Year ended December 31, 2022

Millions of yen

	As at January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	As at December 31, 2022
Deferred tax assets:					
Other payables	6,769	121	-	581	7,472
Lease liabilities	7,021	(259)	-	173	6,935
Unrealized gain	4,333	238	-	20	4,592
Post-employment benefit liabilities	3,685	407	(664)	(6)	3,420
Other	11,679	(3,352)	396	(262)	8,461
Total	33,488	(2,844)	(268)	506	30,882
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)
Right-of-use assets	(7,023)	288	-	(176)	(6,912)
Other	(9,256)	(987)	(445)	(148)	(10,838)
Total	(100,718)	(1,732)	(430)	(6,524)	(109,406)

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

Year ended December 31, 2023

Millions of yen

	As at January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	As at December 31, 2023
Deferred tax assets:					
Other payables	7,472	313	-	39	7,826
Lease liabilities	6,935	(643)	-	186	6,478
Unrealized gain	4,592	497	-	92	5,183
Post-employment benefit liabilities	3,420	233	409	175	4,238
Other	8,461	330	(251)	454	8,993
Total	30,882	731	158	948	32,720
Deferred tax liabilities:					
Intangible assets	(68,099)	(2,023)	-	(7,048)	(77,171)
Property, plant and equipment	(13,087)	314	-	(348)	(13,120)
Temporary differences associated with investments in subsidiaries	(10,470)	(322)	0	(722)	(11,515)
Right-of-use assets	(6,912)	683	-	(189)	(6,418)
Other	(10,838)	1,161	390	(193)	(9,479)
Total	(109,406)	(186)	391	(8,503)	(117,705)

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

(Changes in accounting policies)

The Group has applied IAS 12 "Income taxes" (revised on May 2021) from the current fiscal year.

This amendment clarified that companies are required to recognize deferred tax liabilities and deferred tax assets for transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, such as leases and decommissioning obligations - transactions for which companies recognize both an asset and a liability. The Group has applied the amendment retrospectively, but the impact on the consolidated financial statements for the previous fiscal year was not material. The breakdown and movement of deferred tax assets and deferred tax liabilities by nature for the previous fiscal year are reclassified retrospectively.

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

Millions of yen

	2022	2023
Unused tax losses	12,077	11,130
Unused tax credits	4,857	5,080
Deductible temporary differences	37,828	53,153

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	2022	2023
Expires within 1 year	1,132	920
Expires between 1 and 2 years	894	295
Expires between 2 and 3 years	274	1,017
Expires between 3 and 4 years	941	952
Expires after 4 years	8,834	7,944
Total	12,077	11,130

Millions of yen

Deferred tax credits	2022	2023
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	4,857	5,080
Total	4,857	5,080

Taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities are not recognized as at December 31, 2022 and 2023 are ¥134,844 million and ¥192,406 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

	2022	2023
Current tax expense	33,614	37,845
Deferred tax expense	4,577	(544)
Total	38,192	37,301

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

%

	2022	2023
Effective statutory tax rate	30.6	30.6
Permanent differences, such as non-deductible entertainment expenses	2.1	1.5
Tax rate change	(0.0)	(0.0)
Differences in tax rates applied to foreign subsidiaries	(5.8)	(5.6)
Other	0.5	(0.2)
Average actual effective tax rate	27.4	26.3

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, 2022 and 30.61% for the year ended December 31, 2023. Foreign subsidiaries are subject to income tax expense in the tax jurisdiction in which they are located.

17. Bonds and borrowings

The breakdown of bonds and borrowings is as follows:

Millions of yen

	2022	2023	Average interest rate (%)	Maturity period
Short-term borrowings	13,003	9,027	4.54	-
Current portion of bonds	14,992	34,983	0.30	-
Current portion of long-term borrowings	30,000	5,420	0.88	-
Bonds	34,952	-	-	-
Long-term borrowings	29,800	25,000	0.52	2025
Total	122,748	74,431		
Current liabilities	57,996	49,431		
Non-current liabilities	64,752	25,000		
Total	122,748	74,431		

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	2022	2023	Interest rate (%)	Collateral	Maturity date
Suntory Beverage & Food Limited	The 2nd issue of unsecured corporate bonds	June 26, 2014	14,989	14,996	0.700	None	June 26, 2024
	The 4th issue of unsecured corporate bonds	July 26, 2018	14,992	-	0.070	None	July 26, 2023
	The 5th issue of unsecured corporate bonds	July 8, 2021	19,963	19,987	0.001	None	July 8, 2024
	Total		49,945	34,983			

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

18. 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

	2022	2023
Depreciation of right-of-use assets		
Land, buildings and structures	8,335	8,780
Machinery and equipment	1,408	1,301
Others	2,304	2,346
Total	12,047	12,428
Others (Note)	12,791	14,049

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

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

Millions of yen

	2022	2023
Land, buildings and structures	41,511	44,167
Machinery and equipment	3,484	2,999
Others	3,844	4,723
Total	48,841	51,891

The amounts of increase in right-of-use assets for the years ended December 31, 2022 and 2023 are ¥11,152 million and ¥15,369 million, respectively. The total amounts of lease cash outflow for the years ended December 31, 2022 and 2023 are ¥27,146 million and ¥30,420 million, respectively.

Please refer to "Note 33. 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 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.

19. Trade and other payables

The breakdown of trade and other payables is as follows:

Millions of yen

	2022	2023
Trade payables	159,482	182,026
Accrued expenses	192,793	213,586
Accrued employee benefits	32,090	35,199
Total	384,366	430,812

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

20. Other financial liabilities

The breakdown of other financial liabilities is as follows:

Millions of yen

	2022	2023
Financial liabilities measured at amortized cost:		
Lease liabilities	46,175	45,494
Deposits received	21,376	20,492
Other	237	311
Financial liabilities designated as hedging instruments:		
Derivative liabilities	11,204	2,149
Financial liabilities measured at FVTPL:		
Derivative liabilities	20	6
Total	79,014	68,454
Current liabilities	34,026	22,982
Non-current liabilities	44,987	45,472
Total	79,014	68,454

21. 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 the company pension system, and contributes to the company pension system based on the standard regulated by Ministry of Health, Labour and Welfare.

In April 2023, Suntory Beverage Solution Limited, a subsidiary of the Company, transferred part of the defined benefit corporate pension plans to the defined contribution pension plans due to the integration of defined benefit plans. As a result of the amendment of the plan, defined benefit liabilities and plan assets were decreased by ¥2,935 million and ¥3,147 million, respectively, in the year ended December 31, 2023, and the difference was recognized for the year as loss on the plan amendment. Loss on the plan amendment recognized in the consolidated statement of profit or loss for the year ended December 31, 2023, was ¥212 million, which was included in selling, general, and administrative expenses.

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

	2022	2023
Present value of funded defined benefit obligations	33,448	30,547
Fair value of plan assets	(37,362)	(34,638)
Subtotal	(3,913)	(4,090)
Present value of unfunded defined benefit obligation	13,884	14,321
Effect of the asset ceiling	1,711	3,602
Net defined benefit liability	11,682	13,833
Balance in consolidated statement of financial position:		
Post-employment benefit liabilities	13,732	14,323
Post-employment benefit assets	(2,049)	(490)
Net of liabilities and assets	11,682	13,833

Changes in the present value of the defined benefit obligation during the years ended December 31, 2022 and 2023 are as follows:

Millions of yen

	2022	2023
Balance at beginning of the year	53,267	47,333
Current service cost	3,643	3,122
Interest expense	416	666
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	(345)	(733)
Actuarial gains and losses arising from changes in financial assumptions	(7,672)	(373)
Past service cost	(144)	(6)
Benefits paid	(2,156)	(2,027)
Plan amendment	-	(2,935)
Other	324	(177)
Balance at end of the year	47,333	44,868

Remeasurements include adjustments due to actual results.

The weighted-average durations of the defined benefit obligation as at December 31, 2022 and 2023 are 17.6 years and 14.4 years, respectively.

Changes in the fair value of plan assets during the years ended December 31, 2022 and 2023 are as follows:

Millions of yen

	2022	2023
Balance at beginning of the year	40,162	37,362
Interest income	281	566
Remeasurements:		
Return on plan assets	(3,859)	(724)
Employer contributions	2,307	1,811
Benefits paid	(1,617)	(1,312)
Plan amendment	-	(3,147)
Other	87	81
Balance at end of the year	37,362	34,638

The contribution by the Group to defined benefit plans in the next fiscal year is expected to be ¥957 million.

Fair values of plan assets are as follows:

Millions of yen

	2022			2023		
	Quoted market price	Unquoted market price	Total	Quoted market price	Unquoted market price	Total
Cash and cash equivalents	1,806	-	1,806	642	-	642
Equity instruments	-	6,392	6,392	-	5,035	5,035
Domestic	-	1,958	1,958	-	2,112	2,112
Overseas	-	4,434	4,434	-	2,923	2,923
Debt instruments	-	12,006	12,006	-	11,474	11,474
Domestic	-	5,747	5,747	-	4,230	4,230
Overseas	-	6,258	6,258	-	7,244	7,244
Life insurance-General accounts	-	6,085	6,085	-	5,874	5,874
Other	-	11,071	11,071	-	11,610	11,610
Total	1,806	35,555	37,362	642	33,995	34,638

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

	2022	2023
Balance at beginning of the year	-	1,711
Remeasurements:		
Changes in effect of the asset ceiling	1,711	1,890
Balance at end of the year	1,711	3,602

Major actuarial assumptions are as follows:

%

	2022	2023
Discount rate	1.3～1.7	1.4～1.7

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	
		2022	2023
Discount rate:	Increase by 0.5%	(2,467)	(2,183)
	Decrease by 0.5%	2,725	2,432

Defined benefit costs are as follows:

Millions of yen

	2022	2023
Current service cost	3,643	3,122
Interest expense	416	666
Interest income	(281)	(566)
Past service cost	(144)	(6)
Loss on plan amendment	-	212
Total	3,634	3,428

The Group's contribution to the defined contribution pension plans for the years ended December 31, 2022 and 2023 are ¥8,947 million and ¥10,552 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, 2022 and 2023 are ¥181,832 million and ¥196,796 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.

22. Provisions

Breakdown and changes in provisions are as follows:

Millions of yen

	Asset retirement obligations	Provision for restructuring	Other	Total
Balance at January 1, 2022	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
Additional provisions recognized	54	1,033	304	1,392
Interest expense	25	-	-	25
Utilized during the period	(169)	(1,097)	(46)	(1,313)
Reversed during the period	(8)	(141)	(147)	(297)
Other	144	554	(173)	525
Balance at December 31, 2023	3,156	3,642	672	7,472

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 would be affected by the execution of the Group's business plan in the future.

The restructuring provision of ¥861 million in current liabilities and ¥2,781 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

	2022	2023
Current liabilities	1,417	1,403
Non-current liabilities	5,722	6,068
Total	7,140	7,472

23. 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, 2022	480,000,000	309,000,000
Increase (decrease)	-	-
Balance at December 31, 2022	480,000,000	309,000,000
Increase (decrease)	-	-
Balance at December 31, 2023	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, 2022	(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
Other comprehensive income	65,714	(241)	(14)	(1,023)	64,434
Transferred to retained earnings	-	-	(104)	(114)	(218)
Balance at December 31, 2023	85,172	(219)	2,369	(3,272)	84,050

24. Dividends

Dividends paid are as follows:

Year ended December 31, 2022

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)	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

Year ended December 31, 2023

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders held on March 24, 2023	12,668	41.00	December 31, 2022	March 27, 2023
Board of Directors meeting held on August 9, 2023	12,359	40.00	June 30, 2023	September 6, 2023

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, 2022

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

Year ended December 31, 2023

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of shareholders held on March 27, 2024	12,359	40.00	December 31, 2023	March 28, 2024

25. 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.

The Company has changed the classification of its reportable segment as described in "Note 6. Segment information," effective from the current fiscal year. Accordingly, the segment information and product categories for the previous fiscal year are disclosed based on the reportable segment and product after the organizational changes.

Disaggregated revenues by reportable segment and product are as follows:

Year ended December 31, 2022

Millions of yen

	Reportable segment				
	Japan	Asia Pacific	Europe	Americas	Segment total
Beverages	653,199	315,540	299,105	145,477	1,413,322
Health supplements	-	37,074	-	-	37,074
Total	653,199	352,615	299,105	145,477	1,450,397

Year ended December 31, 2023

Millions of yen

	Reportable segment				
	Japan	Asia Pacific	Europe	Americas	Segment total
Beverages	708,141	336,370	339,274	172,871	1,556,658
Health supplements	-	35,064	-	-	35,064
Total	708,141	371,435	339,274	172,871	1,591,722

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, 2022 and 2023. 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.

26. Selling, general and administrative expenses

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

Millions of yen

	2022	2023
Advertising and sales promotions	143,888	150,701
Brand royalties	22,390	24,129
Employee benefits expenses	147,300	156,208
Rental expenses	5,892	6,734
Depreciation and amortization	37,638	38,023
Other	63,130	69,604
Total	420,240	445,401

Expenditures for research and development activities recognized as expenses for the years ended December 31, 2022 and 2023 are ¥9,077 million and ¥9,785 million, respectively.

27. Other income

The breakdown of other income is as follows:

Millions of yen

	2022	2023
Gain on sales of property, plant and equipment	371	187
Reversals of impairment losses	231	139
Insurance claim income	256	122
Gain on sale of shares of subsidiaries	16,020	43
Other	2,495	2,779
Total	19,375	3,273

Gain on sale of shares of subsidiaries for the year ended December 31, 2022 is related to the sale of a fresh coffee business mainly operated for the Asia Pacific business. Please refer to "Note 7. Business combinations."

28. Other expenses

The breakdown of other expenses is as follows:

Millions of yen

	2022	2023
Loss on disposal of property, plant and equipment	2,423	1,932
Restructuring charges	3,887	1,815
Impairment losses	2,906	692
Loss on sale of shares of subsidiaries and associates	2,168	-
Other	989	1,673
Total	12,375	6,114

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. Restructuring charges for the year ended December 31, 2023 are primarily for expenses related to restructuring activities of rationalization measures in the Europe business.

Impairment losses for the year ended December 31, 2022 are ¥1,578 million primarily for intangible assets. Impairment losses for the year ended December 31, 2023 are ¥692 million for property, plant and equipment.

Loss on sale of shares of subsidiaries and associates for the year ended December 31, 2022 is related to the sale of a business, which produced and sold non-alcoholic beverages in Nigeria for the Europe business. Please refer to "Note 7. Business combinations."

29. Finance income and costs

The breakdown of finance income and costs is as follows:

Millions of yen

Finance income	2022	2023
Interest received:		
From financial assets measured at amortized cost	1,432	3,975
Gain on fair value measurement:		
From financial assets or liabilities measured at FVTPL	5	0
Dividends received:		
From financial assets measured at FVTOCI:		
From financial assets derecognized during the year	1	0
From financial assets held at the end of the year	41	250
Other	148	55
Total	1,629	4,281

Millions of yen

Finance costs	2022	2023
Interest paid:		
From financial liabilities measured at amortized cost	1,949	2,936
Loss on fair value measurement:		
From financial assets or liabilities measured at FVTPL	-	1
Exchange loss	-	1,206
Other	76	82
Total	2,026	4,226

Finance costs of lease liabilities amount to ¥830 million and ¥895 million for the years ended December 31, 2022 and 2023, respectively, are included in the interest paid from financial liabilities measured at amortized cost in the table above.

30. 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, 2022

Millions of yen

	Amount arising during the year	Reclassifi-cations	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

Year ended December 31, 2023

Millions of yen

	Amount arising during the year	Reclassifi-cations	Before tax	Tax effects	After tax
Items that will not be reclassified to profit or loss:					
Changes in the fair value of financial assets	(49)	-	(49)	44	(5)
Remeasurement of defined benefit plans	(1,508)	-	(1,508)	409	(1,098)
Subtotal	(1,558)	-	(1,558)	454	(1,104)
Items that may be reclassified to profit or loss:					
Translation adjustments of foreign operations	71,594	-	71,594	-	71,594
Changes in the fair value of cash flow hedges	(1,841)	1,505	(336)	95	(241)
Changes in comprehensive income of investments accounted for using the equity method	117	-	117	-	117
Subtotal	69,870	1,505	71,375	95	71,471
Total	68,312	1,505	69,817	549	70,366

31. Earnings per share

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

Millions of yen

	2022	2023
Profit for the year attributable to owners of the Company	82,317	82,743
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	82,317	82,743
Weighted-average number of ordinary shares (Shares)	308,999,936	308,999,870
Earnings per share (Yen)	266.40	267.78

32. 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:

Year ended December 31, 2022

Millions of yen

	January 1, 2022	Cash flows	Non-cash movements: Foreign exchange adjustments	Non-cash movements: Changes in fair value	Non-cash movements: New leases	Non-cash movements: Other	Other movements	December 31, 2022
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.

Year ended December 31, 2023

Millions of yen

	January 1, 2023	Cash flows	Non-cash movements: Foreign exchange adjustments	Non-cash movements: Changes in fair value	Non-cash movements: New leases	Non-cash movements: Other	Other movements	December 31, 2023
Bonds and borrowings	122,748	(49,799)	1,443	-	-	38	-	74,431
Lease liabilities	46,175	(15,475)	307	-	14,521	(35)	-	45,494

Cash flows associated with the bonds and borrowings presented above reconcile to the net amount of "increase (decrease) in short-term borrowings and commercial paper," "repayments of long-term borrowings" and "redemption of bonds" presented in the consolidated statement of cash flows.

(2) Non-cash transactions

Please refer to "Note 18. Leases" as for lease transactions.

33. 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

	2022	2023
Bonds and borrowings	122,748	74,431
Bonds and borrowings (adjusted)	122,748	74,431
Cash and cash equivalents	(200,630)	(171,755)
Lease liabilities	46,175	45,494
Net interest-bearing liabilities	(31,705)	(51,829)
Total equity	1,060,104	1,185,027
Net debt-to-equity ratio (Times)	(0.03)	(0.04)

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

(2) Risk management for financial instruments

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

a. Credit risk management

Credit risk is the risk that a counterparty to financial assets held by the Group is unable to fulfil its contractual obligations, resulting in a financial loss for the Group. The Group is also exposed to credit risks from financial institutions. Financial institutions are counterparties with which the Group enters into derivative transactions to hedge foreign exchange and interest rate fluctuation risks and with which it deposits surplus capital. However, since the Group controls the impact from credit risks of such financial institutions by entering into transactions only with highly credible financial institutions, the impact on credit risks is immaterial. The Group sets credit lines for each business counterparty based on internal guidelines for credit management by business and country or region, focusing on management of overdue debtors and outstanding balances. The Group's receivables are due from many business counterparties which reside in a wide range of countries and regions. The Group does not have any excessively concentrated credit risk for a single counterparty or group to which such a counterparty belongs. A loss allowance is determined by classifying receivables based on credit risk characteristics. A loss allowance for trade receivables is always measured at an amount equal to the lifetime expected credit losses. A loss allowance for other than trade receivables is principally measured at an amount equal to 12-month expected credit losses. 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, 2022	23,994	18	223,099
Balance at December 31, 2022	31,319	18	246,885
Balance at December 31, 2023	35,638	19	281,284

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, 2022	4	18	1,133
Decrease (increase) due to financial assets acquired or collected	(6)	0	(409)
Write-off	-	-	(20)
Exchange differences	5	-	260
Balance at December 31, 2022	3	18	963
Decrease (increase) due to financial assets acquired or collected	27	1	170
Write-off	-	-	(141)
Exchange differences	-	-	(75)
Balance at December 31, 2023	30	19	917

There is no significant change in the gross carrying amount of financial instruments in total during the years ended at December 31, 2022 and 2023 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, 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

As at December 31, 2023

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	430,812	430,812	430,812	-	-	-	-	-
Borrowings	39,447	39,731	14,601	25,129	-	-	-	-
Bonds	34,983	35,052	35,052	-	-	-	-	-
Lease liabilities	45,494	48,718	11,959	8,999	5,974	4,524	3,422	13,838
Derivative financial liabilities:								
Currency derivatives	1,962	4,542	2,555	1,612	373	-	-	-
Commodity derivatives	2	2	2	-	-	-	-	-
Total	552,704	558,859	494,984	35,742	6,348	4,524	3,422	13,838

c. Foreign exchange risk management

The Group operates in business activities globally and is exposed to foreign exchange risks due to fluctuations in market rates associated with purchase of raw materials, packing materials and others, trading such as import and export of merchandise, finance and investments contracted in foreign currencies in the course of business activities.

The Group avoids or mitigates risks due to foreign exchange fluctuations on cash flows in non-functional currencies using forward exchange contracts, currency options, and means, after taking into account offset of foreign currency assets and liabilities and unrecognized firm commitments, and future forecasted transactions that can be predicted reasonably. Therefore, the exposure to foreign exchange risk is insignificant, and the impact on the Group is limited.

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 future interest rate risk, fix interest expenses and reduce changes in fair value, the Group positions interest-rate swaps, interest-rate currency swaps, and interest rate options (interest-rate caps and swaptions) as hedging instruments.

As a result, the Group's exposures to interest rate risk is limited, and the impact of interest rate risk on profit before tax in the consolidated statement of profit or loss is insignificant.

e. Market price fluctuation risk management

The Group uses commodity swap transactions in order to mitigate fluctuation risks of raw material prices.

The Group is exposed to risks of changes in market prices arising on equity financial instruments (shares), and the Group manages such risks by periodically monitoring market quotes and financial conditions of issuers (business counterparties). The impact of one percent increase or decrease in the market quotes of equity instruments in the current fiscal year 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

	2022	2023
Other comprehensive income (before tax effects)	80	78

(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)

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)				

(Millions of yen)

2023	Contractual amounts	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Foreign exchange risks				
Foreign exchange contracts				
Long position				
Yen and U.S. dollar	21,323	722	171	249
Yen and Euro	3,467	1,830	1	37
Short position				
Yen and U.S. dollar	5,678	-	75	9
Currency swap contracts				
Payment in Yen	4,847	4,847	-	174
Receipt in Australian dollar (hedged item)				
Payment in Yen	21,681	21,681	-	1,048
Receipt in Pound sterling (hedged item)				
Payment in Yen	18,854	-	12	626
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, 2022	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
Other comprehensive income:				
Incurred for the period	(2,297)	-	456	(1,841)
Reclassified	1,505	-	-	1,505
Tax effect	234	-	(139)	95
Balance at December 31, 2023	(224)	-	(3)	(228)

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., forward 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. Specifically, for example, the fair value of a forward exchange contract is measured at fair value based on quoted prices of forward foreign exchange markets, etc. The fair value of an interest rate swap is determined based on present value of future cash flows, discounted using an interest rate swap rate as at the reporting date and the period up to the maturity.

Shares

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

As at December 31, 2023

Millions of yen

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets designated as hedging instruments:				
Derivative assets	-	104	-	104
Financial assets measured at FVTPL:				
Derivative assets	-	80	-	80
Other	2,005	81	1	2,087
Financial assets measured at FVTOCI:				
Equity instruments	5,436	-	2,377	7,813
Other	-	-	3	3
Liabilities:				
Financial liabilities designated as hedging instruments:				
Derivative liabilities	-	2,149	-	2,149
Financial liabilities measured at FVTPL:				
Derivative liabilities	-	6	-	6

There were no transfers among Levels 1, 2, and 3 during the year ended December 31, 2023.

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, 2023

Millions of yen

	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at January 1, 2022	1	2,189
Total gains and losses	-	160
Other comprehensive income	-	160
Additions	-	473
Other	-	(2)
Balance at December 31, 2022	1	2,821
Total gains and losses	-	(403)
Other comprehensive income	-	(403)
Sales	-	(4)
Business combination	-	(32)
Balance at December 31, 2023	1	2,380

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 "changes in the fair value of financial assets" 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, 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

Year ended December 31, 2023

Millions of yen

	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities measured at amortized cost:					
Bonds	34,983	-	35,050	-	35,050
Borrowings	39,447	-	39,589	-	39,589

34. 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	
			2022 (%)	2023 (%)
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
53 other companies				

35. Related-party transactions

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

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

Year ended December 31, 2023

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	24,129	1,969
		Advance payment of raw materials and others	-	71,769

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

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

Advance payment of raw materials and others during the year ended December 31, 2023 are primarily advance payments to third-party suppliers made by the Parent 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

	2022	2023
Basic remuneration and bonuses	394	335

36. Commitments

Commitments related to expenditures in subsequent periods as at December 31, 2022 and 2023 are as follows:

Millions of yen

	2022	2023
Acquisition of property, plant and equipment	45,279	33,068
Acquisition of intangible assets	-	5,947
Total	45,279	39,015

Commitments as at December 31, 2023 are mainly for the construction of a beverage and alcoholic beverage manufacturing plant in Queensland, Australia, the expansion of beverage manufacturing lines at Kita-Alps Shinano-no-mori Water Plant and the construction of a beverage manufacturing plant in Long An, Vietnam.

In addition to the commitment represented above, the Group entered into contracts for a lease of a fixed-term building and a prospect warehouse for the year ended December 31, 2023. The lease periods of these contracts will not begin until the following fiscal year, and therefore, no right-of-use asset or lease liability was recorded as at December 31, 2023. The estimated total payments for this lease contract amount to ¥11,082 million.

37. Subsequent events

There were no subsequent events.