
***Suntory Holdings Limited and
Consolidated Subsidiaries***

*Consolidated Financial Statements for the
Year Ended December 31, 2015, and
Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Suntory Holdings Limited:

We have audited the accompanying consolidated balance sheet of Suntory Holdings Limited and its consolidated subsidiaries as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Suntory Holdings Limited and its consolidated subsidiaries as of December 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

March 18, 2016

Member of
Deloitte Touche Tohmatsu Limited

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Balance Sheet December 31, 2015

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015		2015	2014	2015
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 16)	¥ 257,990	¥ 199,308	\$ 2,139,043	Short-term bank loans (Notes 8 and 16)	¥ 35,614	¥ 50,019	\$ 295,282
Short-term investments (Note 5)	634	26	5,257	Current portion of long-term debt (Notes 8, 15, and 16)	186,599	50,625	1,547,127
Notes and accounts receivable (Note 16):				Notes and accounts payable (Note 16):			
Trade	380,561	376,397	3,155,302	Trade	213,911	209,015	1,773,576
Other	48,805	56,582	404,652	Unconsolidated subsidiaries and associates	2,228	1,642	18,473
Allowance for doubtful accounts	(2,109)	(2,283)	(17,486)	Other	199,409	182,244	1,653,337
Inventories (Note 6)	438,927	452,875	3,639,226	Liquor tax and consumption taxes payable (Note 16)	77,414	73,798	641,854
Deferred tax assets (Note 11)	45,349	40,390	375,997	Accrued income taxes (Notes 11 and 16)	36,629	22,298	303,698
Other current assets	35,604	42,960	295,198	Accrued expenses (Note 16)	107,596	112,991	892,098
				Other current liabilities	75,228	77,046	623,730
Total current assets	<u>1,205,761</u>	<u>1,166,255</u>	<u>9,997,189</u>	Total current liabilities	<u>934,628</u>	<u>779,678</u>	<u>7,749,175</u>
PROPERTY, PLANT, AND EQUIPMENT:				LONG-TERM LIABILITIES:			
Land (Note 8)	106,204	107,363	880,557	Long-term debt (Notes 8, 15, and 16)	1,870,909	1,953,374	15,512,055
Buildings and structures (Note 8)	405,384	391,376	3,361,114	Liability for employees' retirement benefits (Note 9)	33,927	36,372	281,295
Machinery, equipment, and other (Note 8)	898,057	875,296	7,445,958	Retirement allowances for directors and Audit and Supervisory Board members	1,005	684	8,333
Construction in progress	22,363	39,322	185,416	Long-term deposits payable	39,487	38,497	327,394
Lease assets (Note 15)	46,285	12,355	383,758	Deferred tax liabilities (Note 11)	471,066	453,924	3,905,696
Total	<u>1,478,293</u>	<u>1,425,712</u>	<u>12,256,803</u>	Other	93,339	83,253	773,891
Accumulated depreciation	(792,224)	(749,106)	(6,568,477)	Total long-term liabilities	<u>2,509,733</u>	<u>2,566,104</u>	<u>20,808,664</u>
Net property, plant, and equipment	<u>686,069</u>	<u>676,606</u>	<u>5,688,326</u>	COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15 and 17)			
INVESTMENTS AND OTHER ASSETS:				EQUITY (Notes 10 and 19):			
Investments in unconsolidated subsidiaries and associates (Note 16)	47,427	48,276	393,226	Common stock, authorized - 1,305,600,000 shares, and issued - 687,136,196 shares in 2015 and 2014	70,000	70,000	580,383
Investment securities (Notes 5 and 16)	72,206	74,121	598,673	Capital surplus	(20,781)	(20,739)	(172,299)
Long-term receivables	1,380	2,123	11,442	Retained earnings	743,355	692,850	6,163,295
Long-term guarantee deposit	21,514	20,131	178,377	Treasury stock - at cost: 3,360,748 shares in 2015 and 3,830,748 shares in 2014	(2,285)	(2,605)	(18,945)
Goodwill (Note 14)	1,136,879	1,118,704	9,426,076	Accumulated other comprehensive income (loss):			
Trademarks	1,285,478	1,323,907	10,658,138	Unrealized gain on available-for-sale securities	26,427	20,322	219,111
Deferred tax assets (Note 11)	7,890	9,477	65,417	Deferred (loss) gain on derivatives under hedge accounting	(3,804)	1,240	(31,540)
Asset for retirement benefits (Note 9)	18,536	273	153,685	Foreign currency translation adjustments	53,257	132,380	441,564
Other	125,159	98,554	1,037,718	Defined retirement benefit plans	(8,496)	(11,425)	(70,442)
Allowance for doubtful accounts	(1,309)	(1,889)	(10,854)	Total	<u>857,673</u>	<u>882,023</u>	<u>7,111,127</u>
Total investments and other assets	<u>2,715,160</u>	<u>2,693,677</u>	<u>22,511,898</u>	Minority interests	304,956	308,733	2,528,447
				Total equity	<u>1,162,629</u>	<u>1,190,756</u>	<u>9,639,574</u>
TOTAL	<u>¥4,606,990</u>	<u>¥4,536,538</u>	<u>\$38,197,413</u>	TOTAL	<u>¥4,606,990</u>	<u>¥4,536,538</u>	<u>\$38,197,413</u>

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Income Year Ended December 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2015</u>	<u>2014</u>	<u>2015</u>
NET SALES	¥2,686,766	¥2,455,250	\$22,276,478
COST OF SALES (Note 12)	<u>1,330,002</u>	<u>1,244,470</u>	<u>11,027,295</u>
Gross profit	1,356,764	1,210,780	11,249,183
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 12, 13, 14 and 15)	<u>1,171,669</u>	<u>1,046,027</u>	<u>9,714,526</u>
Operating income	<u>185,095</u>	<u>164,753</u>	<u>1,534,657</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	3,526	6,821	29,235
Interest expense	(28,825)	(19,179)	(238,993)
Gain on sales of investments in subsidiaries and associates	4,295	12,519	35,611
Gain on step acquisitions (Note 3)	15,698	-	130,155
Acquisition-related costs	-	(8,941)	-
Restructuring charges	(8,344)	(16,157)	(69,182)
Impairment loss (Note 7)	(13,043)	(609)	(108,142)
Other, net (Note 14)	<u>(7,840)</u>	<u>(12,976)</u>	<u>(65,003)</u>
Other expenses, net	<u>(34,533)</u>	<u>(38,522)</u>	<u>(286,319)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>150,562</u>	<u>126,231</u>	<u>1,248,338</u>
INCOME TAXES (Note 11):			
Current	74,705	60,365	619,393
Deferred	<u>7,352</u>	<u>3,565</u>	<u>60,957</u>
Total income taxes	<u>82,057</u>	<u>63,930</u>	<u>680,350</u>
NET INCOME BEFORE MINORITY INTERESTS	68,505	62,301	567,988
MINORITY INTERESTS IN NET INCOME	<u>23,266</u>	<u>23,937</u>	<u>192,903</u>
NET INCOME	<u>¥ 45,239</u>	<u>¥ 38,364</u>	<u>\$ 375,085</u>
			U.S. Dollars (Note 1)
	<u>2015</u>	<u>2014</u>	<u>2015</u>
AMOUNTS PER SHARE (Note 2(v)):			
Net income - basic	¥66.19	¥56.20	\$0.55
Cash dividends applicable to the year	12.00	12.00	0.10

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended December 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2015</u>	<u>2014</u>	<u>2015</u>
NET INCOME BEFORE MINORITY INTERESTS	¥ 68,505	¥ 62,301	\$ 567,988
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	6,350	(161)	52,649
Deferred (loss) gain on derivatives under hedge accounting	(5,190)	4	(43,031)
Foreign currency translation adjustments	(98,209)	116,704	(814,269)
Defined retirement benefit plans	2,499	-	20,720
Share of other comprehensive income (loss) in associates	1,278	(427)	10,596
Total other comprehensive (loss) income	<u>(93,272)</u>	<u>116,120</u>	<u>(773,335)</u>
COMPREHENSIVE (LOSS) INCOME	<u>¥(24,767)</u>	<u>¥178,421</u>	<u>\$(205,347)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥(29,893)	¥135,919	\$(247,848)
Minority interests	5,126	42,502	42,501

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended December 31, 2015

	Thousands	Millions of Yen										
	Outstanding Number of Shares of Common Stock	Accumulated Other Comprehensive Income (Loss)										
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for- Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE AT JANUARY 1, 2014	687,136	¥70,000	¥(21,109)	¥666,067	¥(3,332)	¥20,611	¥ 1,374	¥ 34,400	¥ -	¥768,011	¥288,715	¥1,056,726
Net income	-	-	-	38,364	-	-	-	-	-	38,364	-	38,364
Cash dividends, ¥17.00 per share (Note 2(v))	-	-	-	(11,598)	-	-	-	-	-	(11,598)	-	(11,598)
Disposal of treasury stock	-	-	370	-	727	-	-	-	-	1,097	-	1,097
Put option granted to minority shareholders	-	-	-	17	-	-	-	-	-	17	-	17
Net change in the year	-	-	-	-	-	(289)	(134)	97,980	(11,425)	86,132	20,018	106,150
BALANCE AT DECEMBER 31, 2014 (January 1, 2015, as previously reported)	687,136	70,000	(20,739)	692,850	(2,605)	20,322	1,240	132,380	(11,425)	882,023	308,733	1,190,756
Cumulative effect of accounting change	-	-	-	8,881	-	-	-	-	-	8,881	1,435	10,316
BALANCE, JANUARY 1, 2015 (as restated)	687,136	70,000	(20,739)	701,731	(2,605)	20,322	1,240	132,380	(11,425)	890,904	310,168	1,201,072
Net income	-	-	-	45,239	-	-	-	-	-	45,239	-	45,239
Cash dividends, ¥12.00 per share (Note 2(v))	-	-	-	(8,200)	-	-	-	-	-	(8,200)	-	(8,200)
Change of scope of equity method	-	-	-	4,548	-	-	-	-	-	4,548	-	4,548
Disposal of treasury stock	-	-	183	-	320	-	-	-	-	503	-	503
Put option granted to minority shareholders	-	-	-	37	-	-	-	-	-	37	-	37
Changes in foreign subsidiaries' interests in its subsidiaries (Note 10)	-	-	(282)	-	-	-	-	-	-	(282)	-	(282)
Other	-	-	57	-	-	-	-	-	-	57	-	57
Net change in the year	-	-	-	-	-	6,105	(5,044)	(79,123)	2,929	(75,133)	(5,212)	(80,345)
BALANCE AT DECEMBER 31, 2015	<u>687,136</u>	<u>¥70,000</u>	<u>¥(20,781)</u>	<u>¥743,355</u>	<u>¥(2,285)</u>	<u>¥26,427</u>	<u>¥(3,804)</u>	<u>¥ 53,257</u>	<u>¥ (8,496)</u>	<u>¥857,673</u>	<u>¥304,956</u>	<u>¥1,162,629</u>

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended December 31, 2015

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)				Total	Minority Interests	Total Equity
					Unrealized Gain (Loss) on Available-for- Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE AT DECEMBER 31, 2014											
(January 1, 2015, as previously reported)	\$ 580,383	\$(171,951)	\$ 5,744,549	\$(21,599)	\$ 168,493	\$ 10,281	\$ 1,097,587	\$(94,727)	\$ 7,313,016	\$ 2,559,764	\$ 9,872,780
Cumulative effect of accounting change	-	-	73,634	-	-	-	-	-	73,634	11,898	85,532
BALANCE, JANUARY 1, 2015 (as restated)	580,383	(171,951)	5,818,183	(21,599)	168,493	10,281	1,097,587	(94,727)	7,386,650	2,571,662	9,958,312
Net income	-	-	375,085	-	-	-	-	-	375,085	-	375,085
Cash dividends, \$0.10 per share (Note 2(v))	-	-	(67,988)	-	-	-	-	-	(67,988)	-	(67,988)
Change of scope of equity method	-	-	37,708	-	-	-	-	-	37,708	-	37,708
Disposal of treasury stock	-	1,517	-	2,654	-	-	-	-	4,171	-	4,171
Put option granted to minority shareholders	-	-	307	-	-	-	-	-	307	-	307
Changes in foreign subsidiaries' interests in its subsidiaries (Note 10)	-	(2,338)	-	-	-	-	-	-	(2,338)	-	(2,338)
Other	-	473	-	-	-	-	-	-	473	-	473
Net change in the year	-	-	-	-	50,618	(41,821)	(656,023)	24,285	(622,941)	(43,215)	(666,156)
BALANCE AT DECEMBER 31, 2015	<u>\$ 580,383</u>	<u>\$(172,299)</u>	<u>\$ 6,163,295</u>	<u>\$(18,945)</u>	<u>\$ 219,111</u>	<u>\$(31,540)</u>	<u>\$ 441,564</u>	<u>\$(70,442)</u>	<u>\$ 7,111,127</u>	<u>\$ 2,528,447</u>	<u>\$ 9,639,574</u>

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Cash Flows Year Ended December 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 150,562	¥ 126,231	\$ 1,248,338
Adjustments for:			
Depreciation and amortization	94,503	81,764	783,542
Amortization of goodwill	64,829	53,789	537,509
Share of loss of entities accounted for using equity method	5,062	860	41,970
Gain on sales of investment securities	(5,556)	(370)	(46,066)
Gain on sales of investments in subsidiaries and associates	(4,295)	(12,519)	(35,611)
Gain on step acquisitions	(15,698)	-	(130,155)
Impairment loss	13,043	609	108,142
Loss on disposal of property, plant and equipment	4,057	4,361	33,637
Increase in notes and accounts receivable – trade	(1,468)	(41,611)	(12,171)
(Increase) decrease in inventories	(11,784)	216	(97,703)
(Decrease) increase in notes and accounts payable – trade	(12)	22,136	(99)
Increase in liquor tax and consumption tax payable	3,492	9,230	28,953
Income taxes paid	(60,746)	(92,935)	(503,656)
Other, net	30,249	5,925	250,800
Net cash provided by operating activities	<u>266,238</u>	<u>157,686</u>	<u>2,207,430</u>
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(107,080)	(105,125)	(887,820)
Proceeds from sales of property, plant, and equipment	8,741	6,552	72,473
Purchases of investment securities	(2,063)	(5,229)	(17,105)
Proceeds from sales and redemption of investment securities	12,575	3,390	104,262
Proceeds from refunds of investment securities	3,411	-	28,281
Purchase of investments in subsidiaries resulting in change in consolidation scope – net of cash acquired (Notes 3 and 4)	(134,317)	(1,388,964)	(1,113,647)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	4,854	16,785	40,245
Advances received related to transfer of business	7,036	-	58,337
Other, net	(709)	(1,133)	(5,878)
Net cash used in investing activities	<u>(207,552)</u>	<u>(1,473,724)</u>	<u>(1,720,852)</u>
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term bank loans	(13,107)	5,057	(108,673)
Proceeds from long-term bank loans	207,863	1,107,425	1,723,431
Repayments of long-term bank loans	(147,780)	(60,834)	(1,225,272)
Proceeds from issuance of bonds	-	168,710	-
Redemption of bonds	(11,400)	(110,885)	(94,520)
Repayments of lease obligations	(4,809)	(3,042)	(39,872)
Proceeds from disposal of treasury stock	503	1,098	4,170
Cash dividends	(8,200)	(11,598)	(67,988)
Cash dividends to minority shareholders	(16,563)	(17,957)	(137,327)
Other, net	20	-	166
Net cash provided by financing activities	<u>6,527</u>	<u>1,077,974</u>	<u>54,115</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>(6,531)</u>	<u>18,742</u>	<u>(54,150)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,682	(219,322)	486,543
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>199,308</u>	<u>418,630</u>	<u>1,652,500</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 257,990</u>	<u>¥ 199,308</u>	<u>\$ 2,139,043</u>

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Notes to Consolidated Financial Statements As of and for the Year Ended December 31, 2015

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Suntory Holdings Limited (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.61 to \$1, the exchange rate at December 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The Company is a pure holding company, which was established on February 16, 2009, through a method of stock transfer in which all the shares of the former Suntory Limited (now, Suntory Spirits Limited), a company founded in Osaka in 1899 as an unincorporated enterprise under the name of Torii Shoten, were transferred to the Company in connection with the reorganization of Suntory Group. The Company and its consolidated subsidiaries operate alcoholic and nonalcoholic beverage business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Consolidation** - The consolidated financial statements as of December 31, 2015, include the accounts of the Company and its 277 (273 in 2014) subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 27 (25 in 2014) associates are accounted for by the equity method in 2015.

Investments in the remaining unconsolidated subsidiaries and associates are stated at cost. Even if the consolidation or the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the acquisition cost over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over periods of mainly 20 years, or if immaterial, is charged to income when incurred. Acquired intangible assets with finite useful lives are amortized over the estimated useful lives. Acquired intangible assets with indefinite useful lives are not amortized and subject to impairment testing.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

- (b) **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements** - In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America ("U.S. GAAP") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; 3) expensing capitalized development costs of research and development (R&D); 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.
- (c) **Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method** - In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.
- (d) **Business Combination** - In October, 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

- (e) **Cash Equivalents** - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include deposits in banks (including time deposits). The Group considers all time deposits with an original maturity of six months or less to be cash equivalents. Generally, such time deposits can be withdrawn at any time without penalty or diminution of the principal amount.
- (f) **Inventories** - Inventories are primarily stated at the lower of cost determined by the average method or net selling value, which is defined as the selling price, less additional estimated manufacturing costs, and estimated direct selling expenses.
- (g) **Short-Term Investments and Investment Securities** - Short-term investments and investment securities are classified and accounted for, depending on management's intent, as either (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, and are reported at amortized cost or (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by charging to income.

- (h) **Allowance for Doubtful Accounts** - The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- (i) **Property, Plant, and Equipment** - Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Group is mainly computed by the straight-line method. The range of useful lives is principally from three to 50 years for buildings and structures and from two to 17 years for machinery, equipment, and other. The useful lives for lease assets which do not transfer ownership of the leased property to the lessee are the terms of the respective leases.
- (j) **Intangible Assets** - Intangible assets are amortized primarily using the straight-line method except for acquired intangible assets with indefinite useful lives. Trademarks whose useful lives are not determinable are not amortized and subject to impairment test. Purchased software for internal use and software development costs are amortized based on the straight-line method over an estimated useful life of five years.

- (k) **Long-Lived Assets** - The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- (l) **Retirement and Pension Plans** - The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans, defined contribution pension plans, and unfunded retirement benefit plans for employees.

The Group accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis mainly over 15 years within the average remaining service period. Past service costs are amortized on a straight-line basis mainly over 15 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

- (1) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
- (2) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments. (see Note 18)
- (3) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in the prior annual period, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (1) and (2) above, effective December 31, 2014, and for (3) above, effective January 1, 2015.

With respect to (3) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using different discount rates according to the estimated timing of benefit payment, and recorded the effect of (3) above as of January 1, 2015, in retained earnings. As a result, asset for retirement benefits as of January 1, 2015, increased by ¥9,721 million (\$80,598 thousand), liability for employees' retirement benefits as of January 1, 2015, decreased by ¥6,311 million (\$52,326 thousand), and retained earnings as of January 1, 2015, increased by ¥8,881 million (\$73,634 thousand), and there was no material impact on operating income and income before income taxes and minority interests for the year ended December 31, 2015. In addition, there was no material impact on basic net income per share for the year ended December 31, 2015.

- (m) Retirement Allowances for Directors and Audit and Supervisory Board Members** - Upon retirement, directors and Audit and Supervisory Board members of the Company's domestic subsidiaries and directors of certain foreign subsidiaries are also qualified to receive lump-sum payments based on the Company's internal policies.

Retirement allowances for directors and Audit and Supervisory Board members are recorded to state the liability at the amount that would be required if all directors and Audit and Supervisory Board members retired at each consolidated balance sheet date.

- (n) Asset Retirement Obligations** - In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

- (o) Research and Development Costs** - Research and development costs are charged to income as incurred.

- (p) Consumption Taxes** - Consumption taxes are excluded from the revenue and expense accounts, which are subject to such taxes.

- (q) Leases** - In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. In addition, the revised accounting standard permits leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee, to continue to be accounted for as operating lease transactions with "as if capitalized" information disclosed in the notes to the lessee's financial statements.

The Group applied the revised accounting standard effective January 1, 2009. In addition, the Group continues to account for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

- (r) **Income Taxes** - The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

The Company has adopted the consolidated taxation system in Japan, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries since the fiscal year ended December 31, 2012.

- (s) **Foreign Currency Transactions** - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen by applying the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- (t) **Foreign Currency Financial Statements** - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen by applying the current exchange rate as of the consolidated balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate for their accounting periods.

- (u) **Derivatives and Hedge Activities** - The Group uses derivative financial instruments and payables denominated in foreign currencies to manage its exposures to fluctuations of receivables, payables and net investments in subsidiaries and associates in foreign exchange rates, interest rates, and commodity prices. These derivative financial instruments are utilized by the Group to reduce volatility risks of foreign currency exchange rates, interest rates, and commodity prices. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: 1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income, 2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions and 3) for payables and derivatives used for hedging net investment in subsidiaries and associates, if they qualify for hedge accounting, unrealized foreign exchange gains/losses on payables and gains or losses on derivatives are deferred and included in the foreign currencies translation adjustments. The foreign currency forward contracts and foreign currency option contracts employed to hedge foreign exchange exposures for import purchases and forward contracts applied for forecasted (or committed) transactions are measured at fair value, and the unrealized gains/losses are deferred under hedge accounting in a separate component of equity until the underlying transactions are completed.

Trade payables and deposits denominated in foreign currencies, for which foreign currency forward contracts are used to hedge the foreign currency fluctuations, are translated at the contracted rate if the forward contracts qualify for hedge accounting and meet specific criteria.

Interest rate swaps, except for certain swaps described below, which qualify for hedge accounting are measured at market value at the consolidated balance sheet date, and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity. Those swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

Interest and currency rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income, and hedged items denominated in a foreign currency are translated at the contracted rates.

The commodity swap contracts which qualify for hedge accounting are measured at market value at the consolidated balance sheet date, and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

- (v) **Per Share Information** - Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statement of income represents dividends applicable to the respective year, including dividends to be paid after the end of the year.

(w) **Accounting Changes and Error Corrections** - In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions, in which case the entity shall comply with the specific transitional provisions; (2) Changes in Presentation - When the presentation of consolidated financial statements is changed, prior-period consolidated financial statements are reclassified in accordance with the new presentation; (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods; and (4) Corrections of Prior-Period Errors - When an error in prior-period consolidated financial statements is discovered, those prior-period consolidated financial statements are restated.

(x) **New Accounting Pronouncements**

Accounting Standards for Business Combinations and Consolidated Financial Statements - On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

(1) *Transactions with noncontrolling interest*

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(2) *Presentation of the consolidated balance sheet*

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(3) *Presentation of the consolidated statement of income*

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(4) Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(5) Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (1) transactions with noncontrolling interest, (2) presentation of the consolidated balance sheet, (3) presentation of the consolidated statement of income, and (5) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (1) transactions with noncontrolling interest and (5) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (1) transactions with noncontrolling interest and (5) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (4) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Group expects to apply the revised accounting standards and guidance for (1), (2), (3), and (5) above from January 1, 2016, and for (4) above for a business combination which will occur on or after January 1, 2016, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

Tax Effect Accounting - On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the Company's classification in respect of its profitability, taxable profit and temporary difference, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for deductible temporary differences for which it was specifically prohibited to recognize deferred tax assets under the previous guidance, if the Company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Group has not yet determined its first application date, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. BUSINESS COMBINATION

Business Combination through Equity Acquisition

Overview of the Business Combination

(1) Company name, its main business, and brands acquired

- | | |
|----------------------|---|
| I. Company name: | Japan Beverage Holdings Inc. |
| Main business: | Formation and promotion of corporate strategy for all group companies, and sale of various foods and beverages via vending machines |
| Company name: | JT A-Star Co., Ltd. |
| Main business: | Sale of various foods and beverages via vending machines |
| Company name: | Japan Beverage Ecology Inc. |
| Main business: | Regeneration of beverage containers, sales of processed goods |
| II. Acquired brands: | Roots and Momono Tennen-sui |

(2) Name of counterparty of the acquisition

Japan Tobacco Inc.

(3) Purpose of the acquisition

Japan Beverage Holdings Inc. and its subsidiaries have established leading positions in the industry as independent vending machine operators, leveraging its wide-ranging products through vending machines, tea servers and coffee servers. JT A-Star Co., Ltd. and Oriental Corporation, a subsidiary of JT A-Star Co., Ltd., are established vending machine operators with a solid business foundation particularly in Chiba, Ibaraki and Tochigi prefectures.

(4) Date of completion of business combination

July 31, 2015

(5) Legal form of business combination

Additional acquisition of shares and brand acquisition in exchange for cash payment

(6) Name of acquired companies after business combination

No change

(7) Percent of shares acquired

I. Japan Beverage Holdings Inc.

Percentage of shares held before business combination	12.0% (Note 1)
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Additional acquisition of shares upon date of business combination	70.5%
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Percentage of shares held after business combination	82.6% (Note 1)
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(Note 1) The percentage includes those indirect holdings of shares through Suntory Foods Limited.

II. JT A-Star Co., Ltd.

Acquisition of shares upon date of business combination	100%
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III. Japan Beverage Ecology Inc.

Acquisition of shares upon date of business combination	100% (Note 2)
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(Note 2) The percentage includes those indirect holdings of shares through Japan Beverage Holdings Inc.

(8) Rationalization of the acquisition

The Company's consolidated subsidiary, Suntory Beverage & Food Limited acquired shares of such companies and brands from Japan Tobacco Inc. in exchange for cash.

(9) Period of operating results of the acquired company included in the Group's consolidated financial statements

From August 1, 2015, to December 31, 2015

(10) The breakdown of acquisition cost for the acquired companies

	<u>Millions of Yen</u> <u>2015</u>	<u>Thousands of U.S. Dollars</u> <u>2015</u>
Cash payment for acquisition (Note 3)	¥166,814	\$ 1,383,086
Cost directly incurred for the acquisition	<u>239</u>	<u>1,982</u>
Total acquisition cost	<u>¥167,053</u>	<u>\$ 1,385,068</u>

(Note 3) The amount includes actual cash payment upon acquisition and fair value of common shares held before business combination.

(11) Difference in acquisition costs between before and after acquisition of the companies

	<u>Millions of Yen</u> <u>2015</u>	<u>Thousands of U.S. Dollars</u> <u>2015</u>
Gain on step acquisitions	¥15,698	\$ 130,155

(12) Goodwill recognized, reason for its recognition, method and period of amortization

	<u>Millions of Yen</u> <u>2015</u>	<u>Thousands of U.S. Dollars</u> <u>2015</u>
I. Goodwill recognized	¥133,359	\$ 1,105,704

II. Reason for its recognition

The total net asset value of the acquired companies at the time of the business combination was lower than the cost of acquisition; therefore, the difference was recognized as goodwill.

III. Method and period of amortization

Straight-line method over 20 years

(13) Assets acquired and liabilities assumed as of the acquisition date

	<u>Millions of Yen</u> <u>2015</u>	<u>Thousands of U.S. Dollars</u> <u>2015</u>
Current assets	¥42,097	\$ 349,034
Noncurrent assets	<u>57,304</u>	<u>475,118</u>
Total assets	<u>¥99,401</u>	<u>\$ 824,152</u>
Current liabilities	¥35,627	\$ 295,390
Long-term liabilities	<u>23,368</u>	<u>193,748</u>
Total liabilities	<u>¥58,995</u>	<u>\$ 489,138</u>
Minority interests	¥6,713	\$ 55,659

- (14) Estimated impact on consolidated financial results and method of calculation if the business combination had been completed at the beginning of the fiscal year

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
	<u>2015</u>	<u>2015</u>
Net sales	¥60,000	\$ 497,471
Operating loss	(3,000)	(24,874)

Estimated impact on consolidated financial results was calculated based on the difference in sales and profit information calculated as if the business combination had been completed at the beginning of the fiscal year and those included in the consolidated financial results.

The above information has not been audited.

4. ADDITIONAL INFORMATION FOR CONSOLIDATED STATEMENT OF CASH FLOWS

- (1) As disclosed in Note 3, the Group acquired Japan Beverage Holdings Inc. and JT A-Star Co., Ltd., etc. on July 31, 2015. Assets and liabilities of the acquired companies and net cash used for the acquisition were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
	<u>2015</u>	<u>2015</u>
Current assets	¥ 42,097	\$ 349,034
Noncurrent assets	173,287	1,436,754
Current liabilities	(35,627)	(295,390)
Long-term liabilities	(23,368)	(193,748)
Minority interests	(6,713)	(55,659)
Total acquisition costs	149,676	1,240,991
Cash and cash equivalents	(15,359)	(127,344)
Net cash used for acquisition	<u>¥134,317</u>	<u>\$ 1,113,647</u>

- (2) On May 1, 2014, the Group acquired Beam Inc. Assets and liabilities of the acquired company and net cash used for the acquisition in 2014 were as follows:

	<u>Millions of Yen</u>
Current assets	¥ 308,932
Noncurrent assets	1,093,304
Goodwill	657,429
Current liabilities	(77,568)
Long-term liabilities	(559,044)
Total acquisition costs	1,423,053
Cash and cash equivalents of the acquired company	(34,089)
Net cash used for acquisition	<u>¥1,388,964</u>

5. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of December 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Short-term investments:			
Time deposits	¥632	¥24	\$5,240
Corporate bonds	<u>2</u>	<u>2</u>	<u>17</u>
Total	<u>¥634</u>	<u>¥26</u>	<u>\$5,257</u>
Investment securities:			
Equity securities	¥72,007	¥73,894	\$597,023
Corporate bonds	3	5	25
Other	<u>196</u>	<u>222</u>	<u>1,625</u>
Total	<u>¥72,206</u>	<u>¥74,121</u>	<u>\$598,673</u>

The costs and aggregate fair values of marketable securities included in short-term investment and investment securities as of December 31, 2015 and 2014, were as follows:

	Millions of Yen					
	2015			2014		
	Acquisition Cost	Carrying Amount	Unrealized Gain (Loss)	Acquisition Cost	Carrying Amount	Unrealized Gain (Loss)
Available-for-sale securities:						
Carrying amounts exceeding their acquisition cost:						
Equity securities	¥20,355	¥62,107	¥41,752	¥22,363	¥55,163	¥32,800
Acquisition costs exceeding their carrying amounts:						
Equity securities	<u>5,148</u>	<u>3,158</u>	<u>(1,990)</u>	<u>6,895</u>	<u>5,807</u>	<u>(1,088)</u>
Total	<u>¥25,503</u>	<u>¥65,265</u>	<u>¥39,762</u>	<u>¥29,258</u>	<u>¥60,970</u>	<u>¥31,712</u>
	Thousands of U.S. Dollars					
	2015					
	Acquisition Cost	Carrying Amount	Unrealized Gain (Loss)			
Available-for-sale securities:						
Carrying amounts exceeding their acquisition cost:						
Equity securities	\$168,767	\$514,941	\$346,174			
Acquisition costs exceeding their carrying amounts:						
Equity securities	<u>42,683</u>	<u>26,183</u>	<u>(16,500)</u>			
Total	<u>\$211,450</u>	<u>\$541,124</u>	<u>\$329,674</u>			

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2015 and 2014, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Available for sale:			
Equity securities	¥6,742	¥12,923	\$55,899
Corporate bonds	5	8	42
Investments in limited partnerships	<u>196</u>	<u>222</u>	<u>1,625</u>
Total	<u>¥6,943</u>	<u>¥13,153</u>	<u>\$57,566</u>

Sales of securities classified as available-for-sale securities for the year ended December 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Amount sold	¥12,575	\$104,262
Total gain on sale	5,556	46,066
Total loss on sale	0	0

Total gain on sale and total loss on sale for the year ended December 31, 2014, were immaterial, and are not shown in the table above.

6. INVENTORIES

Inventories as of December 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
	Finished and semifinished products	¥370,259	¥386,448
Work in process	18,212	14,200	150,999
Raw materials and supplies	<u>50,456</u>	<u>52,227</u>	<u>418,340</u>
Total	<u>¥438,927</u>	<u>¥452,875</u>	<u>\$3,639,226</u>

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment at year-end and, as a result, recognized impairment losses of ¥13,043 million (\$108,142 thousand) for the year ended December 31, 2015, to adjust the carrying amounts of the relevant assets or asset groups to recoverable amounts.

A breakdown of impairment loss is as follows: ¥54 million (\$448 thousand) in land, ¥126 million (\$1,045 thousand) in building and structures, ¥3,054 million (\$25,321 thousand) in machinery, equipment, and other, ¥9,514 million (\$78,882 thousand) in intangible fixed assets, such as goodwill, and ¥295 million (\$2,446 thousand) in other. The recoverable amounts of these assets or groups were the higher of the discounted cash flows from the continued use and eventual disposition of the assets and were from 2.50% to 16.50%.

Location	2015	
	Use	Type
Indonesia, and other locations	Idle assets	Machinery, equipment, and other, etc.
Indonesia, and other locations	Business assets (Beverages and Foods)	Goodwill, etc.
Fuchu City in Tokyo, and other locations	Business assets (Alcoholic beverages)	Land, etc.
Mishima-gun in Osaka, and other locations	Business assets (Others)	Building and structure, etc.

Impairment losses for the year ended December 31, 2014, were immaterial, and are not shown in the table above.

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The weighted-average rates applicable to the short-term bank loans were 2.66% and 3.14% as of December 31, 2015 and 2014, respectively.

Long-term debt as of December 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Publicly offered corporate bonds, due 2017 through 2024, rates ranging from 0.26% to 0.74%	¥ 65,000	¥ 75,000	\$ 538,927
Euro yen bonds, due 2016, rates ranging from 0.93% to 1.15%	3,600	5,000	29,848
Euro U.S. dollar bonds, due 2019, rates ranging from 0.70% to 0.78%	24,122	24,110	200,000
U.S. dollar bonds, due to 2016 through 2036, rates of 1.65% to 8.63%	359,380	361,242	2,979,687
Interest deferrable and early redeemable subordinated bonds, due 2071, rates ranging from 1.17% to 1.64%	21,700	21,700	179,919
Loans from banks and other institutions, due through 2075, rates ranging from 0.00% to 9.73%, with:			
Collateralized	766	1,426	6,351
Unsecured	1,553,098	1,506,815	12,877,024
Obligations under finance leases	29,842	8,706	247,426
Total	2,057,508	2,003,999	17,059,182
Less current portion	(186,599)	(50,625)	(1,547,127)
Long-term debt, less current portion	<u>¥1,870,909</u>	<u>¥1,953,374</u>	<u>\$15,512,055</u>

Annual maturities of long-term debt excluding finance leases as of December 31, 2015, were as follows:

<u>Years Ending December 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2016	¥ 177,970	\$ 1,475,582
2017	288,132	2,388,956
2018	253,476	2,101,617
2019	208,099	1,725,388
2020	104,447	865,989
2021 and thereafter	<u>995,542</u>	<u>8,254,224</u>
Total	<u>¥2,027,666</u>	<u>\$16,811,756</u>

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt of ¥766 million (\$6,351 thousand) as of December 31, 2015, were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Land	¥4,768	\$39,532
Buildings and structures – net of accumulated depreciation	1,895	15,712
Machinery, equipment, and other – net of accumulated depreciation	<u>102</u>	<u>846</u>
Total	<u>¥6,765</u>	<u>\$56,090</u>

9. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans, defined contribution pension plans, and unfunded retirement benefit plans for employees. The employees' retirement benefit trusts are established for certain funded defined benefit pension plans, and securities held in those trusts are qualified as plan assets. Several subsidiaries account for their defined benefit obligations and related past service costs using the simplified valuation method.

Years Ended December 31, 2015 and 2014

Defined Benefit Plans

- (1) The changes in defined benefit obligation for the years ended December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥198,854	¥114,182	\$ 1,648,735
Cumulative effect of accounting change	(16,032)	-	(132,924)
Balance at beginning of year (as restated)	182,822	114,182	1,515,811
Current service cost	5,776	4,515	47,890
Interest cost	3,997	3,519	33,140
Actuarial (gains) losses	(4,079)	19,120	(33,820)
Benefits paid	(7,045)	(5,883)	(58,412)
Increase due to consolidation of acquired subsidiaries	10,633	54,413	88,160
Others	(2,705)	8,988	(22,427)
Balance at end of year	<u>¥189,399</u>	<u>¥198,854</u>	<u>\$ 1,570,342</u>

- (2) The changes in plan assets for the years ended December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥162,755	¥108,214	\$ 1,349,432
Expected return on plan assets	5,496	4,136	45,568
Actuarial (losses) gains	(1,886)	5,457	(15,637)
Contributions from the employer	5,773	5,763	47,865
Benefits paid	(6,303)	(6,723)	(52,259)
Increase due to consolidation of acquired subsidiaries	11,630	39,799	96,426
Others	(3,457)	6,109	(28,663)
Balance at end of year	<u>¥174,008</u>	<u>¥162,755</u>	<u>\$ 1,442,732</u>

- (3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of December 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefit obligation	¥ 173,069	¥ 184,267	\$ 1,434,947
Plan assets	(174,008)	(162,755)	(1,442,732)
	(939)	21,512	(7,785)
Unfunded defined benefit obligation	<u>16,330</u>	<u>14,587</u>	<u>135,395</u>
Net liability arising from defined benefit obligation	<u>¥ 15,391</u>	<u>¥ 36,099</u>	<u>\$ 127,610</u>

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for employees' retirement benefits	¥ 33,927	¥36,372	\$ 281,295
Asset for retirement benefits	<u>(18,536)</u>	<u>(273)</u>	<u>(153,685)</u>
Net liability arising from defined benefit obligation	<u>¥ 15,391</u>	<u>¥36,099</u>	<u>\$ 127,610</u>

- (4) The components of net periodic benefit costs for the years ended December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 5,776	¥ 4,515	\$ 47,890
Interest cost	3,997	3,519	33,140
Expected return on plan assets	(5,496)	(4,136)	(45,568)
Recognized actuarial losses	2,921	2,561	24,219
Amortization of past service cost	(680)	(690)	(5,638)
Others	<u>(104)</u>	<u>425</u>	<u>(863)</u>
Net periodic benefit costs	<u>¥ 6,414</u>	<u>¥ 6,194</u>	<u>\$ 53,180</u>

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended December 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Past service cost	¥ 489	¥ -	\$ 4,054
Actuarial gains	<u>(5,094)</u>	<u>-</u>	<u>(42,235)</u>
Total	<u>¥(4,605)</u>	<u>¥ -</u>	<u>\$(38,181)</u>

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of December 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized past service cost	¥ (6,811)	¥ (7,723)	\$ (56,471)
Unrecognized actuarial losses	<u>19,333</u>	<u>26,685</u>	<u>160,294</u>
Total	<u>¥12,522</u>	<u>¥18,962</u>	<u>\$ 103,823</u>

(7) Plan assets

a. *Components of plan assets*

Plan assets as of December 31, 2015 and 2014, consisted of the followings:

	<u>2015</u>	<u>2014</u>
Debt investments	35%	36%
Equity investments	29	30
Insurance assets (general accounts)	10	9
Others	<u>26</u>	<u>25</u>
Total	<u>100%</u>	<u>100%</u>

The employees' retirement benefit trusts consist of 10% and 9% of the plan assets for the years ended December 31, 2015 and 2014, respectively.

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions mainly used for the years ended December 31, 2015 and 2014, were set forth as follows:

	<u>2015</u>	<u>2014</u>
Discount rate	0.9% - 8.0%	0.8% - 8.0%
Expected rate of return on plan assets	0.0% - 7.0%	0.0% - 7.2%
Expected rate of future salary increases	2.5% - 10.0%	2.5% - 10.0%

Defined Contribution Plan

Contributions to the defined contribution plans made by the Group were ¥5,474 million (\$45,386 thousand) and ¥3,670 million for the years ended December 31, 2015 and 2014, respectively.

10. EQUITY

(1) *Companies Act of Japan*

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-years term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(2) Changes in foreign subsidiaries' interests in their subsidiaries

Foreign subsidiaries preparing their financial statements in accordance with either IFRS or U.S. GAAP account for any changes in their interests in subsidiaries, which did not result in losing control of their subsidiaries, as capital transactions, whereas such changes are accounted for as goodwill or as profit or loss under current Japanese GAAP. The Group accounts for the changes as capital surplus in accordance with PITF No. 18.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.6% and 38.0% for the years ended December 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Deferred tax assets:			
Tax loss carryforwards	¥ 17,718	¥ 22,729	\$ 146,903
Accrued expenses	13,886	15,579	115,131
Liability for employees' retirement benefits	11,784	13,081	97,703
Accrued bonuses	7,209	3,397	59,771
Unrealized profit	6,480	4,637	53,727
Impairment loss	3,510	3,027	29,102
Other	32,370	28,173	268,386
Total gross deferred tax assets	<u>92,957</u>	<u>90,623</u>	<u>770,723</u>
Valuation allowance	<u>(20,953)</u>	<u>(19,776)</u>	<u>(173,725)</u>
Net deferred tax assets	<u>72,004</u>	<u>70,847</u>	<u>596,998</u>
Deferred tax liabilities:			
Intangible assets	(414,268)	(410,928)	(3,434,773)
Property, plant, and equipment	(24,633)	(25,383)	(204,237)
Temporary differences in investments in subsidiaries	(23,927)	(23,871)	(198,383)
Net unrealized holding gains on securities	(12,376)	(10,902)	(102,612)
Other	(17,553)	(7,024)	(145,535)
Total gross deferred tax liabilities	<u>(492,757)</u>	<u>(478,108)</u>	<u>(4,085,540)</u>
Net deferred tax liabilities	<u>¥(420,753)</u>	<u>¥(407,261)</u>	<u>\$ (3,488,542)</u>

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended December 31, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Normal effective statutory tax rate	35.6%	38.0%
Amortization of goodwill	15.7	15.2
Accumulated earnings taxes	9.3	0.0
Valuation allowance	2.9	3.2
Income not taxable for income tax purposes	(3.6)	(2.5)
Differences in tax rate of overseas consolidated subsidiaries	(3.2)	(5.4)
Other – net	<u>(2.2)</u>	<u>2.1</u>
Actual effective tax rate	<u>54.5%</u>	<u>50.6%</u>

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, from approximately 35.6% to 33.1% for the year beginning on or after January 1, 2016, and to 32.3% for the year beginning on or after January 1, 2017. Also, the amount of deductible tax loss carried forward will be no less than the taxable income of 65.0% for the fiscal year beginning on January 1, 2016, and 50.0% for the fiscal year beginning on January 1, 2018. The effect of this change on the consolidated financial statements for the year ended December 31, 2015, is immaterial.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥22,548 million (\$186,950 thousand) and ¥19,349 million for the years ended December 31, 2015 and 2014, respectively.

13. ADVERTISING COSTS

Advertising costs were ¥117,370 million (\$973,137 thousand) and ¥108,810 million for the years ended December 31, 2015 and 2014, respectively.

14. AMORTIZATION OF GOODWILL

Amortization of goodwill included in the selling, general, and administration costs was ¥64,829 million (\$537,509 thousand) and ¥48,327 million for the years ended December 31, 2015 and 2014, respectively. In addition, amortization of goodwill of ¥5,462 million was included in the other expenses for the years ended December 31, 2014.

15. LEASES

As Lessee

The Group leases vending machines, certain machinery, computer equipment, office space, and other assets.

Total rental expenses, including lease payments under finance leases for the years ended December 31, 2015 and 2014, included in the selling, general, and administrative expenses amounted to ¥19,326 million (\$160,235 thousand) and ¥21,040 million, respectively.

Pro Forma Information of Leased Property Whose Lease Inception Was Before December 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008, to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the consolidated financial statements. The Group applied ASBJ Statement No. 13 effective January 1, 2009, and accounted for such leases as operating lease transactions. Pro forma information of leased property, whose lease inception was before December 31, 2008, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense, and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis, were as follows:

	Millions of Yen			Total
	2015			
	Buildings and Structures	Machinery and Equipment	Other	
Acquisition cost	¥ 240	¥ 27,701	¥ 1	¥ 27,942
Accumulated depreciation	(202)	(18,843)	(1)	(19,046)
Net leased property	<u>¥ 38</u>	<u>¥ 8,858</u>	<u>¥ 0</u>	<u>¥ 8,896</u>

	Millions of Yen			
	2014			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	¥ 240	¥ 30,676	¥ 61	¥ 30,977
Accumulated depreciation	(179)	(19,071)	(57)	(19,307)
Accumulated impairment loss	-	(2)	-	(2)
Net leased property	<u>¥ 61</u>	<u>¥ 11,603</u>	<u>¥ 4</u>	<u>¥ 11,668</u>

	Thousands of U.S. Dollars			
	2015			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	\$ 1,990	\$ 229,674	\$ 8	\$ 231,672
Accumulated depreciation	(1,675)	(156,231)	(8)	(157,914)
Net leased property	<u>\$ 315</u>	<u>\$ 73,443</u>	<u>\$ 0</u>	<u>\$ 73,758</u>

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
	Due within one year	¥3,499	¥ 3,945
Due after one year	<u>4,127</u>	<u>7,682</u>	<u>34,218</u>
Total	<u>¥7,626</u>	<u>¥11,627</u>	<u>\$63,229</u>

Depreciation expense, interest expense, and other information for finance leases as of December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
	Depreciation expense	¥2,054	¥2,934
Interest expense	133	513	1,103
Reversal of allowance for impairment loss on leased property	0	1,025	0

Depreciation expense and interest expense, which were not reflected in the accompanying consolidated statement of income, were computed by the straight-line method and the interest method.

The minimum rental commitments under noncancelable operating leases as of December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥12,120	¥15,553	\$ 100,489
Due after one year	<u>56,889</u>	<u>62,307</u>	<u>471,677</u>
Total	<u>¥69,009</u>	<u>¥77,860</u>	<u>\$ 572,166</u>

As Lessor

The Group subleases certain buildings and structures.

The minimum lease receivables under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Due within one year	¥297	¥281	\$ 2,462
Due after one year	<u>432</u>	<u>584</u>	<u>3,582</u>
Total	<u>¥729</u>	<u>¥865</u>	<u>\$ 6,044</u>

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group primarily invests cash surpluses, if any, in low-risk financial instruments and does not invest for trading or speculative purposes. The Group, depending on the market condition at the time, uses short-term bank loans or commercial paper for short-term cash demands and long-term bank loans or corporate bonds to satisfy long-term cash demands. Derivatives are used, not for trading or speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Marketable and investment securities, mainly equity instruments of unconsolidated subsidiaries and associates or customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year and are exposed to liquidity risk. Bank loans, commercial paper, and corporate bonds are used to fund the Group's ongoing operations or investments. A part of such debt is exposed to market risks from changes in variable interest rates or from fluctuation in foreign currency exchange rates.

Derivatives are used to manage exposure to risks, from changes in foreign currency exchange rates or changes in market price fluctuations of goods, of payables derived from the Group's normal business, such as purchases of raw or packaging material, and imports of goods; risks of changes in foreign currency exchange rates of capital transactions denominated in foreign currencies and dividends receivables; risks from changes in foreign currency exchange rates of net investments in subsidiaries and associates; and risks from changes in variable interest rates and foreign exchange rates of bank loans and corporate bonds. The Group does not enter into derivatives for trading or speculative purposes. Please see Note 17 for more details about derivatives.

(3) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include the monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. With respect to financial investments and derivatives, the Group manages its exposure to credit risk by limiting its counterparty to high credit rating financial institutions. Please see Note 17 for details about derivatives.

Market Risk Management (foreign exchange risk, interest rate risk, and commodity price risk)

Forward foreign currency contracts, foreign currency swaps, foreign currency options, and foreign currency payables are employed to hedge foreign exchange exposures of trade receivables and payables denominated in foreign currencies and net investments in subsidiaries and associates.

Interest rate swaps, interest rate options, and interest rate and currency swaps are used to manage exposure to market risks from changes in interest rates or in foreign exchange rates of loan payables and bond payables.

Commodity price swap contracts are used to hedge risks of fluctuations in raw material prices.

Investment securities are managed by monitoring market values and financial positions of issuers on a regular basis. In addition, the Group periodically reviews its portfolio considering relationships with its customers and suppliers except for held-to-maturity securities.

The Group Treasury department executes derivative transactions based on the internal guidelines, which prescribe the counterparties and the quantity and profit/loss limit for each transaction. Each transaction is approved by management before and after execution. The Group Treasury department also reviews consolidated subsidiaries' derivative transactions based on the internal guidelines before the transaction, and reviews reports from those subsidiaries after the execution of the transaction. The Group has established segregation of duties in the Group Treasury department by separating execution of derivative transactions from a back office that performs reconciliation and risk evaluations. The balance and risk status of the transactions, including consolidated subsidiaries, have been periodically reported to management by the Group Treasury department.

Liquidity Risk Management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group Treasury department manages its liquidity risk by adequate financial planning.

(4) *Fair values of financial instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Also, please see Note 17 for information on the fair value of derivatives.

(a) *Fair value of financial instruments*

<u>December 31, 2015</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Cash and cash equivalents	¥257,990	¥257,990	¥ -
Notes and accounts receivable – trade	380,561	380,561	-
Investment securities	<u>65,264</u>	<u>65,264</u>	-
Total	<u>¥703,815</u>	<u>¥703,815</u>	<u>¥ -</u>
Short-term bank loans	¥ 35,614	¥ 35,614	¥ -
Current portion of long-term debt	186,599	187,095	(496)
Notes and accounts payable – trade	213,911	213,911	-
Notes and accounts payable – other	199,409	199,409	-
Liquor tax and consumption taxes payable	77,414	77,414	-
Accrued income taxes	36,629	36,629	-
Accrued expenses	107,596	107,596	-
Long-term debt	<u>1,870,909</u>	<u>1,872,212</u>	<u>(1,303)</u>
Total	<u>¥2,728,081</u>	<u>¥2,729,880</u>	<u>¥(1,799)</u>
<u>December 31, 2014</u>			
Cash and cash equivalents	¥199,308	¥199,308	¥ -
Notes and accounts receivable – trade	376,397	376,397	-
Investment securities	<u>60,970</u>	<u>60,970</u>	-
Total	<u>¥636,675</u>	<u>¥636,675</u>	<u>¥ -</u>
Short-term bank loans	¥ 50,019	¥ 50,019	¥ -
Current portion of long-term debt	50,625	50,740	(115)
Notes and accounts payable – trade	209,015	209,015	-
Notes and accounts payable – other	182,244	182,244	-
Liquor tax and consumption taxes payable	73,798	73,798	-
Accrued income taxes	22,298	22,298	-
Accrued expenses	112,991	112,991	-
Long-term debt	<u>1,953,374</u>	<u>1,956,114</u>	<u>(2,740)</u>
Total	<u>¥2,654,364</u>	<u>¥2,657,219</u>	<u>¥(2,855)</u>

<u>December 31, 2015</u>	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	\$ 2,139,043	\$ 2,139,043	\$ -
Notes and accounts receivable – trade	3,155,302	3,155,302	-
Investment securities	541,116	541,116	-
Total	<u>\$ 5,835,461</u>	<u>\$ 5,835,461</u>	<u>\$ -</u>
Short-term bank loans	\$ 295,282	\$ 295,282	\$ -
Current portion of long-term debt	1,547,127	1,551,240	(4,113)
Notes and accounts payable – trade	1,773,576	1,773,576	-
Notes and accounts payable – other	1,653,337	1,653,337	-
Liquor tax and consumption taxes payable	641,854	641,854	-
Accrued income taxes	303,698	303,698	-
Accrued expenses	892,098	892,098	-
Long-term debt	15,512,055	15,522,859	(10,804)
Total	<u>\$22,619,027</u>	<u>\$22,633,944</u>	<u>\$(14,917)</u>

Cash and cash equivalents, receivables and payables, short-term bank loans, liquor tax and consumption taxes payable, accrued income taxes, and accrued expenses

The carrying values of cash and cash equivalents, receivables and payables, short-term bank loans, liquor tax and consumption taxes payable, accrued income taxes, and accrued expenses approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair value for marketable and investment securities by classification is included in Note 5.

Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

Information on the fair value of derivatives is included in Note 17.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2015</u>	<u>2014</u>	<u>2015</u>
Investments in unconsolidated subsidiaries and associates	¥47,427	¥48,276	\$393,226
Investments in equity instruments that do not have a quoted market price in an active market	6,742	12,923	55,899
Corporate bonds	3	5	25
Investments in limited partnerships	196	222	1,625

(5) *Maturity analysis for financial assets and securities with contractual maturities*

	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
<u>December 31, 2015</u>				
Cash and cash equivalents	¥257,990	¥ -	¥ -	¥ -
Notes and accounts receivable – trade	380,561	-	-	-
Investment securities: Corporate bonds	<u>2</u>	<u>3</u>	<u>-</u>	<u>-</u>
Total	<u>¥638,553</u>	<u>¥ 3</u>	<u>¥ -</u>	<u>¥ -</u>
	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
<u>December 31, 2015</u>				
Cash and cash equivalents	\$ 2,139,043	\$ -	\$ -	\$ -
Notes and accounts receivable – trade	3,155,302	-	-	-
Investment securities: Corporate bonds	<u>17</u>	<u>25</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,294,362</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>

Please see Note 8 for annual maturities of long-term debt and Note 15 for obligations under finance leases.

17. DERIVATIVES AND HEDGING ACTIVITIES

Derivative financial instruments are utilized by the Group principally to reduce interest rate and foreign exchange rate risks. The Group has established internal policies, which include procedures for risk assessment for the approval, reporting, and monitoring of transactions involving derivative financial instruments. The Group policies state that the Group is not to hold or issue derivative financial instruments for trading or speculative purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts, swap agreements, currency option contracts, and commodity price swap contracts. The Group is also exposed to the risk of credit loss in the event of nonperformance by the counterparties to the currency and interest and commodity price; however, the Group does not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

(a) *Derivative transactions to which hedge accounting is not applied*

(1) *Foreign currency-related derivatives*

<u>December 31, 2015</u>	Millions of Yen			
	<u>Contract Amount</u>	<u>Due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Forward exchange contracts to:				
Buy:				
USD	¥ 6,755	¥ 32	¥ 188	¥ 188
GBP	2,701	-	(26)	(26)
EUR	5,563	-	55	55
SGD	2,545	-	(1)	(1)
Other	2,989	-	(14)	(14)
Sell:				
USD	4,688	-	(87)	(87)
GBP	5,916	-	74	74
EUR	34,554	-	(149)	(149)
AUD	3,820	-	(11)	(11)
Other	8,901	-	(92)	(92)
Currency options:				
Call options, purchased:				
USD	1,682	-		
Premium	46	-	(28)	(28)
Put options, purchased:				
TWD	231	-		
Premium	8	-	1	1
Call options, sold:				
USD	1,682	-		
Premium	16	-	(3)	(3)
Currency swaps:				
JPY payment, USD receipt	3,920	-	103	103
JPY payment, EUR receipt	646	646	(151)	(151)
JPY payment, RMB receipt	1,965	1,965	(256)	(256)
JPY payment, NZD receipt	1,491	-	(12)	(12)
JPY payment, HKD receipt	156	-	2	2
JPY payment, SGD receipt	171	-	3	3
EUR payment, JPY receipt	4,045	3,123	(118)	(118)

<u>December 31, 2014</u>	Millions of Yen			
	<u>Contract Amount</u>	<u>Due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Forward exchange contracts to:				
Buy:				
USD	¥20,993	¥2,532	¥ 510	¥ 510
GBP	2,453	-	(1)	(1)
EUR	6,561	-	(86)	(86)
SGD	3,881	-	(54)	(54)
Other	2,176	-	(33)	(33)
Sell:				
USD	8,268	-	(284)	(284)
GBP	6,434	-	(111)	(111)
EUR	38,559	-	492	492
SGD	5,043	-	(87)	(87)
Other	11,909	-	(56)	(56)

Millions of Yen				
<u>December 31, 2014</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Currency options:				
Put options, purchased:				
TWD	¥ 461	¥ -		
Premium	14	-	¥ (8)	¥ (8)
Currency swaps:				
JPY payment, USD receipt	2,552	-	(1,395)	(1,395)
JPY payment, EUR receipt	508	508	(229)	(229)
JPY payment, RMB receipt	1,633	1,633	(385)	(385)
Thousands of U.S. Dollars				
<u>December 31, 2015</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Forward exchange contracts to:				
Buy:				
USD	\$ 56,007	\$ 265	\$ 1,559	\$ 1,559
GBP	22,394	-	(216)	(216)
EUR	46,124	-	456	456
SGD	21,101	-	(8)	(8)
Other	24,782	-	(116)	(116)
Sell:				
USD	38,869	-	(721)	(721)
GBP	49,051	-	614	614
EUR	286,494	-	(1,235)	(1,235)
AUD	31,672	-	(91)	(91)
Other	73,800	-	(763)	(763)
Currency options:				
Call options, purchased:				
USD	13,946	-		
Premium	381	-	(232)	(232)
Put options, purchased:				
TWD	1,915	-		
Premium	66	-	8	8
Call options, sold:				
USD	13,946	-		
Premium	133	-	(25)	(25)
Currency swaps:				
JPY payment, USD receipt	32,501	-	854	854
JPY payment, EUR receipt	5,356	5,356	(1,252)	(1,252)
JPY payment, RMB receipt	16,292	16,292	(2,123)	(2,123)
JPY payment, NZD receipt	12,362	-	(99)	(99)
JPY payment, HKD receipt	1,293	-	17	17
JPY payment, SGD receipt	1,418	-	25	25
EUR payment, JPY receipt	33,538	25,893	(978)	(978)

(2) Interest and currency-related derivatives

<u>December 31, 2015</u>	Millions of Yen			
	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Interest rate and currency swaps:				
Buy JPY, sell USD Fixed-rate payment, floating-rate receipt	¥30,153	¥30,153	¥175	¥175
Buy RMB, sell JPY Fixed-rate payment, floating-rate receipt	1,155	1,155	(88)	(88)

<u>December 31, 2014</u>	Millions of Yen			
	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Interest rate and currency swaps:				
Buy USD, sell JPY Fixed-rate payment, floating-rate receipt	¥1,782	¥ -	¥ (23)	¥ (23)
Buy GBP, sell JPY Fixed-rate payment, floating-rate receipt	466	-	(2)	(2)
Buy RMB, sell JPY Fixed-rate payment, floating-rate receipt	1,027	1,027	(173)	(173)
Buy NZD, sell JPY Fixed-rate payment, floating-rate receipt	1,367	-	(38)	(38)

<u>December 31, 2015</u>	Thousands of U.S. Dollars			
	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Interest rate and currency swaps:				
Buy JPY, sell USD Fixed-rate payment, floating-rate receipt	\$250,004	\$250,004	\$1,451	\$1,451
Buy RMB, sell JPY Fixed-rate payment, floating-rate receipt	9,576	9,576	(730)	(730)

(b) Derivative transactions to which hedge accounting is applied

(1) Foreign currency-related derivatives

December 31, 2015	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	¥ 19,118	¥ -	¥ (113)
EUR	Payable	12,767	-	(209)
Other	Payable	5,180	-	15
Sell:				
GBP	Receivable	2,516	-	44
AUD	Receivable	8,582	-	204
Other	Receivable	719	-	(16)
Currency options:				
Call options, purchased:				
USD	Payable	1,215	-	
Premium		28	-	(24)
EUR	Payable	397	-	
Premium		6	-	(10)
Put options, sold:				
EUR	Payable	132	-	
Premium		-	-	5
Currency swaps:				
USD payment, IDR receipt	Long-term debt	3,486	3,486	62
JPY payment, USD receipt	Net investments in subsidiaries and associates	331,163	270,858	(36,169)

December 31, 2014	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	¥ 10,499	¥ -	¥ 1,057
EUR	Payable	12,392	-	756
Other	Payable	3,466	-	194
Sell:				
GBP	Receivable	2,294	-	(47)
AUD	Receivable	7,188	-	397
Other	Receivable	2,732	-	13

		Millions of Yen			
<u>December 31, 2014</u>		<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Currency options:					
Call options, purchased:					
USD	Payable	¥ 10,384	¥ -	-	¥ 612
Premium		185	-	-	
EUR	Payable	7,554	-	-	181
Premium		122	-	-	
Other	Payable	851	-	-	62
Premium		12	-	-	
Put options, sold:					
EUR	Payable	366	-	-	0
Premium		-	-	-	
Currency swaps:					
JPY payment, USD receipt	Net investments in subsidiaries and associates	293,900	293,900		(37,044)
		Thousands of U.S. Dollars			
<u>December 31, 2015</u>		<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Forward exchange contracts to:					
Buy:					
USD	Payable	\$ 158,511	\$ -	-	\$ (937)
EUR	Payable	105,854	-	-	(1,733)
Other	Payable	42,948	-	-	124
Sell:					
GBP	Receivable	20,861	-	-	365
AUD	Receivable	71,155	-	-	1,691
Other	Receivable	5,961	-	-	(133)
Currency options:					
Call options, purchased:					
USD	Payable	10,074	-	-	
Premium		232	-	-	(199)
EUR	Payable	3,292	-	-	
Premium		50	-	-	(83)
Put options, sold:					
EUR	Payable	1,094	-	-	
Premium		-	-	-	41
Currency swaps:					
USD payment, IDR receipt	Long-term debt	28,903	28,903		514
JPY payment, USD receipt	Net investments in subsidiaries and associates	2,745,734	2,245,734		(299,884)

The following foreign currency forward contracts were not measured at fair value and the hedged items (i.e., payables or deposits) denominated in a foreign currency were translated at the contracted rates, as described in Note 2(u). The fair values of such foreign currency forward contracts were included in those of the hedged items in Note 16, and were not shown in the table below:

<u>December 31, 2015</u>	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	¥ 1,572	¥ -	¥ -
GBP	Payable	653	-	-
EUR	Payable	166	-	-
Currency swaps:				
USD payment, JPY receipt	Long-term debt	109,120	109,120	-

<u>December 31, 2014</u>	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	¥ 1,944	¥ -	¥ -
GBP	Payable	884	-	-
EUR	Payable	548	-	-
Currency swaps:				
USD payment, JPY receipt	Long-term debt	109,120	109,120	-

<u>December 31, 2015</u>	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	\$ 13,034	\$ -	\$ -
GBP	Payable	5,414	-	-
EUR	Payable	1,376	-	-
Currency swaps:				
USD payment, JPY receipt	Long-term debt	904,734	904,734	-

(2) Interest-related derivatives

<u>December 31, 2015</u>	Millions of Yen			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	Long-term debt	¥410,153	¥405,112	¥(5,082)
Floating-rate payment, fixed-rate receipt	Long-term debt	72,366	72,366	2,201

<u>December 31, 2014</u>	Millions of Yen			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	Long-term debt	¥211,886	¥203,287	¥(2,460)
Floating-rate payment, fixed-rate receipt	Long-term debt	72,330	72,330	1,812

<u>December 31, 2015</u>	Thousands of U.S. Dollars			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	Long-term debt	\$3,400,655	\$3,358,859	\$(42,136)
Floating-rate payment, fixed-rate receipt	Long-term debt	600,000	600,000	18,249

The following interest rate swaps were not remeasured at market value, but the differential paid or received under the swap agreements was recognized and included in interest expense or income as described in Note 2(u). The fair values of such interest rate swaps were included in that of hedged items (i.e., long-term debt) in Note 16, and were not shown in the table below:

<u>December 31, 2015</u>	Millions of Yen			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	Long-term debt	¥97,159	¥80,159	¥ -
Floating-rate payment, fixed-rate receipt	Long-term debt	80,000	80,000	-

<u>December 31, 2014</u>	Millions of Yen			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	Long-term debt	¥91,618	¥91,618	¥ -
Floating-rate payment, fixed-rate receipt	Long-term debt	80,000	80,000	-

<u>December 31, 2015</u>	Thousands of U.S. Dollars			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	Long-term debt	\$805,563	\$664,613	\$ -
Floating-rate payment, fixed-rate receipt	Long-term debt	663,295	663,295	-

(3) *Interest and currency-related derivatives*

<u>December 31, 2015</u>	Millions of Yen			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate and currency swaps:				
Buy IDR, sell USD	Long-term debt	¥1,091	¥1,091	¥149
Fixed-rate payment, floating-rate receipt				

<u>December 31, 2015</u>	Thousands of U.S. Dollars			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate and currency swaps:				
Buy IDR, sell USD	Long-term debt	\$9,046	\$9,046	\$1,235
Fixed-rate payment, floating-rate receipt				

The following interest rate and currency swaps were not remeasured at market value, but the differential paid or received under the swap agreements was recognized and included in interest expense or income, and long-term debt denominated in a foreign currency was translated at the contracted rates as described in Note 2(u). The fair values of such interest rate swaps were included in that of hedged items (i.e., long-term debt) in Note 16, and were not shown in the table below:

<u>December 31, 2015</u>	Millions of Yen			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate and currency swaps:				
Buy JPY, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	¥211,923	¥201,981	¥ -
Buy GBP, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	67,936	58,997	-
Buy EUR, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	28,757	1,028	-

<u>December 31, 2014</u>	Millions of Yen			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate and currency swaps:				
Buy JPY, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	¥211,923	¥211,923	¥ -
Buy GBP, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	74,246	64,121	-
Buy EUR, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	24,332	24,332	-

<u>December 31, 2015</u>	Thousands of U.S. Dollars			
	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
Interest rate and currency swaps:				
Buy JPY, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	\$1,757,093	\$1,674,662	\$ -
Buy GBP, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	563,270	489,155	-
Buy EUR, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	238,430	8,523	-

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended December 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ 13,311	¥ (568)	\$ 110,364
Reclassification adjustments to profit or loss	(5,547)	234	(45,991)
Amount before income tax effect	7,764	(334)	64,373
Income tax effect	(1,414)	173	(11,724)
Total	<u>¥ 6,350</u>	<u>¥ (161)</u>	<u>\$ 52,649</u>
Deferred (loss) gain on derivatives under hedge accounting:			
(Loss) gain arising during the year	¥ (8,155)	¥ 487	\$ (67,615)
Reclassification adjustments to profit or loss	714	(410)	5,920
Amount before income tax effect	(7,441)	77	(61,695)
Income tax effect	2,251	(73)	18,664
Total	<u>¥ (5,190)</u>	<u>¥ 4</u>	<u>\$ (43,031)</u>
Foreign currency translation adjustments:			
Adjustments arising during the year	¥(98,990)	¥116,704	\$ (820,745)
Reclassification adjustments to profit or loss	781	-	6,476
Total	<u>¥(98,209)</u>	<u>¥116,704</u>	<u>\$ (814,269)</u>
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 2,340	¥ -	\$ 19,401
Reclassification adjustments to profit or loss	2,265	-	18,780
Amount before income tax effect	4,605	-	38,181
Income tax effect	(2,106)	-	(17,461)
Total	<u>¥ 2,499</u>	<u>¥ -</u>	<u>\$ 20,720</u>
Share of other comprehensive income in associates:			
Gains (losses) arising during the year	<u>¥ 1,278</u>	<u>¥ (427)</u>	<u>\$ 10,596</u>
Total other comprehensive (loss) income	<u>¥(93,272)</u>	<u>¥116,120</u>	<u>\$ (773,335)</u>

19. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings as of December 31, 2015, is expected to be approved at the Company's shareholders' meeting to be held on March 25, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥12.00 (\$0.10) per share	¥8,205	\$68,029

20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," the Company is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group consists of "Beverages and Foods," "Alcoholic Beverage," and "Other" segments. "Beverages and Foods" consists of nonalcoholic beverages, healthy drinks, processed foods, and other products. "Alcoholic Beverage" consists of spirits, beer, wine, and other alcoholic beverages. "Others" consists of China business, healthy foods, ice cream, restaurants, flowers, and other.

(2) Methods of measurement for the amounts of sales, profit, assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit, assets, and other items was as follows:

	Millions of Yen					
	2015					
	Reportable Segment		Others	Total	Reconciliations	Consolidated
Beverages and Foods	Alcoholic Beverage					
Sales:						
Sales to external customers	¥ 1,371,385	¥ 1,026,135	¥ 289,246	¥ 2,686,766	¥ -	¥ 2,686,766
Intersegment sales or transfers	9,622	2,385	10,829	22,836	(22,836)	-
Total	¥ 1,381,007	¥ 1,028,520	¥ 300,075	¥ 2,709,602	¥ (22,836)	¥ 2,686,766
Segment profit	¥ 110,999	¥ 78,367	¥ 30,321	¥ 219,687	¥ (34,592)	¥ 185,095
Segment assets	¥ 1,483,967	¥ 2,753,416	¥ 193,274	¥ 4,430,657	¥ 176,333	¥ 4,606,990
Other:						
Depreciation and amortization	¥ 57,953	¥ 27,459	¥ 7,026	¥ 92,438	¥ 2,065	¥ 94,503
Amortization of goodwill	27,226	37,387	216	64,829	-	64,829
Investments in associates accounted for by the equity method	3,722	27,953	264	31,939	-	31,939
Increase in property, plant, and equipment and intangible assets	199,067	35,315	6,104	240,486	6,795	247,281
	Millions of Yen					
	2014					
	Reportable Segment		Others	Total	Reconciliations	Consolidated
	Beverages and Foods	Alcoholic Beverage				
Sales:						
Sales to external customers	¥ 1,249,281	¥ 891,498	¥ 314,471	¥ 2,455,250	¥ -	¥ 2,455,250
Intersegment sales or transfers	9,087	4,307	10,025	23,419	(23,419)	-
Total	¥ 1,258,368	¥ 895,805	¥ 324,496	¥ 2,478,669	¥ (23,419)	¥ 2,455,250
Segment profit	¥ 104,141	¥ 61,726	¥ 30,438	¥ 196,305	¥ (31,552)	¥ 164,753
Segment assets	¥ 1,388,394	¥ 2,865,721	¥ 189,542	¥ 4,443,657	¥ 92,881	¥ 4,536,538
Other:						
Depreciation and amortization	¥ 51,687	¥ 20,550	¥ 7,882	¥ 80,119	¥ 1,645	¥ 81,764
Amortization of goodwill	25,075	23,061	191	48,327	-	48,327
Investments in associates accounted for by the equity method	9,637	10,281	211	20,129	-	20,129
Increase in property, plant, and equipment and intangible assets	70,690	1,762,794	8,914	1,842,398	3,401	1,845,799

Thousands of U.S. Dollars						
2015						
	Reportable Segment			Total	Reconciliations	Consolidated
	Beverages and Foods	Alcoholic Beverage	Others			
Sales:						
Sales to external customers	\$ 11,370,409	\$ 8,507,877	\$ 2,398,192	\$ 22,276,478	\$ -	\$ 22,276,478
Intersegment sales or transfers	79,778	19,774	89,786	189,338	(189,338)	-
Total	\$ 11,450,187	\$ 8,527,651	\$ 2,487,978	\$ 22,465,816	\$ (189,338)	\$ 22,276,478
Segment profit	\$ 920,313	\$ 649,756	\$ 251,397	\$ 1,821,466	\$ (286,809)	\$ 1,534,657
Segment assets	\$ 12,303,847	\$ 22,829,085	\$ 1,602,471	\$ 36,735,403	\$ 1,462,010	\$ 38,197,413
Other:						
Depreciation and amortization	\$ 480,499	\$ 227,668	\$ 58,254	\$ 766,421	\$ 17,121	\$ 783,542
Amortization of goodwill	225,736	309,982	1,791	537,509	-	537,509
Investment in associates accounted for by the equity method	30,860	231,763	2,189	264,812	-	264,812
Increase in property, plant, and equipment and intangible assets	1,650,502	292,803	50,609	1,993,914	56,339	2,050,253

Note: "Reconciliations" represent ¥(76) million (\$ (630) thousand) and ¥(64) million of eliminations of intersegment sales or transfers, and ¥34,668 million (\$287,439 thousand) and ¥31,616 million of corporate general and administrative expenses that were not allocated to specific reportable segments for the years ended December 31, 2015 and 2014, respectively. Also, ¥(7,927) million (\$ (65,724) thousand) and ¥(7,313) million of eliminations of intersegment balances, and ¥184,260 million (\$1,527,734 thousand) and ¥100,194 million of corporate assets, not allocated to specific reportable segments are included in "Reconciliations." The corporate assets consist primarily of cash and deposits, investments in securities, and headquarters' assets.

"Segment profit" represents operating income included in the consolidated statement of income.

(a) Relevant information by geographic area

Millions of Yen					
2015					
	Japan	Americas	Europe	Asia and Oceania	Total
Sales	¥1,656,119	¥347,016	¥333,557	¥350,074	¥2,686,766
Property, plant, and equipment	333,000	113,839	121,982	117,248	686,069
Millions of Yen					
2014					
	Japan	Americas	Europe	Asia and Oceania	Total
Sales	¥1,567,719	¥238,853	¥316,361	¥332,317	¥2,455,250
Property, plant, and equipment	307,030	114,699	129,916	124,961	676,606
Thousands of U.S. Dollars					
2015					
	Japan	Americas	Europe	Asia and Oceania	Total
Sales	\$ 13,731,192	\$ 2,877,174	\$ 2,765,583	\$ 2,902,529	\$ 22,276,478
Property, plant, and equipment	2,760,965	943,860	1,011,376	972,125	5,688,326

Note: Sales are classified by country or region based on the location of customers.

AmericasNorth America, Central and South America
EuropeEurope, Middle East and Africa
Asia and Oceania.....Asia and Oceania

(b) Significant impairment loss on noncurrent assets

	Millions of Yen			
	2015			
	<u>Beverages and Foods</u>	<u>Alcoholic Beverage</u>	<u>Others</u>	<u>Total</u>
Impairment losses on noncurrent assets	¥12,326	¥562	¥155	¥13,043

	Thousands of U.S. Dollars			
	2015			
	<u>Beverages and Foods</u>	<u>Alcoholic Beverage</u>	<u>Others</u>	<u>Total</u>
Impairment losses on noncurrent assets	\$102,197	\$4,660	\$1,285	\$108,142

Impairment losses on noncurrent assets for the year ended December 31, 2014, were immaterial, and are not shown in the table above.

(c) Information of goodwill by reportable segment

The balance of goodwill as of December 31, 2015 and 2014, was as follows:

	Millions of Yen			
	2015			
	<u>Beverages and Foods</u>	<u>Alcoholic Beverage</u>	<u>Others</u>	<u>Total</u>
Goodwill	¥454,213	¥679,006	¥3,660	¥1,136,879

	Millions of Yen			
	2014			
	<u>Beverages and Foods</u>	<u>Alcoholic Beverage</u>	<u>Others</u>	<u>Total</u>
Goodwill	¥381,760	¥732,736	¥4,208	¥1,118,704

	Thousands of U.S. Dollars			
	2015			
	<u>Beverages and Foods</u>	<u>Alcoholic Beverage</u>	<u>Others</u>	<u>Total</u>
Goodwill	\$3,765,965	\$5,629,765	\$30,346	\$9,426,076

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