Suntory Holdings Limited and Its Subsidiaries

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Suntory Holdings Limited:

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

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

Valuation of goodwill and intangible assets with indefinite useful lives	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group's consolidated financial statements as of December 31, 2021 included goodwill of 907,119 million yen and intangible assets with indefinite useful lives of 1,331,692 million yen, which accounted for 18% and 27% of the total assets, respectively. As described in Note 15, goodwill and intangible assets with indefinite useful lives are primarily related to Beam Inc. (currently, Beam Suntory Inc.), which was acquired in 2014. The goodwill of 651,335 million yen was allocated to the spirits business. Trademarks, such as Jim Beam and Maker's Mark, of 962,501 million yen in total were classified as intangible assets with indefinite useful lives. These trademarks represent brands with long history and are expected to be used continuously in the future. Thus, the Group concluded that there was no foreseeable limit on the period during which the Group is expected to consume the future economic benefits and determined to classify them as intangible assets with indefinite useful lives. The Group performs an impairment test at least once a year for these goodwill and intangible assets with indefinite useful lives. The Group calculates the value in use as the recoverable amount and compares it to the carrying amount of a cash-generating unit. The Group calculates the value in use of the cash-generating unit including goodwill at present value of future cash flows considering its business plan authorized by management and uncertainties in the periods beyond the term of the business plan. Also, the Group calculates the value in use of trademarks at present value of future cash flows considering each of the brands' business plan authorized by management and uncertainties in the periods beyond the term of the business plan. The future cash flows are calculated considering assumptions based on external information, such as projected recovery from the economic downturn caused by COVID-19 and the growth rate of spirits market, as well as estimates of the effect of each brand's strategy, the growth rate for the periods beyond the term of the business plan, the terminal growth rate, and others. These are significantly affected by management's judgment. Also, the selection of input data, such as the discount rate, is based on management's judgment, which has a significant impact on the recoverable amount. As management's judgments and significant accounting estimates with uncertainties are involved in the impairment test for goodwill and intangible assets with indefinite useful lives, we determined the valuation of goodwill and intangible assets with indefinite useful lives as a key audit matter.	In testing the valuation of goodwill and intangible assets with indefinite useful lives, we performed the following procedures, among others, by instructing the component auditors of the consolidated subsidiaries: ・ We tested the design and operating effectiveness of internal controls over the appropriateness of each assumption used in the calculation of the value in use. In addition, we tested the design and operating effectiveness of internal controls over accuracy and completeness of the underlying data used in the aforementioned internal controls. ・ We tested the design and operating effectiveness of internal controls over internal review and approval process for the calculation result of the value in use. ・ By comparing the business plan developed in the past with the actual results, we assessed whether there was any change in the business plan and whether all events to consider in developing the business plan were completely reflected, and evaluated the precision of management's estimate of the busines plan. ・ We determined whether the assumptions of the projected recovery from the economic downturn caused by COVID-19 and the growth rate of sprits market were consistent with the external market information. ・ We compared the growth rate of the period beyond the term of the business plan with the growth rate of industry and discussed the strategy of primary brands and supply-demand balance with management. Also, we assessed whether the terminal growth rate selected by management was reasonable by comparing it to the external information, such as the GDP growth rate, the inflation rate and the growth rate of industry. ・ With the assistance of our network firm valuation specialists, we evaluated the appropriateness of the valuation methodology and significant assumptions, such as the discount rate, used in the calculation of the value in use. ・ We performed sensitivity analyses to assess how the recoverable amount is affected by uncertainties inherent in assumptions for the growth rate of the period beyond the term of the business plan, terminal growth rate, discount rate, and others.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Deloitte Touche Tohmatsu LLC

March 18, 2022

Consolidated statement of financial position
Suntory Holdings Limited and its subsidiaries
As at December 31, 2021

(Millions of yen)

	Notes	December 31, 2020	December 31, 2021
Assets			
Current assets:			
Cash and cash equivalents	8	338,259	297,717
Trade and other receivables	9, 36	401,158	478,517
Other financial assets	10, 36	7,591	17,236
Inventories	11	457,726	529,105
Other current assets	12	59,350	60,263
Total current assets		1,264,087	1,382,839
Non-current assets:			
Property, plant and equipment	14	696,825	750,780
Right-of-use assets	23	101,240	122,657
Goodwill	15	834,555	907,119
Intangible assets	15	1,348,485	1,468,423
Investments accounted for using the equity method	16	52,064	52,756
Other financial assets	10, 36	133,269	168,513
Deferred tax assets	17	58,990	48,332
Other non-current assets	12	31,768	32,586
Total non-current assets		3,257,199	3,551,170
Total assets		4,521,286	4,934,010

See notes to consolidated financial statements.

Consolidated statement of financial position
Suntory Holdings Limited and its subsidiaries
As at December 31, 2021 (continued)

(Millions of yen)

	Notes	December 31, 2020	December 31, 2021
Liabilities and equity			
Liabilities			
Current liabilities:			
Bonds and borrowings	18, 36	161,564	249,255
Trade and other payables	19	545,648	635,625
Other financial liabilities	20, 36	110,442	100,340
Accrued income taxes		20,131	20,255
Provisions	21	10,261	9,020
Other current liabilities	22	81,712	91,119
Total current liabilities		929,760	1,105,616
Non-current liabilities:			
Bonds and borrowings	18, 36	1,280,428	1,131,736
Other financial liabilities	20, 36	143,017	153,735
Post-employment benefit liabilities	24	43,051	40,488
Provisions	21	8,074	10,184
Deferred tax liabilities	17	287,222	328,966
Other non-current liabilities	22	15,383	15,888
Total non-current liabilities		1,777,178	1,681,001
Total liabilities		2,706,938	2,786,617
Equity			
Share capital	25	70,000	70,000
Share premium	25	133,948	127,856
Retained earnings	25	1,420,484	1,525,260
Treasury shares	25	(938)	(938)
Other components of equity	25	(207,337)	(12,173)
Total equity attributable to owners of the Company		1,416,157	1,710,005
Non-controlling interests		398,189	437,387
Total equity		1,814,347	2,147,392
Total liabilities and equity		4,521,286	4,934,010

See notes to consolidated financial statements.

Consolidated statement of profit or loss
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2021

(Millions of yen)

	Notes	Year ended December 31, 2020	Year ended December 31, 2021
Revenue (including excise taxes)	6, 27	2,367,632	2,559,223
Less: excise taxes		(259,316)	(273,546)
Revenue (excluding excise taxes)	6, 27	2,108,316	2,285,676
Cost of sales		(1,109,334)	(1,215,302)
Gross profit		998,981	1,070,374
Selling, general and administrative expenses	29	(788,038)	(830,173)
Share of the profit and loss on investments accounted for using the equity method	16	9,121	9,704
Other income	28	13,549	15,308
Other expenses	30	(16,580)	(17,735)
Operating income	6	217,032	247,479
Finance income	31	2,033	6,754
Finance costs	31	(18,023)	(16,785)
Profit before income taxes		201,042	237,447
Income tax benefit (expenses)	17	(71,371)	(82,049)
Profit for the year		129,670	155,398
Attributable to:			
Owners of the Company		100,408	113,965
Non-controlling interests		29,261	41,433
Profit for the year		129,670	155,398
Earnings per share (Yen)	33	146.42	166.19

Excise taxes are derived from alcoholic beverages.

See notes to consolidated financial statements.

Consolidated statement of comprehensive income
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2021

(Millions of yen)

	Notes	Year ended December 31, 2020	Year ended December 31, 2021
Profit for the year		129,670	155,398
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Changes in the fair value of financial assets	32	(3,951)	1,961
Remeasurement of defined benefit plans	32	4,681	6,795
Changes in comprehensive income of investments accounted for using the equity method	16, 32	890	(1)
Total		1,619	8,756
Items that may be reclassified to profit or loss:			
Translation adjustments of foreign operations	32	(82,845)	203,962
Changes in the fair value of cash flow hedges	32	2,511	2,498
Changes in comprehensive income of investments accounted for using the equity method	16, 32	(322)	(993)
Total		(80,657)	205,466
Other comprehensive income (loss) for the year, net of tax		(79,038)	214,223
Comprehensive income for the year		50,632	369,621
Attributable to:			
Owners of the Company		26,498	308,854
Non-controlling interests		24,133	60,766
Comprehensive income for the year		50,632	369,621

See notes to consolidated financial statements.

Consolidated statement of changes in equity

Suntory Holdings Limited and its subsidiaries

For the year ended December 31, 2021

(Millions of yen)

	Notes	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2020		70,000	133,909	1,329,315	(938)	(133,752)	1,398,534	395,352	1,793,887
Profit for the year				100,408			100,408	29,261	129,670
Other comprehensive income						(73,909)	(73,909)	(5,128)	(79,038)
Total comprehensive income for the year		-	-	100,408	-	(73,909)	26,498	24,133	50,632
Dividends	26			(8,914)			(8,914)	(21,254)	(30,169)
Transactions with non-controlling interests			39				39	(41)	(2)
Transfer from other components of equity to retained earnings				(324)		324	-		-
Total transactions with owners of the Company		-	39	(9,239)	-	324	(8,875)	(21,295)	(30,171)
Balance at December 31, 2020		70,000	133,948	1,420,484	(938)	(207,337)	1,416,157	398,189	1,814,347
Profit for the year				113,965			113,965	41,433	155,398
Other comprehensive income						194,889	194,889	19,333	214,223
Total comprehensive income for the year		-	-	113,965	-	194,889	308,854	60,766	369,621
Dividends	26			(8,914)			(8,914)	(23,971)	(32,886)
Transactions with non-controlling interests			(6,092)				(6,092)	2,402	(3,689)
Transfer from other components of equity to retained earnings				(275)		275	-		-
Total transactions with owners of the Company		-	(6,092)	(9,189)	-	275	(15,006)	(21,569)	(36,576)
Balance at December 31, 2021		70,000	127,856	1,525,260	(938)	(12,173)	1,710,005	437,387	2,147,392

See notes to consolidated financial statements.

Consolidated statement of cash flows
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2021

(Millions of yen)

	Notes	Year ended December 31, 2020	Year ended December 31, 2021
Cash flows from operating activities			
Profit before income taxes		201,042	237,447
Depreciation and amortization		123,823	125,754
Impairment losses (reversal of impairment losses)		4,153	3,716
Interest and dividend income		(1,694)	(1,643)
Interest expense		17,397	16,287
Gain on investments accounted for using the equity method		(9,121)	(9,704)
Increase in inventories		(23,385)	(38,727)
Decrease (increase) in trade and other receivables		14,844	(53,698)
(Decrease) increase in trade and other payables		(14,281)	66,619
Other		(6,561)	5,265
Sub-total		306,216	351,317
Interest and dividends received		5,227	7,917
Interest paid		(18,925)	(18,420)
Income taxes paid		(61,120)	(60,034)
Net cash flow provided by operating activities		231,397	280,779
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(118,760)	(132,509)
Proceeds from sales of property, plant and equipment and intangible assets		5,640	4,151
Payments for acquisition of investment securities		(21,639)	(24,055)
Payments for acquisition of shares in subsidiaries involving changes in the scope of consolidation	7	(6,194)	(3,785)
Proceeds from sale of businesses		8,305	4,932
Other		(1,299)	(1,253)
Net cash flow used in investing activities		(133,948)	(152,519)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings and commercial papers	35	31,985	(36,672)
Proceeds from long-term borrowings	35	227,890	134,192
Repayment of long-term borrowings	35	(209,527)	(206,264)
Payments of finance lease liabilities	35	(30,455)	(33,035)
Dividends paid to owners of the Company	26	(8,914)	(8,914)
Dividends paid to non-controlling interests		(21,575)	(24,003)
Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		-	(3,688)
Other		(16)	0
Net cash flow used in financing activities		(10,612)	(178,385)
Net increase (decrease) in cash and cash equivalents		86,836	(50,125)
Cash and cash equivalents at the beginning of the year	8	255,302	338,259
Effects of exchange rate changes on cash and cash equivalents		(3,879)	9,582
Cash and cash equivalents at the end of the year	8	338,259	297,717

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Reporting entity

Suntory Holdings Limited ("the Company") is a corporation, which has been established based on Japanese Corporate law and is domiciled in Japan. The addresses of its registered office and principal place of business are disclosed on the Company's website (URL https://www.suntory.com). The Company's consolidated financial statements, whose closing date is December 31, are composed of the Company and its subsidiaries ("the Group") and its associates. The parent company of the Company is Kotobuki Realty Co., Ltd.

The Group is engaged in manufacturing and marketing alcoholic and non-alcoholic beverages, and other business. The Company is a pure holding company, which is responsible for establishing and promoting the group management strategy and providing administrative service to subsidiaries. The principal activities of the Group are described in "Note 6. Segment information."

2. Basis of preparation

(1) Compliance with accounting standards

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Group's consolidated financial statements were authorized for issuance by Takeshi Niinami, Representative Director, President & Chief Executive Officer, and Noriaki Otsuka, Executive Officer, on March 18, 2022.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. Amounts presented in the consolidated financial statements are rounded down to the nearest million yen.

3. Significant accounting policies

(1) Basis of consolidation

[1] Subsidiary

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

[2] Associate

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

[3] Joint venture

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

(2) Business combinations

Business combinations are accounted for using the acquisition method. The acquisition cost is measured as the sum of the acquisition-date fair values of the assets transferred, liabilities assumed, and the equity financial instruments issued by the Company in exchange for control of the acquiree. Excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill. Conversely, any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the acquisition cost is immediately recognized as profit or loss. Transaction costs that are directly attributable to a business combination, such as agent, legal, and due diligence fees, are expensed as incurred. The Company accounts for the acquisition of additional non-controlling interests as an equity transaction, and accordingly, it does not recognize goodwill attributable to such transactions. Identifiable assets acquired and the liabilities assumed are recognized at their fair value as at the acquisition date, except for the following:

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

(3) Foreign currencies

[1] Transactions denominated in foreign currencies

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). In preparing the separate financial statements of each entity, transactions denominated in currencies other than the entity's functional currency are translated into its functional currency using the exchange rate that approximates the exchange rate prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at the reporting date. Any exchange differences arising from translation or settlement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. However, exchange differences arising from financial instruments designated as hedging instruments against a net investment in a foreign operation, translation or settlement of financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognized in other comprehensive income.

[2] Financial statements of foreign operations

Assets and liabilities of the Group's foreign operations are translated into Japanese yen using exchange rates prevailing at the reporting date. Income and expense items are translated into Japanese yen at the weighted-average exchange rates for the reporting period unless any significant change occurs. Any exchange differences arising from translation of the financial statements of the Group's foreign operations are recognized in other comprehensive income. Any exchange differences arising from translation of foreign operations disposed of by the Group are recognized in profit or loss for the reporting period in which that foreign operation is disposed of.

(4) Financial instruments

[1] Financial assets

(i) Initial recognition and measurement

Financial assets are classified into the following specific categories; financial assets measured at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") and financial assets measured at amortized cost. The classification is determined at the initial recognition. All financial assets, excluding financial assets classified as measured at FVTPL, are measured at their fair value plus transaction costs. Financial assets are classified as measured at amortized cost if both of the following conditions are met:

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

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

(ii) Subsequent measurement

After initial recognition, financial assets measured at amortized cost are measured at amortized cost, using the effective interest method. Financial assets measured at fair value are remeasured at fair value at the end of each reporting period. Any gain or loss on financial assets measured at fair value is recognized in profit or loss. However, changes in the fair value of equity instruments designated as measured at FVTOCI are recognized in other comprehensive income. The cumulative gain or loss recognized in other comprehensive income is reclassified to retained earnings when financial assets are disposed of, or a significant deterioration in fair value is recognized. Dividends from such financial assets are recognized as part of finance gains in profit or loss for the year.

(iii) Impairment

For financial assets measured at amortized cost, the Group recognizes a loss allowance against expected credit losses on such financial assets. At each reporting date, financial assets are assessed whether there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk on financial assets has not increased significantly since initial recognition, a loss allowance is measured at an amount equal to 12-month of expected credit losses. In contrast, if the credit risk on financial assets has increased significantly since initial recognition, a loss allowance is measured at an amount equal to the lifetime expected credit losses. However, a loss allowance for trade and other receivables is always measured at an amount equal to the lifetime expected credit losses. Expected credit losses on financial assets are assessed based on objective evidence which reflects changes in credit information, and past due information of receivables. Impairment loss is recognized in profit or loss for the amount of expected credit losses needed to adjust the loss allowance at the reporting date to the required amount. If any event resulting in a decrease of impairment losses occurs after the recognition of impairment losses, a reversal of impairment is recognized through profit or loss.

(iv) Derecognition

The Group derecognizes financial assets when the contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group continues to recognize the asset and related liabilities to the extent of its continuing involvement.

[2] Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified into either subsequently measured at amortized cost or at FVTPL. The classifications are determined at initial recognition. Financial liabilities measured at FVTPL are initially measured at fair value. Financial liabilities measured at amortized cost are initially measured at fair value less any directly attributable transaction costs.

(ii) Subsequent measurement

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

(iii) Derecognition

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

[3] Presentation of financial assets and liabilities

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

[4] Derivatives and hedge accounting

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

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

If the hedging relationship does not meet the hedge effectiveness requirements in terms of hedge ratios due to a change in an economic relationship between the hedged item and the hedging instrument, despite the risk management objective remaining unchanged, the hedge ratio will be adjusted to meet the hedge effectiveness requirement. If the hedging relationship no longer meets the hedge effectiveness requirement despite the hedge ratio adjustment, hedge accounting is discontinued for the portion of the hedge relationship that no longer meets the requirement. The hedges that meet the hedge accounting criteria are classified and are accounted for under IFRS 9, "Financial Instruments" (as revised in July 2014; "IFRS 9") as follows.

(i) Fair value hedges

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

(ii) Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. The portion of the gain or loss on the hedging instrument that is hedge ineffectiveness is immediately recognized in profit or loss.

The amount of the hedging instrument recognized in other comprehensive income is reclassified to profit or loss at the point a hedged future transaction affects profit or loss. If the hedged item gives rise to the recognition of a non-financial asset or liability, the amount recognized in other comprehensive income is removed to adjust the original carrying amount of the non-financial asset or liability.

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

(iii) Hedges of a net investment in a foreign operation

Hedge of net investments in foreign operations are accounted for similarly to cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. The portion of the gain or loss on the hedging instrument that is hedge ineffectiveness is recognized in profit or loss. At the disposal of the foreign operation, cumulative gains and losses previously recognized in equity through other comprehensive income are transferred to profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks that can be withdrawn at any time, and short-term investments, which are readily convertible into cash and are not exposed to significant risk related to changes in value.

(6) Inventories

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

(7) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

Buildings:	3 to 50 years
Machinery and equipment:	2 to 20 years

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

(8) Goodwill and intangible assets

[1] Goodwill

Goodwill is stated at cost less accumulated impairment losses. The method for measurement at initial recognition of goodwill is described in "Note 3. Significant accounting policies (2) Business combinations." Goodwill is not amortized, but is tested for impairment annually, and whenever there is an indication that the cash-generating unit may be impaired. The method for impairment of goodwill is described in "Note 3. Significant accounting policies (10) Impairment of non-financial assets."

[2] Intangible assets

Measurement of intangible assets is made by applying the cost model. Intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses. Intangible assets acquired separately are measured inclusive of directly attributable costs of acquiring the asset. The method for measurement at recognition of intangible assets acquired in a business combination is described in "Note 3. Significant accounting policies (2) Business combinations." Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of the major intangible assets with finite useful lives are as follows:

- Trademarks: 10 to 30 years

The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period. A change in such accounting estimates is accounted for prospectively. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment each reporting period and as necessary. The method for impairment of intangible assets with indefinite useful lives is described in "Note 3. Significant accounting policies (10) Impairment of non-financial assets."

(9) Lease

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

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

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

(10) Impairment of non-financial assets

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

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

Corporate assets of the Group do not generate independent cash inflows. If there is any indication that a corporate asset may be impaired, the recoverable amount of the cash-generating unit to which the corporate asset belongs is determined. Impairment loss is recognized in profit or loss when the carrying amount of an asset or cash-generating unit is greater than its recoverable amount. An impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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

(11) Post-employment benefit plans

The Company and certain consolidated subsidiaries have the following post-employment benefit plans for its employees: defined benefit and defined contribution plans. The present value of defined benefit obligations, related current service cost, and, where applicable, past service cost are determined using the projected unit credit method. The discount rate is determined by reference to market yields at each reporting date on high-quality corporate bonds corresponding to a discount period that is defined based on the period to the date of expected future benefit payment for each year. The net defined benefit liability (asset) is determined as the present value of the defined benefit obligation less the fair value of plan assets (adjusting for any effect of limiting a net defined benefit asset to the asset ceiling and of giving rise to a liability by a minimum funding requirement, if necessary). Remeasurements of the net defined benefit liability (asset) are recognized collectively in other comprehensive income for the period in which they are incurred.

Past service cost is recognized as an expense for the period it is incurred. Expenses related to defined contribution benefits are recognized when related services are rendered.

(12) Provisions

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

(13) Revenue

[1] Sale of goods

The Group is engaged in the sale of alcohol and non-alcohol beverages and foods. As customers usually obtain control of the goods and the Group's performance obligation is satisfied at the time when the goods are delivered, the Group recognizes revenue at the amount of consideration promised under the contracts with customers after deduction of trade discounts, rebates, taxes collected on behalf of third parties, such as consumption taxes or value added tax, sales incentives, and returned goods.

[2] Interest income

Interest income is recognized using the effective interest method.

(14) Government grants

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

(15) Income taxes

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

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

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

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

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

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

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

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

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

The Company and its wholly owned subsidiaries in Japan have adopted the consolidated taxation system and file income tax returns on a consolidated taxation group basis.

(16) Earnings per share

Basic earnings per share is calculated by the profit or loss attributable to ordinary shareholders of the parent for the period divided by the weighted-average number of ordinary shares issued, adjusted for treasury shares during the period.

(17) Non-current assets held for sale

The Group classifies a non-current asset or asset group that will be recovered principally through a sales transaction rather than through continuing use as held for sale if the asset or disposal group is available for immediate sale in its present condition, its sale is highly probable within one year, and the appropriate level of management of the Group is committed to a plan to sell the asset or disposal group.

The non-current asset held for sale is not depreciated or amortized, and is measured at the lower of its carrying amount and the fair value less costs to sell.

(18) Treasury shares

Treasury shares are measured at cost and are deducted from equity. Gains and losses arising from buy-back, sale, or retirement of treasury shares by the Company are not recognized. Any difference between the carrying amount of treasury shares and the consideration received for disposal of such treasury shares are recognized in other capital premium.

4. Critical accounting estimates and judgements

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

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

- Estimates used for impairment of properties, plant and equipment, intangibles, and goodwill ("Note 3. Significant accounting policies (10) Impairment of non-financial assets," "Note 14. Property, plant and equipment," "Note 15. Goodwill and intangible assets")
- Measurement of post-employment obligations ("Note 3. Significant accounting policies (11) Post-employment benefit plans," "Note 24. Post-employment benefit plans")
- Judgements and estimates made for the recognition and measurement of provisions ("Note 3. Significant accounting policies (12) Provisions," "Note 21. Provisions")
- Judgements made for assessing the recoverability of deferred tax assets ("Note 3. Significant accounting policies (15) Income taxes," "Note 17. Income taxes")
- Judgements made in determining whether the Group controls another entity ("Note 3. Significant accounting policies (1) Basis of consolidation," "Note 16. Investments accounted for using the equity method")
- Fair value measurement of financial instruments ("Note 3. Significant accounting policies (4) Financial instruments," "Note 36. Financial instruments (4) Fair value of financial instruments")
- Estimates used for residual value and useful life of property, plant and equipment and intangible assets ("Note 3. Significant accounting policies (7) Property, plant and equipment, (8) Goodwill and intangible assets," "Note 14. Property, plant and equipment," "Note 15. Goodwill and intangible assets")
- Measurement of the fair value of assets acquired and the liabilities assumed in a business combination ("Note 3. Significant accounting policies (2) Business combinations," "Note 7. Acquisition and sale of businesses and purchase of non-controlling interests").

(Additional information)

With regard to the impact of the spread of the novel coronavirus disease (COVID-19), while the situation differs by region and sales channel, the Group assumes that business will gradually recover because of measures to control the spread of COVID-19 in various countries, the distribution of vaccines and other factors. Based on the assumption, the Group has made accounting estimates and judgements, such as regarding the impairment of property, plant and equipment, intangible assets and goodwill, and the recoverability of deferred tax assets. However, there are many uncertainties regarding the impact of COVID-19, and actual results may differ from these estimates in the future.

5. New accounting standards and interpretations not yet adopted

There were no new and revised IFRSs, which were publicly announced by the approval date of the consolidated financial statements and give material impacts on the financial statements of the Group.

6. Segment information

(1) Overview of reportable segments

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

The Group applies a holding company structure, and operating companies have been established based on their products or services. The management of each operating company focuses on the type of products and services delivered or provided when establishing its own strategies for domestic and international operations. Therefore, the Group identified "Beverages and foods," and "Alcoholic beverages," and "others" as reportable segments based on the types of products and services delivered or provided. The classification of the Group's primary products and services have been defined as below.

Beverages and foods － non-alcoholic beverages, healthy drinks, processed foods, and others
Alcoholic beverages － sprits, beer, wine, and other alcoholic beverages
Others － healthy foods, ice cream, restaurants, flowers, operations in China, and other operations

(Changes of reportable segments)

Due to the reorganization carried out on January 1, 2021, sales companies of wines in China previously included in "Alcoholic beverages" segment have been transferred to "Others" segment.

The amounts of the previous fiscal year in the segment disclosure have been restated to conform to the current fiscal year's presentation.

(2) Description of reportable segments and allocations of revenues, expenses, and profit or loss

The accounting policies of the reportable segments are the same as the Group's accounting policies described in "Note 3. Significant accounting policies." The intersegment transactions are considered on an arm's length basis.

(3) Profit or loss for each reportable segment

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

Year ended December 31, 2020

(Millions of yen)

	Reportable segments			Segment total	Reconciliations (Note 2)	Consolidated (Note 1)
	Beverages and foods	Alcoholic beverages	Others			
Revenue (including excise taxes)	1,172,913	976,955	217,763	2,367,632	-	2,367,632
Revenue (excluding excise taxes)						
External customers	1,172,913	718,550	216,852	2,108,316	-	2,108,316
Intersegment	5,224	3,566	11,574	20,365	(20,365)	-
Total revenue	1,178,137	722,116	228,426	2,128,681	(20,365)	2,108,316
Segment profit	117,004	130,837	14,396	262,238	(45,206)	217,032
Finance income						2,033
Finance costs						(18,023)
Profit before income taxes						201,042
Others:						
Depreciation and amortization	(71,280)	(34,025)	(12,598)	(117,904)	(5,919)	(123,823)
Share of the profit and loss on investments accounted for using the equity method	(85)	6,696	2,510	9,121	-	9,121

(Note 1) Segment profit agrees with operating income presented in the consolidated statement of profit or loss.
(Note 2) "Reconciliations" to segment profit or loss represent overhead costs incurred by the Company to manage the Group's operations and are not allocated to the reportable segments.

Year ended December 31, 2021

(Millions of yen)

	Reportable segments			Segment total	Reconciliations (Note 2)	Consolidated (Note 1)
	Beverages and foods	Alcoholic beverages	Others			
Revenue (including excise taxes)	1,263,810	1,057,602	237,810	2,559,223	-	2,559,223
Revenue (excluding excise taxes)						
External customers	1,263,810	785,119	236,747	2,285,676	-	2,285,676
Intersegment	5,106	2,711	11,711	19,529	(19,529)	-
Total revenue	1,268,917	787,830	248,459	2,305,206	(19,529)	2,285,676
Segment profit	139,912	127,934	25,489	293,336	(45,856)	247,479
Finance income						6,754
Finance costs						(16,785)
Profit before income taxes						237,447
Others:						
Depreciation and amortization	(71,221)	(37,418)	(10,416)	(119,056)	(6,698)	(125,754)
Share of the profit and loss on investments accounted for using the equity method	70	6,780	2,854	9,704	-	9,704

(Note 1) Segment profit agrees with operating income presented in the consolidated statement of profit or loss.

(Note 2) "Reconciliations" to segment profit or loss represent overhead costs incurred by the Company to manage the Group's operations and are not allocated to the reportable segments.

(4) Information about products and services

Please refer to (1) overview of reportable segments.

(5) Information about geographical areas

Geographical areas other than Japan are comprised of the following countries.

Americas	United States of America and others
Europe	France, UK, Spain, and others
Asia and Oceania	Vietnam, Thailand, Australia, and others

Revenue (including excise taxes) from external customers was as follows:

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Year ended December 31, 2020	1,387,459	374,524	260,120	345,527	2,367,632
Year ended December 31, 2021	1,399,963	420,063	332,789	406,406	2,559,223

Revenue (including excise taxes) is allocated into countries or areas based on the customer's domicile for the analysis above.

Revenue (excluding excise taxes) from external customers was as follows:

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Year ended December 31, 2020	1,204,008	316,865	250,331	337,111	2,108,316
Year ended December 31, 2021	1,210,205	362,745	316,236	396,489	2,285,676

Revenue (excluding excise taxes) is allocated into countries or areas based on the customer's domicile for the analysis above.

Non-current assets were as follows:

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
December 31, 2020	589,197	1,560,138	666,797	164,974	2,981,107
December 31, 2021	612,356	1,755,190	707,747	173,685	3,248,979

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

(6) Information about major customers

There has been no single external customer revenue (excluding excise taxes) which represented 10% or more to the Group's revenue.

7. Acquisition and sale of businesses and purchase of non-controlling interests

Year ended December 31, 2020

There was no material business combination to disclose for the year ended December 31, 2020.

Year ended December 31, 2021

There was no material business combination to disclose for the year ended December 31, 2021.

8. Cash and cash equivalents

The balance of cash and cash equivalents in the consolidated statements of financial position as at the end of the previous year and the current year are consistent with the amounts of cash and cash equivalents in the consolidated statements of cash flows.

9. Trade and other receivables

Trade and other receivables were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Trade receivables	374,000	449,523
Other	29,453	31,155
Loss allowance	(2,295)	(2,161)
Total	401,158	478,517

10. Other financial assets

(1) Other financial assets

Other financial assets were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Financial assets at amortized cost		
Guarantee deposits	20,978	18,965
Other	6,020	11,266
Loss allowance	(273)	(270)
Financial assets designated as hedging instruments		
Derivative assets	3,648	16,364
Financial assets at FVTPL		
Derivative assets	260	433
Other	6,774	9,303
Financial assets carried at FVTOCI		
Equity instruments (shares)	103,405	129,644
Other	45	42
Total	140,860	185,749
Current assets	7,591	17,236
Non-current assets	133,269	168,513
Total	140,860	185,749

Equity instruments (shares) are held for the purpose of maintaining or strengthening business relations with customers. Such investments are designated as financial assets measured at FVTOCI.

(2) Fair values of major financial assets

Fair values of major equity instruments (shares) designated as financial assets measured at FVTOCI were as follows:

(Millions of yen)

Type	December 31, 2020	December 31, 2021
Listed shares	50,746	52,407
Unlisted shares	52,658	77,236

Fair values of major equity instruments (shares) were as follows:

(Millions of yen)

Shares	December 31, 2020	December 31, 2021
Palace Hotel Co., Ltd.	4,168	5,078
Hankyu Hanshin Holdings, Inc.	2,725	2,594
TOHO Co., Ltd.	2,220	2,514
The Royal Hotel, Ltd.	1,224	1,201
Mitsubishi UFJ Financial Group, Inc.	741	1,015

Please see "Note 36. Financial instruments (4) Fair value of financial instruments" for the fair value measurement methods for unlisted shares and unobservable inputs for measurement.

(3) Financial assets measured at fair value through other comprehensive income derecognized during the year

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

(Millions of yen)

	December 31, 2020	December 31, 2021
Fair value	442	803
Cumulative gains	138	176

The cumulative gain or loss recognized in other comprehensive income in other components of equity is reclassified to retained earnings when the associated financial asset is sold, or a significant deterioration in fair value is recognized. The amount of reclassification to retained earnings from the cumulative loss (net of tax) during the year ended December 31, 2020 was 324 million yen, and cumulative loss (net of tax) recognized in other comprehensive income in other components of equity during the year ended December 31, 2021 was 275 million yen.

11. Inventories

Inventories were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Merchandise and finished goods	395,006	459,387
Work in progress	16,440	17,312
Raw materials	38,599	43,557
Consumables	7,680	8,847
Total	457,726	529,105

Merchandise and finished goods included 325,904 million yen (274,083 million yen as at December 31, 2020) of whiskey and other spirit products, which are expected to be utilized or sold after more than 12 months.

Inventories recognized as an expense, write-downs of inventories to net realizable value, and the reversal of such write-downs during the years ended December 31, 2020 and 2021 were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Inventories recognized as an expense	943,461	1,025,307
Write-down of inventories to net realizable value	1,573	1,908
Reversal of write-down	-	-

12. Other assets

Other assets were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Prepaid expenses	32,503	34,982
Consumption taxes receivable	13,353	12,778
Others	45,261	45,090
Total	91,118	92,850
Current assets	59,350	60,263
Non-current assets	31,768	32,586
Total	91,118	92,850

13. Assets held for sale

There were no assets held for sale as at December 31, 2020 and 2021.

14. Property, plant and equipment

(1) Movement

Property, plant and equipment were as follows:

Carrying amount

(Millions of yen)

	Land, buildings and structures	Machinery and equipment	Assets under construction	Other	Total
Balance at January 1, 2020	290,523	376,284	30,279	11,575	708,663
Additions	5,501	40,123	50,785	812	97,223
Depreciation	(14,300)	(60,824)	-	(2,895)	(78,021)
Disposals	(2,046)	(1,821)	(48)	(89)	(4,005)
Impairment losses	(674)	(7,444)	(237)	(268)	(8,625)
Reclassifications	11,479	30,214	(42,770)	1,067	(9)
Exchange differences	(4,286)	(6,737)	(673)	(185)	(11,882)
Other	85	(6,836)	216	17	(6,516)
Balance at December 31, 2020	286,282	362,956	37,550	10,036	696,825
Additions	11,573	38,341	70,108	1,007	121,031
Depreciation	(15,090)	(62,563)	-	(2,662)	(80,315)
Disposals	(1,850)	(1,662)	(3)	(57)	(3,574)
Impairment losses	(1,565)	(6,047)	(42)	(259)	(7,915)
Reclassifications	24,848	44,755	(70,621)	1,017	-
Exchange differences	10,288	15,944	2,361	453	29,049
Other	(124)	(4,673)	98	381	(4,318)
Balance at December 31, 2021	314,362	387,050	39,450	9,916	750,780

Depreciation expense of property, plant and equipment is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

Cost

(Millions of yen)

	Land, buildings and structures	Machinery and equipment	Assets under construction	Other	Total
January 1, 2020	526,895	991,914	30,283	26,233	1,575,326
December 31, 2020	533,803	1,008,102	37,604	25,726	1,605,236
December 31, 2021	576,783	1,080,123	39,515	27,667	1,724,089

Accumulated depreciation and impairment losses

(Millions of yen)

	Land, buildings and structures	Machinery and equipment	Assets under construction	Other	Total
January 1, 2020	236,372	615,630	3	14,657	866,663
December 31, 2020	247,521	645,145	54	15,690	908,411
December 31, 2021	262,420	693,072	65	17,750	973,308

(2) Impairment

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

Impairment losses by reportable segment of the Group are as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Beverages and foods	(1,934)	(1,501)
Alcoholic beverages	(2)	(204)
Others	(2,068)	(1,868)
Total	(4,005)	(3,574)

Impairment losses recognized for the years ended December 31, 2020 and 2021 represent the amounts the Group reduced the carrying amount of assets to their recoverable amounts primarily due to the decision to dispose those assets. The recoverable amount is primarily calculated as fair value less costs of disposal. Fair value less costs of disposal is based on disposal prices or nil if it is unable to be disposed of. The fair value hierarchy is Level 3.

15. Goodwill and intangible assets

Goodwill and intangible assets were as follows:

Carrying amount

(Millions of yen)

	Goodwill	Intangible assets		
		Trademarks	Other	Total
Balance at January 1, 2020	857,328	1,285,751	119,589	1,405,341
Additions	-	-	8,560	8,560
Acquisitions through business combinations	10,766	2,029	-	2,029
Amortization	-	(6,673)	(9,067)	(15,741)
Disposals	(2,172)	(1,270)	(205)	(1,476)
Reclassified as assets held for sale	(31,367)	(46,468)	(3,093)	(49,561)
Other	-	-	(667)	(667)
Balance at December 31, 2020	834,555	1,233,369	115,116	1,348,485
Additions	-	-	12,208	12,208
Acquisitions through business combinations	3,745	70	756	826
Amortization	-	(6,969)	(9,516)	(16,486)
Disposals	(1,072)	(1,192)	(353)	(1,546)
Reclassified as assets held for sale	69,890	118,437	6,155	124,592
Other	-	13	328	342
Balance at December 31, 2021	907,119	1,343,728	124,694	1,468,423

Amortization costs are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss. Expenditures for research and development activities recognized as expenses were 23,861 million yen and 24,703 million yen during the years ended December 31, 2020 and 2021, respectively, which were included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss. There were no significant internally generated intangible assets recorded at each year end.

Cost

(Millions of yen)

	Goodwill	Intangible assets		
		Trademarks	Other	Total
January 1, 2020	1,037,957	1,360,265	206,486	1,566,751
December 31, 2020	1,015,255	1,314,743	198,512	1,513,255
December 31, 2021	1,097,320	1,434,818	226,335	1,661,154

Accumulated amortization and impairment losses

(Millions of yen)

	Goodwill	Intangible assets		
		Trademarks	Other	Total
January 1, 2020	180,628	74,513	86,896	161,410
December 31, 2020	180,699	81,374	83,396	164,770
December 31, 2021	190,201	91,090	101,641	192,731

The breakdown of goodwill was as follow:

(Millions of yen)

Reportable segments	December 31, 2020	December 31, 2021
Beverages and foods	250,448	255,599
(Details)		
Japan business	130,680	130,680
Orangina Schweppes Group	84,759	86,880
Alcoholic beverages	583,923	651,335
(Details)		
Spirits business	583,923	651,335
Other	184	184
Total	834,555	907,119

Goodwill for the "Beverages and foods" segment mainly consists of that recognized through the acquisition of Orangina Schweppes Holding B.V. and Japan Beverage Holdings Inc. Goodwill for the "Alcoholic beverages" segment mainly consists of that recognized through the acquisition of Beam Inc. (currently Beam Suntory Inc.).

The value in use is calculated as the discounted future cash flows estimated based on the business plans for one to three years which have been approved by management and uncertainties in the periods beyond the term of the business plan and discount rates determined with reference to the pre-tax weighted-average cost of capital ("WACC") of 5.0%–13.5% (4.5%–14.1% for the year ended December 31, 2020) of the cash-generating units or cash-generating groups. The future cash flows are calculated considering assumptions based on external information, such as projected recovery from the economic downturn caused by COVID-19 and the growth rate of market, as well as estimates of the effect of each brand's strategy, the growth rate for the periods beyond the term of the business plan, the terminal growth rate, and others.

The value in use of goodwill recorded on the consolidated statement of financial position sufficiently exceeds the carrying amount of all of the cash-generating units or groups of cash-generating units. The Group assessed that the value in use would continue to exceed the carrying amount even if the discount and growth rates fluctuate at a reasonably assumable level.

The breakdown of intangible assets with indefinite useful lives was as follows:

(Millions of yen)

Reportable segments	December 31, 2020	December 31, 2021
Beverages and foods	343,066	369,190
(Details)		
(Trademarks) Lucozade and Ribena	144,182	160,083
(Trademarks) Schweppes	76,220	78,345
Alcoholic beverages	869,337	962,501
(Details)		
(Trademarks) Jim Beam	273,685	304,147
(Trademarks) Maker's Mark	270,704	300,834
Other	-	-
Total	1,212,403	1,331,692

Intangible assets with indefinite useful lives for the "Beverages and foods" segment mainly consist of those recognized through the acquisition of Lucozade Ribena Suntory Limited and Orangina Schweppes Holding B.V. Intangible assets with indefinite useful lives for the "Alcoholic beverages" segment mainly consist of those recognized through the acquisition of Beam Inc. (currently Beam Suntory Inc.).

It has been deemed appropriate to treat those assets as having indefinite lives for as long as the business is a going concern. Thus, they are not amortized.

The value in use is calculated as the discounted future cash flows which are estimated based on the business plans for one to three years, which have been approved by management and uncertainties in the periods beyond the term of the business plan and discount rates determined with reference to the pre-tax WACC of 5.2%–9.2% (4.9%–10.9% for the year ended December 31, 2020) of the cash-generating units or groups of cash-generating units. The future cash flows are calculated considering assumptions based on external information, such as projected recovery from the economic downturn caused by COVID-19 and the growth rate of market, as well as estimates of the effect of each brand's strategy, the growth rate for the periods beyond the term of the business plan, the terminal growth rate, and others.

The value in use of remaining intangible assets recorded on the consolidated statement of financial position sufficiently exceeds the carrying amount of all of the cash-generating units or cash-generating groups except for the intangible assets on which the impairment losses were recorded for the current year. The Group assesses that the value in use would exceed the carrying amount even though the discount rate and the growth rate may fluctuate at a reasonably assumable level.

As a result of annual impairment tests, no material impairment losses for intangible assets were recognized for the years ended December 31, 2020 and 2021.

No impairment losses for goodwill were recognized for the years ended December 31, 2020 and 2021.

16. Investments accounted for using the equity method

Total investments (as a result of the Group applying equity method) in associates and joint ventures were as follows. There were no individually material associates and joint ventures.

(Millions of yen)

	December 31, 2020	December 31, 2021
Carrying amount		
Associates	33,042	36,643
Joint ventures	19,022	16,113
Total	52,064	52,756

Comprehensive income for the year from associates and joint ventures accounted for using the equity method were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Profit for the year		
Associates	5,628	5,652
Joint ventures	3,492	4,052
Total	9,121	9,704
Other comprehensive income		
Associates	(266)	(1,765)
Joint ventures	833	770
Total	567	(994)
Comprehensive income for the year		
Associates	5,362	3,886
Joint ventures	4,326	4,823
Total	9,688	8,709

17. Income taxes

(1) Deferred tax assets and deferred tax liabilities

Balances and movements of deferred tax assets and deferred tax liabilities by nature were as follows:

Year ended December 31, 2020

(Millions of yen)

	January 1, 2020	Recognized in profit or loss	Recognized in OCI	Other (Note)	December 31, 2020
Deferred tax assets					
Tax loss carryforwards	35,715	(6,354)	-	(304)	29,056
Post-employment benefit liabilities	11,263	789	(2,274)	44	9,822
Inventories	6,735	(892)	-	29	5,872
Accrued expenses	15,408	779	-	(428)	15,759
Translation differences on foreign operations	15,407	-	(1,565)	-	13,841
Other	39,807	(2,622)	4,112	(5,050)	36,247
Total	124,338	(8,299)	272	(5,710)	110,600
Deferred tax liabilities					
Intangible assets	(274,997)	(7,620)	-	10,599	(272,018)
Temporary differences associated with investments in subsidiaries	(8,667)	(332)	5	489	(8,506)
Property, plant and equipment	(24,661)	141	-	340	(24,179)
Changes in the fair value of financial assets	(12,823)	-	1,297	49	(11,476)
Other	(18,995)	(3,946)	54	235	(22,651)
Total	(340,145)	(11,758)	1,356	11,714	(338,832)

(Note) "Other" in the schedule above primarily comprise foreign exchange movement.

Year ended December 31, 2021

(Millions of yen)

	January 1, 2021	Recognized in profit or loss	Recognized in OCI	Other (Note)	December 31, 2021
Deferred tax assets					
Tax loss carryforwards	29,056	(7,327)	-	649	22,378
Post-employment benefit liabilities	9,822	76	(925)	1,762	10,736
Inventories	5,872	(339)	-	46	5,580
Accrued expenses	15,759	645	-	635	17,039
Translation differences on foreign operations	13,841	-	1,977	-	15,818
Other	36,247	467	(165)	409	36,959
Total	110,600	(6,476)	886	3,503	108,513
Deferred tax liabilities					
Intangible assets	(272,018)	(17,795)	-	(25,447)	(315,262)
Temporary differences associated with investments in subsidiaries	(8,506)	353	(16)	(930)	(9,099)
Property, plant and equipment	(24,179)	(472)	-	(1,359)	(26,011)
Changes in the fair value of financial assets	(11,476)	-	(1,211)	0	(12,686)
Other	(22,651)	(1,519)	(1,021)	(892)	(26,086)
Total	(338,832)	(19,434)	(2,248)	(28,630)	(389,147)

(Note) "Other" in the schedule above primarily comprise foreign exchange movement.

Unused tax losses, unused tax credits and deductible temporary differences for which no deferred tax asset is recognized were as follows. The amounts below are presented on their tax base.

(Millions of yen)

	December 31, 2020	December 31, 2021
Tax loss carryforwards	18,213	16,836
Unused tax credits	7,270	11,950
Deductible temporary differences	126,725	84,135
Total	152,209	112,922

Expiration schedule of tax loss carryforwards for which no deferred tax asset is recognized were as follows:

(Millions of yen)

Unused tax losses (tax basis)	December 31, 2020	December 31, 2021
Expires within 1 year	1,017	340
Expires between 1 and 2 years	436	489
Expires between 2 and 3 years	426	196
Expires between 3 and 4 years	287	153
Expire after 4 years	16,046	15,655
Total	18,213	16,836

(Millions of yen)

Deferred tax credits	December 31, 2020	December 31, 2021
Expires within 1 year	-	-
Expires between 1 and 2 years	-	340
Expires between 2 and 3 years	-	-
Expires between 3 and 4 years	-	4,192
Expire after 4 years	7,270	7,417
Total	7,270	11,950

Taxable temporary differences (tax basis) associated with investments in subsidiaries for which deferred tax liabilities are not recognized as at December 31, 2020 and 2021 were 38,599 million yen and 45,357 million yen, respectively. Deferred tax liabilities were not recognized since the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

(2) Income tax expenses

Income tax expenses were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Current tax expense	51,313	56,137
Deferred tax expense	20,058	25,911
Total	71,371	82,049

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

	December 31, 2020	December 31, 2021
	(%)	(%)
Effective statutory tax rate	30.6	30.6
Tax rate change	3.3	6.2
Unrecognized deferred tax assets	3.0	1.7
Accumulated earnings taxes	2.8	1.6
Permanent differences (e.g. non-taxable dividends received)	(0.8)	(1.1)
Differences in overseas tax rates	(4.1)	(4.8)
Other	0.7	0.4
Average effective tax rate	35.5	34.6

Income tax, inhabitant tax and business tax are the main components of income tax expenses imposed on the Group, and the effective statutory tax rate based on those taxes was 30.6% for the year ended December 31, 2021 (30.6% for the year ended December 31, 2020). Foreign subsidiaries are subject to income tax expenses in the tax jurisdiction in which they are located.

18. Bonds and borrowings

(1) Bonds and borrowings

Bonds and borrowings were as follows:

	December 31, 2020	December 31, 2021	Average interest rate (Note 1)	Maturity date
	(Millions of yen)		(%)	
Short-term borrowings	19,667	25,568	2.39	—
Commercial papers	40,000	-	-	—
Current portion of long-term borrowings	80,754	120,275	0.40	—
Current portion of bonds (Note 2)	21,142	103,411	2.78	—
Long-term borrowings	850,672	719,305	0.38	2023 - 2081
Bonds (Note 2)	429,756	412,431	1.64	2023 - 2081
Total	1,441,993	1,380,991		
Current liabilities	161,564	249,255		
Non-current liabilities	1,280,428	1,131,736		
Total	1,441,993	1,380,991		

(Note 1) The average interest rate is calculated as the weighted-average interest rate as at the end of the fiscal year.

(Note 2) The summary of the terms of bonds was as follows:

Issuer	Type	Issue date	December 31, 2020	December 31, 2021	Interest rate	Collateral	Maturity date
			(Millions of yen)	(Millions of yen)	(%)		
Suntory Holdings Limited	Publicly offered corporate bonds	June 2, 2016 - June 25, 2020	79,828	79,888	0.00 - 0.22	None	June 2, 2023 - June 2, 2026
Suntory Holdings Limited	U.S. dollar bonds	June 28, 2017	61,892 [600,000 thousand U.S. dollars]	68,950 [600,000 thousand U.S. dollars] (68,950)	2.55	None	June 27, 2022
Suntory Holdings Limited	U.S. dollar bonds	October 16, 2019	51,278 [500,000 thousand U.S. dollars]	57,164 [500,000 thousand U.S. dollars]	2.25	None	October 15, 2024
Suntory Holdings Limited	Interest deferrable and early redeemable subordinated bonds	April 25, 2018	71,791	71,884	0.68	None	April 25, 2078
Suntory Holdings Limited	Interest deferrable and early redeemable subordinated bonds	August 2, 2019	27,863	27,901	0.39	None	August 2, 2079
Suntory Holdings Limited	Interest deferrable and early redeemable subordinated bonds	December 28, 2021	-	41,720	0.50	None	December 26, 2081
Suntory Beverage & Food Limited	Publicly offered corporate bonds	June 26, 2014 - July 8, 2021	44,931 (14,989)	49,901 -	0.00 - 0.70	None	July 26, 2023 - July 8, 2024
Beam Suntory Inc.	Publicly offered corporate U.S. dollar bonds	November 15, 1991 - June 10, 2013	113,312 [1,094,802 thousand U.S. dollars] (6,152)	118,432 [1,029,669 thousand U.S. dollars] (34,461)	3.25 - 7.88	None	May 15, 2022 - January 15, 2036
Total	-	-	450,898 (21,142)	515,842 (103,411)	-	-	-

Amounts enclosed in( ) in the table above represent current portion of long-term bonds.

(2) Assets pledged as collateral

Secured borrowings and assets pledged as collateral were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Property, plant and equipment	468	-

(Millions of yen)

	December 31, 2020	December 31, 2021
Bonds and borrowings	27	-

In addition to the above, assets pledged as collateral for loans, etc., of the Company's investees from financial institutions were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Other financial assets	320	320

19. Trade and other payables

Trade and other payables were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Trade payables	204,079	242,564
Accrued expenses	341,568	393,061
Total	545,648	635,625

20. Other financial liabilities

Other financial liabilities were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Financial liabilities measured at amortized cost		
Lease liabilities	104,163	125,111
Deposits received	121,193	112,997
Other	3,802	3,971
Financial liabilities designated as hedging instruments		
Derivative liabilities	23,823	11,279
Financial liabilities measured at FVTPL		
Derivative liabilities	477	716
Total	253,460	254,076
Current liabilities	110,442	100,340
Non-current liabilities	143,017	153,735
Total	253,460	254,076

21. Provisions

Changes of provisions were as follows:

(Millions of yen)

	Asset retirement obligations	Other	Total
Balance at January 1, 2020	5,646	15,221	20,868
Additional provisions recognized	2,443	2,348	4,791
Interest expense	148	-	148
Utilized during the period	(145)	(5,663)	(5,809)
Reversed during the period	(57)	(616)	(674)
Other	(411)	(576)	(987)
Balance at December 31, 2020	7,624	10,712	18,336
Additional provisions recognized	685	6,377	7,062
Interest expense	15	53	68
Utilized during the period	(798)	(5,013)	(5,812)
Reversed during the period	(56)	(1,327)	(1,384)
Other	71	862	934
Balance at December 31, 2021	7,540	11,664	19,205

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

Other includes the provision primarily related to business integration and rationalization measures in overseas businesses. Disbursement of such expense will be affected by the execution of the Group's business plan in the future.

Provisions are included in the consolidated statement of financial position in the following accounts:

(Millions of yen)

	December 31, 2020	December 31, 2021
Current liabilities	10,261	9,020
Non-current liabilities	8,074	10,184
Total	18,336	19,205

22. Other liabilities

Other liabilities were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Accrued excise taxes	49,308	57,276
Consumption taxes payable	19,254	18,756
Other	28,532	30,974
Total	97,095	107,007
Current liabilities	81,712	91,119
Non-current liabilities	15,383	15,888
Total	97,095	107,007

23. Leases

(As a lessee)

The Group leases land, buildings, vending machines, vehicles, and other assets as a lessee.

Profit or loss of leases is as follows.

(Millions of yen)

	December 31, 2020	December 31, 2021
Depreciation of right-of-use assets		
Land, buildings and structures	22,395	22,439
Machinery and equipment	4,185	2,746
Others	3,429	3,727
Total	30,010	28,914
Variable lease payments not included in measurement of lease liabilities	1,725	1,858
Others (Note)	17,963	17,533

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

Please refer to "Note 31. Finance income and costs" as for finance costs of lease liabilities.

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

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

(Millions of yen)

	December 31, 2020	December 31, 2021
Land, buildings and structures	85,478	108,338
Machinery and equipment	7,228	6,237
Others	8,533	8,080
Total	101,240	122,657

The amount of increase in right-of-use assets for the year ended December 31, 2021 is 51,216 million yen (37,505 million yen for the fiscal year ended December 31, 2020).

The total amount of lease cash outflow for the year ended December 31, 2021 is 53,863 million yen (51,546 million yen for the fiscal year ended December 31, 2020).

Please refer to "Note 36. Financial instruments (2) Risk management for financial instruments [2] Liquidity risk management" as for the maturity analysis of lease liabilities.

Lease payments is variable based on revenue amounts at stores in the contracts of real estate leases of the Group.

The rate against revenue defers depending on contracts within the certain range.

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

(As a lessor)

The Group leases buildings and other assets as a lessor.

The Group receives security deposits to collect certainly the assets restoration costs from lessee.

Maturity analysis of operating lease payments is as follows:

(Millions of yen)

	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
December 31, 2020	2,833	560	329	269	172	172	1,327
December 31, 2021	2,724	497	337	206	202	195	1,285

24. Post-employment benefit plans

(1) Defined benefit plans

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

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

[1] Reconciliation of defined benefit obligations and plan assets

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

(Millions of yen)

	December 31, 2020	December 31, 2021
Present value of funded defined benefit obligations	187,920	190,123
Fair value of plan assets	(182,699)	(190,255)
	5,220	(131)
Present value of unfunded defined benefit obligation	34,323	35,749
Net defined benefit liability	39,543	35,618
Balance in consolidated statement of financial position		
Post-employment benefit liabilities	43,051	40,488
Post-employment benefit assets	(3,508)	(4,870)
Net of liabilities and assets	39,543	35,618

[2] Reconciliation of the present value of the defined benefit obligations

Changes in the present value of the defined benefit obligations were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Balance at beginning of the year	220,811	222,243
Current service cost	8,214	8,224
Interest expense	2,480	2,444
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	843	908
Actuarial gains and losses arising from changes in financial assumptions	862	(3,303)
Past service cost	5	(453)
Benefits paid	(9,158)	(9,534)
Exchange differences	(1,905)	5,245
Other	89	98
Balance at end of the year	222,243	225,873

The weighted-average duration of the defined benefit obligation as at December 31, 2020 and 2021 was 15.8 years and 15.7 years, respectively.

[3] Reconciliation of the fair value of the plan assets

Changes in the fair value of plan assets were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Balance at beginning of the year	179,032	182,699
Interest income	1,933	1,987
Remeasurements:		
Return on plan assets (other than interest income)	8,933	6,169
Employer contributions	2,712	2,510
Employee contributions	7	6
Benefits paid	(7,997)	(7,857)
Exchange differences	(1,922)	4,738
Balance at end of the year	182,699	190,255

The contribution by the Group to defined benefit plans is expected to be 5,228 million yen in the next fiscal year.

[4] Breakdown of major items in plan assets

Fair value of plan assets was as follows:

(Millions of yen)

	December 31, 2020			December 31, 2021		
	Quoted market price	Unquoted market price	Total	Quoted market price	Unquoted market price	Total
Cash and cash equivalents	2,066	-	2,066	2,294	-	2,294
Equity instruments	-	38,074	38,074	-	37,283	37,283
Domestic	-	8,564	8,564	-	4,926	4,926
Overseas	-	29,509	29,509	-	32,357	32,357
Debt instruments	63	74,676	74,739	69	76,403	76,472
Domestic	-	12,421	12,421	-	11,823	11,823
Overseas	63	62,254	62,318	69	64,580	64,649
Life insurance-General accounts	-	22,205	22,205	-	22,512	22,512
Other	-	45,613	45,613	-	51,691	51,691
Total	2,130	180,569	182,699	2,363	187,891	190,255

Plan assets invested in joint investment trusts in trust banks are deemed plan assets that do not have a quoted market price in an active market. Life insurance–General accounts represent the pension assets managed by the general accounts of life insurance companies, which usually guarantee principal amounts and interest.

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

[5] Significant actuarial assumptions

Significant actuarial assumptions were as follows:

	December 31, 2020	December 31, 2021
Discount rate	0.5%～6.0%	0.5%～8.1%

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

(Millions of yen)

	Change in the rate	December 31, 2020	December 31, 2021
Discount rate	Increase by 0.5%	(15,215)	(15,119)
	Decrease by 0.5%	16,153	16,309

[6] Defined benefit cost

Defined benefit costs were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Current service cost	8,214	8,224
Interest expense	2,480	2,444
Interest income	(1,933)	(1,987)
Past service cost	5	(453)
Total	8,766	8,228

The Group's contribution to the plans for the years ended December 31, 2020 and 2021 were 18,480 million yen and 20,740 million yen, respectively, and those are not included in the defined benefit costs analyzed above.

(2) Employee benefit expenses

Employee benefit expenses for the years ended December 31, 2020 and 2021 were 327,585 million yen and 354,397 million yen, respectively. Employee benefits are primarily composed of salaries, bonuses, legal welfare costs, welfare expenses, and post-employment costs. They are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

25. Equity and other components of equity

(1) Share capital

The number of shares authorized and shares issued were as follows:

	Shares authorized	Shares issued
	(Shares)	(Shares)
Balance at January 1, 2020	1,305,600,000	687,136,196
Increase (decrease)	-	-
Balance at December 31, 2020	1,305,600,000	687,136,196
Increase (decrease)	-	-
Balance at December 31, 2021	1,305,600,000	687,136,196

The Company only issues ordinary shares, and the issued shares are fully paid in.

(2) Share premium

The Companies Act of Japan (the "Act") requires the Company to recognize one-half or more of the proceeds from issuing as share capital and the remaining amount as capital reserve, which is comprised of share premium. Under the Act, capital reserve can be reclassified to share capital subsequently by a resolution at the shareholders' meeting.

(3) Retained earnings

Under the Act, if the Company pays dividends of surplus, it shall record an amount equivalent to one-tenth of the amount of the deduction from surplus as a capital reserve or legal retained earnings reserve. This requirement continues until the balance of these reserves reaches one-fourth of the share capital. The legal retained earnings reserve can be utilized to make up for the loss carried forward and can be reversed without limitation by a resolution at the shareholders' meeting.

(4) Treasury shares

The number of treasury shares were as follows:

	Number of shares	Amounts
	(Shares)	(Millions of yen)
Balance at January 1, 2020	1,380,000	938
Increase (decrease)	-	-
Balance at December 31, 2020	1,380,000	938
Increase (decrease)	-	-
Balance at December 31, 2021	1,380,000	938

(5) Other components of equity

Other components of equity were as follows:

(Millions of yen)

	Other components of equity				
	Translation adjustments of foreign operations	Changes in the fair value of cash flow hedges	Changes in the fair value of financial assets	Remeasurement of defined benefit plans	Total
Balance at January 1, 2020	(135,619)	(6,224)	29,493	(21,402)	(133,752)
Other comprehensive income	(78,875)	3,284	(3,403)	5,084	(73,909)
Total comprehensive income for the period	(78,875)	3,284	(3,403)	5,084	(73,909)
Transfer from other components of equity to retained earnings	-	-	324	-	324
Total transactions with owners of the parent	-	-	324	-	324
Balance at December 31, 2020	(214,495)	(2,939)	26,414	(16,317)	(207,337)
Other comprehensive income	184,856	1,555	2,249	6,228	194,889
Total comprehensive income for the period	184,856	1,555	2,249	6,228	194,889
Transfer from other components of equity to retained earnings	-	-	275	-	275
Total transactions with owners of the parent	-	-	275	-	275
Balance at December 31, 2021	(29,639)	(1,384)	28,939	(10,088)	(12,173)

26. Dividends

Dividends paid were as follows:

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Year ended December 31, 2020				
Annual General Meeting of Shareholders held on March 25, 2020	8,914	13	December 31, 2019	March 26, 2020
Year ended December 31, 2021				
Annual General Meeting of Shareholders held on March 24, 2021	8,914	13	December 31, 2020	March 25, 2021

Dividends that will be effective in the following year of the record date were as follows:

Resolution	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Year ended December 31, 2020 Annual General Meeting of Shareholders held on March 24, 2021	8,914	13	December 31, 2020	March 25, 2021
Year ended December 31, 2021 Annual General Meeting of Shareholders held on March 23, 2022	8,914	13	December 31, 2021	March 24, 2022

27. Revenue

Relation between disaggregated revenue and segment revenue

The subsidiaries of the Group in each region carry out its operation in conformity with the nature of local markets and consumers in the reportable segments, "Beverages and foods," "Alcoholic beverages," and "Other." Revenue of each reportable segment is disaggregated into the geographical areas, "Japan," "Americas," "Europe," and "Asia and Oceania," based on customer locations.

(1) Revenue including excise taxes from external customers

Year ended December 31, 2020

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Beverages and foods	627,778	90,138	195,334	259,661	1,172,913
Alcoholic beverages	578,074	282,284	64,786	51,809	976,955
Others	181,606	2,101	-	34,056	217,763
	1,387,459	374,524	260,120	345,527	2,367,632

Year ended December 31, 2021

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Beverages and foods	624,533	108,466	241,757	289,053	1,263,810
Alcoholic beverages	589,303	308,368	91,032	68,897	1,057,602
Others	186,125	3,228	-	48,455	237,810
	1,399,963	420,063	332,789	406,406	2,559,223

(2) Revenue excluding excise taxes from external customers

Year ended December 31, 2020

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Beverages and foods	627,778	90,138	195,334	259,661	1,172,913
Alcoholic beverages	394,968	224,625	54,996	43,960	718,550
Others	181,261	2,101	-	33,489	216,852
	1,204,008	316,865	250,331	337,111	2,108,316

Year ended December 31, 2021

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Beverages and foods	624,533	108,466	241,757	289,053	1,263,810
Alcoholic beverages	399,864	251,050	74,479	59,724	785,119
Others	185,806	3,228	-	47,711	236,747
	1,210,205	362,745	316,236	396,489	2,285,676

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

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

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

28. Other income

Other income was as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Gain on transfer of business	3,439	2,417
Subsidy income	2,543	7,642
Other	7,567	5,248
Total	13,549	15,308

(Change in presentation)

"Insurance income" and "Gain on sale of property, plant and equipment and intangible assets" which were separately presented for the year ended December 31, 2020, are included in "Other" for the year ended December 31, 2021, as those have become quantitatively immaterial. "Subsidy income" which was included in "Other" for the year ended December 31, 2020, is separately presented for the year ended December 31, 2021, as it has become quantitatively material.

As a result of this change in presentation, the amount of 1,355 million yen of "Insurance income," 2,609 million yen of "Gain on sale of property, plant and equipment and intangible assets" and 6,145 million yen of "Other" in the consolidated financial statements for the fiscal year ended December 31, 2020 were reclassified and presented as "Subsidy income" of 2,543 million yen and "Other" of 7,567 million yen.

29. Selling, general and administrative expenses

Selling, general and administrative expenses were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Advertising and sales promotion expenses	351,704	378,682
Employee benefits expenses	259,306	268,917
Depreciation and amortization	59,582	56,167
Other	117,444	126,405
Total	788,038	830,173

30. Other expenses

Other expenses were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Loss on disposal of property, plant and equipment and intangible assets	5,289	4,948
Impairment losses	4,189	2,981
Restructuring charges	2,814	5,013
Other	4,287	4,791
Total	16,580	17,735

Restructuring charges were expenses mainly for professional advisory fees related to reorganization and relocation carried out by subsidiaries.

Please see "Note 14. Property, plant and equipment" and "Note 15. Goodwill and intangible assets" for impairment losses.

31. Finance income and costs

Finance income and costs were as follows:

(Millions of yen)

Finance income	December 31, 2020	December 31, 2021
Interest received		
From financial assets measured at amortized cost	927	574
Fair value gains		
From financial assets measured at FVTPL	259	4,980
Dividends received		
From financial assets measured at FVTOCI		
From financial liabilities derecognized during the year	1	-
From financial assets held at the end of the year	765	1,069
Other	78	128
Total	2,033	6,754

(Millions of yen)

Finance costs	December 31, 2020	December 31, 2021
Interest paid		
From financial liabilities measured at amortized cost	17,397	16,287
Fair value losses		
From financial assets and liabilities measured at FVTPL	-	73
Other	626	423
Total	18,023	16,785

Financial costs of lease liabilities were 1,402 million yen and 1,435 million yen for the years ended December 31, 2020 and 2021, respectively, are included in the interest paid from financial liabilities measured at amortized cost in the table above.

32. Other comprehensive income

Year ended December 31, 2020

(Millions of yen)

	Amount arising during the year	Reclassification	Before tax	Tax effects	Net of tax
Items that will not be reclassified to profit or loss:					
Changes in the fair value of financial assets and liabilities	(7,225)	-	(7,225)	3,273	(3,951)
Remeasurement of defined benefit plans	7,226	-	7,226	(2,545)	4,681
Changes in comprehensive income of investments accounted for using the equity method	890	-	890	-	890
Total	891	-	891	727	1,619
Items that may be reclassified to profit or loss:					
Translation adjustments of foreign operations	(84,411)	-	(84,411)	1,565	(82,845)
Changes in the fair value of cash flow hedges	8,199	(5,024)	3,175	(663)	2,511
Changes in comprehensive income of investments accounted for using the equity method	(322)	-	(322)	-	(322)
Total	(76,534)	(5,024)	(81,559)	902	(80,657)
Grand total	(75,642)	(5,024)	(80,667)	1,629	(79,038)

Year ended December 31, 2021

(Millions of yen)

	Amount arising during the year	Reclassification	Before tax	Tax effects	Net of tax
Items that will not be reclassified to profit or loss:					
Changes in the fair value of financial assets and liabilities	2,640	-	2,640	(679)	1,961
Remeasurement of defined benefit plans	8,565	-	8,565	(1,769)	6,795
Changes in comprehensive income of investments accounted for using the equity method	(1)	-	(1)	-	(1)
Total	11,204	-	11,204	(2,448)	8,756
Items that may be reclassified to profit or loss:					
Translation adjustments of foreign operations	201,985	-	201,985	1,977	203,962
Changes in the fair value of cash flow hedges	4,376	(986)	3,389	(891)	2,498
Changes in comprehensive income of investments accounted for using the equity method	(993)	-	(993)	-	(993)
Total	205,367	(986)	204,381	1,085	205,466
Grand total	216,572	(986)	215,585	(1,362)	214,223

33. Earnings per share

Earnings per share were calculated as follows. There were no dilutive shares.

	December 31, 2020	December 31, 2021
Profit for the year attributable to owners of the Company (Millions of yen)	100,408	113,965
Profit for the year not attributable to ordinary shareholders of the Company (Millions of yen)	-	-
Profit used in the calculation of basic earnings per share from continuing operations (Millions of yen)	100,408	113,965
Weighted-average number of ordinary shares (share)	685,756,196	685,756,196
Earnings per share (Yen)	146.42	166.19

34. Non-cash transactions

Please refer to "Note 23. Leases."

35. Liabilities for financing activities

Liabilities for financing activities were as follows:

(Millions of yen)

	Balance at January 1, 2020	Cash flows	Non-cash movements				Other changes	Balance at December 31, 2020
			Foreign exchange adjustments	Fair value movement	Amortized cost movement	New finance leases etc.		
Bonds and borrowings	1,426,874	44,827	(30,092)	(969)	1,352	-	-	1,441,993
Derivatives	(8,005)	5,520	-	6,023	-	-	8,099	11,638
Lease liabilities	100,879	(30,455)	(1,338)	-	-	35,077	-	104,163

(Note 1) Cash flows from financing activities associated to bonds and borrowings and derivatives presented above reconciles with the net amount of (decrease) increase in short-term borrowings and commercial papers, proceeds from long-term borrowings and repayment of long-term borrowings presented in the consolidated statement of cash flows.

(Note 2) "Other changes" presented above includes interest paid and received etc.

(Note 3) Derivatives are held for the purpose of hedging risks associated with bonds and borrowings.

(Millions of yen)

	Balance at January 1, 2021	Cash flows	Non-cash movements				Other changes	Balance at December 31, 2021
			Foreign exchange adjustments	Fair value movement	Amortized cost movement	New finance leases etc.		
Bonds and borrowings	1,441,993	(106,136)	44,756	(977)	1,356	-	-	1,380,991
Derivatives	11,638	(2,607)	-	(28,713)	-	-	5,797	(13,884)
Lease liabilities	104,163	(33,035)	4,395	-	-	49,587	-	125,111

(Note 1) Cash flows from financing activities associated to bonds and borrowings and derivatives presented above reconciles with the net amount of (decrease) increase in short-term borrowings and commercial papers, proceeds from long-term borrowings and repayment of long-term borrowings presented in the consolidated statement of cash flows.

(Note 2) "Other changes" presented above includes interest paid and received etc.

(Note 3) Derivatives are held for the purpose of hedging risks associated with bonds and borrowings.

36. Financial instruments

(1) Capital management

The Group manages its capital with the goal of maintaining strong financial positions to achieve its sustainable growth. The key index the Company uses for its capital management is the net debt-to-equity ratio, paying particular attention to internal and external environment.

The net debt-to-equity ratio is determined as net debt (adjusted for hybrid bonds and subordinated loans) divided by total equity (adjusted for hybrid bonds and subordinated loans). The net debt (adjusted for hybrid bonds and subordinated loans) is determined as the balance of bonds and borrowings, adjusted the net valuation gain (loss) arising from derivative transactions under hedge accounting, extracted the cash and cash equivalents, and added lease liabilities and equity credit for hybrid bonds and subordinated loans. Total equity (adjusted for hybrid bonds and subordinated loans) is determined considering equity credit for hybrid bonds and subordinated loans.

The computation of the net debt-to-equity ratio for the Group is shown below.

(Millions of yen)

	December 31, 2020	December 31, 2021
Interest bearing liabilities	1,441,993	1,380,991
Net valuation loss arising from derivative transactions	14,388	(12,401)
Interest bearing liabilities (adjusted)	1,456,381	1,368,590
Cash and cash equivalents	(338,259)	(297,717)
Lease liabilities	104,163	125,111
Equity credit for hybrid bonds and subordinated loans	(199,000)	(199,000)
Interest bearing liabilities (adjusted for hybrid bonds and subordinated loans)	1,023,284	996,984
Total equity	1,814,347	2,147,392
Equity credit for hybrid bonds and subordinated loans	199,000	199,000
Total equity (adjusted for hybrid bonds and subordinated loans)	2,013,347	2,346,392
Net debt-to-equity ratio	0.51	0.42

Equity credit for hybrid bonds and subordinated loans is the amount of hybrid bonds and subordinated loans multiplied by equity credit recognized by Japan Credit Rating Agency, Moody's Japan and S&P Global Ratings Japan. There has been no significant restriction on the Group's capital imposed by regulation authorities.

(2) Risk management for financial instruments

The Group is exposed to financial risks, e.g., risks of changes in credit, liquidity, foreign exchange rates, interest rates, and market prices in the course of its business activities. The Group performs risk management activities to mitigate such financial risks. The Group utilizes derivative transactions to avoid foreign exchange or interest rate fluctuation risks, and has a policy in place not to engage in speculative transactions.

[1] Credit risk management

Credit risk is the risk that a counterparty to financial assets held by the Group is unable to fulfil its contractual obligations, resulting in a financial loss for the Group. The Group is also exposed to credit risks from financial institutions. Financial institutions are counterparties with whom the Group enters into derivative transactions to hedge foreign exchange and interest rate fluctuation risks and with whom it deposits surplus capital. However, since the Group controls the impact from credit risks of such financial institutions by entering into transactions only with highly credible financial institutions, the impact on credit risks is immaterial. The Group sets credit lines for each business counterparty based on internal guidelines for credit management by business and country or region, focusing on management of overdue debtors and outstanding balances. The Group's receivables are due from many business counterparties which reside in a wide range of countries and regions. The Group does not have any excessively concentrated credit risk for a single counterparty or the group to which such a counterparty belongs.

A loss allowance is determined by classifying receivables based on credit risk characteristics. A loss allowance for trade receivables is always measured at an amount equal to the lifetime expected credit losses. A loss allowance for receivables other than trade receivables is principally measured at an amount equal to 12-month expected credit losses. However, if other receivables become overdue, a loss allowance for such receivables is recognized at an amount equal to the lifetime expected credit losses on the basis that the credit risk on such receivables has increased significantly since initial recognition. All receivables other than trade receivables, for which a loss allowance is measured at 12-month expected credit losses, are measured collectively. The amount of expected credit losses is calculated as follows.

Trade receivables

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

Receivables other than trade receivables

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

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

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

(Millions of yen)

Carrying amount	Financial assets measured at 12-month expected credit losses	Financial assets measured at lifetime expected credit losses	Financial assets applying the simplified approach
Balance at January 1, 2020	53,777	42	382,569
Balance at December 31, 2020	56,409	37	374,000
Balance at December 31, 2021	61,342	39	449,523

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

Credit risk rating

The credit risk ratings of financial assets measured at an amount equal to the lifetime expected credit losses are relatively low compared with those of financial assets measured at an amount equal to the 12-month expected credit losses. The credit risk ratings for financial assets to which the simplified approach is applied are equivalent to credit risk ratings of financial assets principally measured at an amount equal to 12-month expected credit losses. The credit risk ratings of financial assets classified in the same categories are relatively similar.

The collectability of trade and other receivables is determined based on the credit status of each business counterparty, and a loss allowance is recognized as needed. The following table shows increases (decreases) in loss allowances:

(Millions of yen)

Loss allowance	Allowance measured at 12-month expected credit losses	Allowance measured at lifetime expected credit losses	Allowance for financial assets applying the simplified approach
Balance at January 1, 2020	234	42	2,184
Increased (decreased) due to financial assets incurred or collected	2	(4)	238
Write off	(0)	-	(69)
Exchange differences	(0)	-	(58)
Balance at December 31, 2020	235	37	2,295
Increased (decreased) due to financial assets incurred or collected	(5)	1	(208)
Write off	-	-	(54)
Exchange differences	0	-	129
Balance at December 31, 2021	231	39	2,161

Effect of significant changes in the carrying amount of financial instruments in total during the period

There was no significant change in the carrying amount of financial instruments in total during the prior and current years that may affect changes in loss allowances.

Maximum exposures related to credit risks

The carrying amount of financial assets, net of loss allowance, presented in the consolidated financial statements represents the maximum exposure to credit risks of the Group's financial assets, without considering the valuation of collaterals obtained.

[2] Liquidity risk management

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

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

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

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

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

As at December 31, 2020

(Millions of yen)

	Carrying amount	Contractual amount	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative financial liabilities								
Trade and other payables	545,648	545,648	545,648	-	-	-	-	-
Borrowings	951,094	965,104	105,396	108,505	77,240	271,517	91,361	311,082
Bonds	450,898	489,312	29,946	99,933	117,316	70,386	2,304	169,425
Commercial papers	40,000	40,000	40,000	-	-	-	-	-
Lease liabilities	104,163	110,768	27,149	22,036	16,157	13,805	8,213	23,404
Derivative financial liabilities								
Currency derivatives	3,575	1,725	(2,039)	2,786	235	742	-	-
Interest rate swaps	16,809	14,176	2,275	5,553	2,388	3,959	-	-
Total	2,112,189	2,166,735	748,377	238,815	213,338	360,411	101,879	503,912

As at December 31, 2021

(Millions of yen)

	Carrying amount	Contractual amount	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative financial liabilities								
Trade and other payables	635,625	635,625	635,625	-	-	-	-	-
Borrowings	865,149	875,847	149,111	80,666	284,840	91,529	73,700	196,000
Bonds	515,842	550,543	111,728	122,176	96,739	2,765	64,743	152,390
Lease liabilities	125,111	129,624	26,193	25,301	19,328	14,028	9,817	34,955
Derivative financial liabilities								
Currency derivatives	(1,744)	(3,925)	(3,189)	4,411	(5,146)	-	-	-
Interest rate swaps	(2,694)	(1,998)	(314)	376	(2,060)	-	-	-
Total	2,137,289	2,185,718	919,154	232,932	393,700	108,323	148,262	383,345

[3] Foreign currency risk management

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

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

[4] Interest rate risk management

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

The exposures to interest rate risk of the Group were as follows:

The following amount excludes the amount of interest rate risks being hedged by derivative transactions.

(Millions of yen)

	December 31, 2020	December 31, 2021
Floating rate bonds and borrowings	81,827	2,247

Interest rate sensitivity analysis

The Group's sensitivity to a one percent increase or decrease in interest rate against profit before tax presented in the consolidated statement of profit or loss for each reporting period is as follows. This analysis, however, is based on the assumption that all other variable factors (e.g., balances, foreign exchange rates) remain the same.

(Millions of yen)

	December 31, 2020	December 31, 2021
Profit before income taxes	818	22

[5] Management of market price fluctuation risks

The Group is exposed to risks of changes in market prices arising on equity financial instruments (i.e., investment in shares). For investment securities, the Group manages such risks by periodically monitoring market quotes and financial conditions of issuers (i.e., business counterparties).

Market price fluctuation risks as at the reporting date are not considered material.

(3) Hedge accounting

Please refer to "Note 36. Financial instruments (2) Risk management for financial instruments" for the Group's risk management policy over hedge accounting, determined for each class of risk exposure. Foreign currency exchange risks are managed by focusing on controlling risk exposures according to foreign currency risk management policies and hedge policies. Exposure to interest rate risk is managed considering financial market trends, asset-liability composition, interest rate fluctuation risks, and other factors.

Impact of the initial application of Interest Rate Benchmark Reform

In the previous year, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 7, "Financial Instruments: Disclosures." These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments are relevant to part of the Group's derivative and non-derivative financial instruments that mature subsequent to the current year.

The amendments are relevant to hedging relationships and financial instruments of the Group, all of which extend beyond the current year. The Group will continue to apply the Phase 1 amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's contract is modified to identify the date on which the index interest rate benchmark will be replaced, and the basis of the cash flow of the alternative benchmark rate, including the relevant spread adjustment, will be determined. The interest rate subject to the interest rate benchmark reform in relation to the hedge relationships to which the Group is exposed is U.S. dollar LIBOR.

Risks arising from the interest rate benchmark reform

The following are the major risks for the Group arising from the transition.

1. Interest rate basis risk: There are two elements to this risk as outlined below.

- If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of publication of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into and is not captured by our interest rate risk management strategy.
- Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times.

The Group is targeting to agree to the modification to the contracts before the cessation of publication of LIBORs. The Group is also targeting to agree to the modification to the contracts that a non-derivative instrument and the derivative instrument transition to alternative benchmark rates at same time.

2. Accounting: If transition to alternative benchmark rates for certain contracts is finalized in a manner that does not permit the application of the reliefs introduced in the Phase 2 amendments, this could lead to discontinuation of hedge accounting relationships, increased volatility in profit or loss if re-designated hedges are not fully effective and volatility in the profit or loss if non-derivative financial instruments are modified or derecognized. The Group is aiming to agree changes to contracts that would allow IFRS 9 reliefs to apply.

Progress towards implementation of alternative benchmark interest rates

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the LIBOR regulators.

For the Group's floating rate debt, the Group starts the negotiations with its banks to modify the contracts referring to U.S. dollar LIBOR and add the fallback provisions to them. The Group is targeting to complete the arrangement during 2022.

Interest rate benchmark transition for non-derivative financial instruments

Below are details of the non-derivative financial instruments referring to U.S. dollar LIBOR.

Non-derivative financial instruments prior to transition	Maturing in	Nominal amount	Hedge accounting	Transition progress for non-derivative financial instruments
3-month U.S. dollar LIBOR debt	2024	120 million U.S. dollar	Designated in cash flow hedge (see below)	Expected to transition in 2022
6-month U.S. dollar LIBOR debt	2024	530 million U.S. dollar	Designated in cash flow hedge (see below)	Expected to transition in 2022

Interest rate benchmark transition for derivatives and hedge relationships

Below are details of the hedge instruments and the hedge items included Interest Rate Benchmark Reform amendments to IFRS 9 by hedge type. The terms of the hedged items match those of the corresponding hedging instruments. The Group has determined that the interest rate risk component of hedged U.S. dollar LIBOR continues to be reliably measurable for designated fixed rate bank loans.

Hedge type	Derivative financial instruments prior to transition	Maturing in	Notional amount	Hedged item	Transition progress for derivative financial instruments
Cash flow hedge	Interest rate swap Receiving on a 3-month U.S. dollar LIBOR interest and paying on a fixed U.S. dollar interest	2024	120 million U.S. dollar	U.S. dollar LIBOR debt of the same maturity and nominal of the swap	Expected to transition in 2022
Cash flow hedge	Interest rate swap Receiving on a 3-month U.S. dollar LIBOR interest and paying on a fixed U.S. dollar interest	2024	530 million U.S. dollar	U.S. dollar LIBOR debt of the same maturity and nominal of the swap	Expected to transition in 2022

The Group will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed to ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference LIBOR are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment.

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

[1] Cash flow hedges

Details of hedging instruments designated as cash flow hedges

December 31, 2020

(Millions of yen)

	Contractual amounts	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Foreign exchange risks				
Foreign exchange contracts				
Long position				
Yen and British pound sterling	23,174	-	997	0
Yen and U.S. dollar	19,433	363	3	542
Short position				
Yen and Singapore dollar	11,135	-	-	81
Yen and Australian dollar	9,449	-	88	302
Currency swap contracts				
Payment in U.S. dollar (hedged currency) Receipt in yen	103,607	103,607	708	2,258
Payment in yen Receipt in British pound sterling (hedged currency)	33,556	33,556	-	534
Payment in yen Receipt in euro (hedged currency)	20,946	20,946	-	1,124
Payment in yen Receipt in Australian dollar (hedged currency)	2,917	2,917	-	450
Payment in yen Receipt in N.Z. dollar (hedged currency)	1,482	1,482	-	216
Interest rate risks				
Interest rate swap transactions				
Receiving on a floating interest and paying on a fixed interest	231,225	231,225	-	6,663
Interest rate currency swap transactions				
Receiving on a floating interest and paying on a fixed interest	141,259	132,382	3	8,378
Payment in U.S. dollar (hedged currency) Receipt in yen				
Receiving on a floating interest and paying on a fixed interest	26,908	11,798	-	2,941
Payment in U.S. dollar (hedged currency) Receipt in euro				
Receiving on a floating interest and paying on a fixed interest	8,525	-	271	21
Payment in U.S. dollar (hedged currency) Receipt in British pound sterling				

The carrying amounts of derivatives are presented in other financial assets, or other financial liabilities in the consolidated statement of financial position. The carrying amounts for receivable/payable after one year are classified under non-current assets or non-current liabilities.

December 31, 2021

(Millions of yen)

	Contractual amounts	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Foreign exchange risks				
Foreign exchange contracts				
Long position				
Yen and U.S. dollar	22,763	499	984	10
Short position				
Yen and Australian dollar	11,396	-	169	29
Currency swap contracts				
Payment in U.S. dollar (hedged currency) Receipt in yen	103,607	53,555	7,204	-
Payment in yen Receipt in British pound sterling (hedged currency)	37,257	37,257	190	3,897
Payment in yen Receipt in euro (hedged currency)	21,534	21,534	-	1,638
Payment in yen Receipt in Australian dollar (hedged currency)	3,086	-	-	597
Payment in yen Receipt in N.Z. dollar (hedged currency)	1,573	-	-	294
Interest rate risks				
Interest rate swap transactions				
Receiving on a floating interest and paying on a fixed interest	235,257	170,304	-	3,645
Interest rate currency swap transactions				
Receiving on a floating interest and paying on a fixed interest Payment in U.S. dollar (hedged currency) Receipt in yen	132,382	78,022	7,330	-
Receiving on a floating interest and paying on a fixed interest Payment in U.S. dollar (hedged currency) Receipt in euro	12,129	-	-	650

The carrying amounts of derivatives are presented in other financial assets, or other financial liabilities in the consolidated statement of financial position. The carrying amounts for receivable/payable after one year are classified under non-current assets or non-current liabilities.

Increases (decreases) in net valuation gains (losses) on hedging instruments designated as cash flow hedges

(Millions of yen)

	Effective portion of changes in fair value of cash flow hedges			
	Foreign exchange risks	Interest rate risks	Market price fluctuation risks	Total
Balance at January 1, 2020	1,149	(7,447)	(4)	(6,301)
Other comprehensive income				
Incurred for the period (Note 1)	5,221	3,433	(27)	8,627
Reclassified (Note 2)	(2,356)	(2,668)	-	(5,024)
Tax effects	(696)	28	4	(663)
Balance at December 31, 2020	3,318	(6,653)	(27)	(3,362)
Other comprehensive income				
Incurred for the period (Note 1)	1,208	3,096	71	4,376
Reclassified (Note 2)	(2,815)	1,828	-	(986)
Tax effects	167	(1,044)	(15)	(891)
Balance at December 31, 2021	1,879	(2,772)	29	(864)

(Note 1) Changes in the value of hedged items used as a basis for recognizing the ineffective hedge portion approximate the changes in the fair value of the hedging instruments.

(Note 2) "Reclassified" in the schedule above represents the amounts reclassified to profit or loss when the hedged items affected net profit or loss, which are recognized as finance gains or costs in the consolidated statement of profit or loss. The amount of the ineffective hedge portions was immaterial.

[2] Hedges on a net investment in a foreign operation

Details of hedging instruments designated as hedges on a net investment in a foreign operation

December 31, 2020

(Millions of yen)

	Contractual amount	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Bonds denominated in U.S. dollars	USD 150 mil.	USD 150 mil.	-	15,525
Borrowings denominated in U.S. dollars	USD 350 mil.	USD 350 mil.	-	36,225
Currency derivatives	USD 147 mil.	-	-	358

These carrying amounts are included in bonds payable and borrowings, other financial assets, or other financial liabilities in the consolidated statement of financial position. The carrying amount for receivable/payable after one year is classified under non-current liabilities.

December 31, 2021

(Millions of yen)

	Contractual amount	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Bonds denominated in U.S. dollars	USD 150 mil.	-	-	17,253
Borrowings denominated in U.S. dollars	USD 350 mil.	USD 220 mil.	-	40,257

These carrying amounts are included in bonds payable and borrowings, other financial assets, or other financial liabilities in the consolidated statement of financial position. The carrying amount for receivable/payable after one year is classified under non-current liabilities.

Valuation gains (losses) arising on hedging instruments designated as a net investment in a foreign operation

(Millions of yen)

	Exchange differences on foreign operations
Balance at January 1, 2020	56,612
Other comprehensive income	
Incurred during the period (Note 1)	4,950
Tax effects	(1,565)
Balance at December 31, 2020 (Note 2)	59,997
Other comprehensive income	
Incurred during the period (Note 1)	(6,480)
Tax effects	1,977
Balance at December 31, 2021 (Note 2)	55,494

(Note 1) Changes in the value of hedged items used as a basis for recognizing the ineffective hedge portion approximates the changes in the fair value of the hedging instruments.

(Note 2) The amount of translation adjustments of foreign operations included 13,643 million yen of exchange losses as at December 31, 2021 from hedging instruments with discontinued hedging relationships (12,962 million yen of exchange losses as at December 31, 2020).

[3] Fair value hedges

Details of hedging instruments designated as fair value hedges

December 31, 2020

(Millions of yen)

	Contractual amount	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Interest rate risks				
Interest rate swap transactions				
Receiving on a fixed interest and paying on a floating interest	80,000	-	977	-

The carrying amounts of derivatives are included in other financial assets or other financial liabilities in the consolidated statement of financial position. The carrying amounts for receivable/payable after one year are classified under non-current assets or non-current liabilities.

December 31, 2021

(Millions of yen)

	Contractual amount	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Interest rate risks				
Interest rate swap transactions				
Receiving on a fixed interest and paying on a floating interest	-	-	-	-

There were no fair value hedges as at December 31, 2021.

The carrying amount of hedged items under fair value hedges and the cumulative adjustment related to fair value hedges as at the end of the reporting periods were as follows:

December 31, 2020

(Millions of yen)

	Carrying amount		Cumulative adjustment related to fair value hedges		Line items presented in the consolidated statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Interest rate transactions	-	80,918	-	977	Bonds and borrowings

December 31, 2021

(Millions of yen)

	Carrying amount		Cumulative adjustment related to fair value hedges		Line items presented in the consolidated statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Interest rate transactions	-	-	-	-	-

There were no fair value hedges as at December 31, 2021.

The amount of change in the value of hedged items used as a basis for recognizing the ineffective hedge portion and hedging instruments were as follows:

December 31, 2020

(Millions of yen)

Risk	Change in the value of hedged items	Change in the value of hedging instruments
Interest rate risks	969	(969)

December 31, 2021

(Millions of yen)

Risk	Change in the value of hedged items	Change in the value of hedging instruments
Interest rate risks	977	(977)

The amount of the ineffective hedge portions recognized in profit or loss was immaterial for the years ended December 31, 2020 and 2021.

(4) Fair value of financial instruments

[1] Classification by the fair value hierarchy level

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

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

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

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

[2] Financial instruments measured at fair value

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

(i) Derivative assets and liabilities

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

(ii) Equity instruments

The fair values of listed shares are measured at the quoted prices available at the reporting date. Unlisted shares are measured at fair value using the following valuation techniques: the discounted cash flow method, the comparative multiple valuation multiples and the adjusted net asset method. (The adjusted net asset method is a method to determine corporate values based on net assets of a stock issuing company, adjusted as necessary with market-value valuation for certain assets and liabilities.) The major unobservable input used for measurement of the fair value of unlisted shares is EBITDA ratio in the comparative multiple valuation, which was from 7 to 30 times for the year ended December 31, 2020 and from 8 to 30 times for the year ended December 31, 2021. The illiquidity discount rate employed was 15%. We do not expect any significant change in the fair value of equity instruments to arise if one or more of the unobservable inputs changes to reflect reasonably possible alternative assumptions.

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

As at December 31, 2020

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets designated as hedging instruments				
Derivative assets	-	3,648	-	3,648
Financial assets measured at FVTPL				
Derivative assets	-	260	-	260
Other	3,297	1,652	1,824	6,774
Financial assets measured at FVTOCI				
Equity instruments	50,746	-	52,658	103,405
Other	-	-	45	45
Liabilities:				
Financial liabilities designated as hedging instruments				
Derivative liabilities	-	23,823	-	23,823
Financial liabilities measured at FVTPL				
Derivative liabilities	-	477	-	477

As at December 31, 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets designated as hedging instruments				
Derivative assets	-	16,364	-	16,364
Financial assets measured at FVTPL				
Derivative assets	-	433	-	433
Other	3,613	1,654	4,035	9,303
Financial assets measured at FVTOCI				
Equity instruments	52,407	-	77,236	129,644
Other	-	-	42	42
Liabilities:				
Financial liabilities designated as hedging instruments				
Derivative liabilities	-	11,279	-	11,279
Financial liabilities measured at FVTPL				
Derivative liabilities	-	716	-	716

[3] Changes in financial instruments classified as Level 3 during the period

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

Year ended December 31, 2020

(Millions of yen)

	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at January 1, 2020	1,844	29,483
Total gains and losses	14	1,695
Profit or loss (Note 1)	14	-
Other comprehensive income (Note 2)	-	1,695
Purchased	315	21,544
Sold	(2)	(19)
Other	(348)	-
Balance at December 31, 2020	1,824	52,704

Year ended December 31, 2021

(Millions of yen)

	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at January 1, 2021	1,824	52,704
Total gains and losses	5,316	2,784
Profit or loss (Note 1)	5,316	-
Other comprehensive income (Note 2)	-	2,784
Purchased	579	21,880
Sold	(2)	(90)
Other	(3,683)	-
Balance at December 31, 2021	4,035	77,278

(Note 1) Gains and losses included in profit or loss relate to financial assets measured at FVTPL at the reporting date, which are included in finance gains or finance costs in the consolidated statement of profit or loss.

(Note 2) Gains and losses included in other comprehensive income relate to financial assets measured at FVTOCI at the reporting date, which are included in financial assets measured at FVTOCI in the consolidated statement of comprehensive income.

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

[4] Financial instruments measured at amortized cost

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

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables

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

(ii) Bonds and borrowings

Fair values of bonds are determined as the present value of the obligations, discounted by credit risk adjusted interest rates over periods to their maturity. The following table shows the carrying amounts and the fair value hierarchy of major financial instruments measured at amortized cost at each reporting date.

The carrying amounts and the fair value hierarchy of financial instruments measured at amortized cost at each reporting date were as follows:

Year ended December 31, 2020

(Millions of yen)

	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities measured at amortized cost					
Bonds	450,898	-	470,184	-	470,184
Borrowings	951,094	-	958,645	-	958,645
Commercial papers	40,000	-	40,000	-	40,000

Year ended December 31, 2021

(Millions of yen)

	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities measured at amortized cost					
Bonds	515,842	-	529,342	-	529,342
Borrowings	865,149	-	870,487	-	870,487

37. Principal subsidiaries

(1) Composition of the Group

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
		December 31, 2020	December 31, 2021
Suntory Beverage & Food Limited	Japan	59.4	59.4
Suntory Foods Co., Ltd.	Japan	100.0	100.0
Suntory Beverage Solution Ltd.	Japan	100.0	100.0
Suntory Beverage Service Co., Ltd.	Japan	100.0	100.0
Japan Beverage Holdings Inc.	Japan	82.7	82.7
Suntory Products Ltd.	Japan	100.0	100.0
Suntory Beverage & Food Asia Pte. Ltd.	Singapore	100.0	100.0
BRAND'S SUNTORY INTERNATIONAL CO., LTD. (Note 1)	Thailand	100.0	100.0
PT Suntory Garuda Beverage	Indonesia	75.0	75.0
Suntory PepsiCo Vietnam Beverage Co., Ltd.	Vietnam	100.0	100.0
Suntory PepsiCo Beverage (Thailand) Co., Ltd.	Thailand	51.0	51.0
FRUCOR SUNTORY NEW ZEALAND LIMITED	New Zealand	100.0	100.0
Orangina Schweppes Holding B.V.	Netherland	100.0	100.0
Lucozade Ribena Suntory Limited	United Kingdom	100.0	100.0
Pepsi Bottling Ventures LLC	United States	65.0	65.0
Beam Suntory Inc.	United States	100.0	100.0
Suntory Spirits Ltd.	Japan	100.0	100.0
Suntory Beer, Wine & Spirits Japan Ltd.	Japan	100.0	100.0
Suntory Beer Ltd.	Japan	100.0	100.0
Suntory Wine International Ltd.	Japan	100.0	100.0
Suntory Liquors Ltd.	Japan	100.0	100.0
Suntory Wellness Ltd.	Japan	100.0	100.0
DYNAC HOLDINGS CORPORATION	Japan	61.7	100.0
Suntory Flowers Ltd.	Japan	100.0	100.0
Suntory (China) Holding Co., LTD.	China	100.0	100.0
Suntory MONOZUKURI Expert Ltd. (Note 2)	Japan	100.0	100.0
Suntory Business System Ltd.	Japan	100.0	100.0
Suntory System Technology Ltd.	Japan	100.0	100.0
Suntory Communications Ltd. (Note 2)	Japan	100.0	100.0
Suntory Global Innovation Center Ltd.	Japan	100.0	100.0

(Note 1) BRAND'S SUNTORY INTERNATIONAL CO., LTD. changed its name to Suntory Beverage & Food International (Thailand) Co., Ltd. on March 1, 2022.

(Note 2) Suntory MONOZUKURI Expert Ltd. and Suntory Communications Ltd. were merged into the Company on January 1, 2022.

(2) Summarized consolidated financial information in respect of each of the Group's subsidiaries that has material non-controlling interests

Summarized consolidated financial information in respect of each of the Group's subsidiaries that has material non-controlling interests was as follows:

The following summarized consolidated financial information represents amounts before eliminating inter-company transactions.

Suntory Beverage & Food Limited and its consolidated group companies.

[1] General information

(Millions of yen)

	December 31, 2020	December 31, 2021
Proportion of ownership interests held by non-controlling interests (%)	40.5	40.5
Accumulated non-controlling interests	394,552	432,053

(Millions of yen)

	December 31, 2020	December 31, 2021
Profit allocated to non-controlling interests of the subsidiary	33,237	42,179
Dividends paid to non-controlling interests of the subsidiary	21,421	23,962

[2] Summarized consolidated financial information

(Millions of yen)

	December 31, 2020	December 31, 2021
Current assets	467,198	530,253
Non-current assets	1,107,052	1,146,673
Current liabilities	446,526	463,565
Non-current liabilities	268,168	269,409
Equity	859,556	943,952

(Millions of yen)

	December 31, 2020	December 31, 2021
Revenue	1,178,137	1,268,917
Profit for the year	64,294	83,029
Comprehensive income for the year	57,434	122,638

(Millions of yen)

	December 31, 2020	December 31, 2021
Cash flows generated by operating activities	134,019	158,180
Cash flows used in investing activities	(61,217)	(56,867)
Cash flows used in financing activities	(46,754)	(96,109)
Net increase (decrease) in cash and cash equivalents	26,047	5,203

38. Related-party transactions

(1) Related-party transactions

The Group has no material transactions and balances with related parties.

(2) Remuneration for principal executives

(Millions of yen)

	December 31, 2020	December 31, 2021
Basic remuneration and bonus	1,486	1,477

39. Commitments

Commitments related to expenditures in the subsequent periods were as follows:

(Millions of yen)

	December 31, 2020	December 31, 2021
Acquisition of property, plant and equipment	44,664	29,520

Other than the commitment represented above, the Group entered into contracts including a logistics service agreement, a lease for warehouse and other lease assets for the year ended December 31, 2021. The commencement date of the contract is in the following fiscal year, and therefore, no right-of-use asset or lease liability was recorded as at December 31, 2020 and 2021. The estimated total lease payments amount to 8,995 million yen at December 31, 2021 (18,829 million yen at December 31, 2020).

40. Subsequent event

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

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