IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER:
(1) QIBs (AS DEFINED BELOW) UNDER RULE 144A, OR
(2) NON-U.S. PERSONS OUTSIDE THE UNITED STATES

IF YOU DO NOT AGREE TO THE TERMS AND CONDITIONS CONTAINED IN THIS NOTICE, YOU SHOULD NOT READ THE ATTACHED OFFERING MEMORANDUM AND SHOULD DELETE THIS ELECTRONIC TRANSMISSION.

IMPORTANT: You must read the following before continuing. The following applies to the attached offering memorandum (the "Offering Memorandum"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. **You acknowledge that this electronic transmission and the delivery of the attached Offering Memorandum is confidential and intended for you only and you agree you will not forward this electronic transmission or the attached Offering Memorandum to any other person.**

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers ("QIBs") (within the meaning of, and in reliance on, Rule 144A under the U.S. Securities Act) or (2) non-U.S. persons purchasing the securities in offshore transactions (within the meaning of, and in reliance on, Regulation S under the U.S. Securities Act) outside the United States. By accessing the Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs, or (b) non-U.S. persons purchasing the securities in offshore transactions outside the United States and the electronic mail address that you gave us and to which the Offering Memorandum has been delivered is not located in the United States and (2) you consent to delivery of such Offering Memorandum by electronic transmission.

Prohibition of Sales to EEA Retail Investors: The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or both) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97, or the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, or the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No. 1286/2014, as amended (the "PRIIPs Regulation"), for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors: The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK law; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, or the FSMA, and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK law; or (iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of UK law. Consequently, no key information document required by the PRIIPs Regulation as it forms part of UK law, or the UK PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

Further, in the United Kingdom, the attached Offering Memorandum is being distributed only to and is directed only at persons who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order") or (ii) high net worth entities and other persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order (all such persons together being referred to as "Relevant Persons"). The securities are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the securities will be engaged in only with, in the United Kingdom, Relevant Persons. Any person who is in the United Kingdom and not a Relevant Person should not act or rely on the attached Offering Memorandum or any of its contents.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the issuer, the initial purchasers nor any of their affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request.

You are responsible for protecting against viruses and other destructive items. Your use of this communication is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

OFFERING MEMORANDUM STRICTLY CONFIDENTIAL

SUNTORY

$500,000,000 5.124% Senior Notes due 2029

Suntory Holdings Limited proposes to issue an aggregate principal amount of $500,000,000 of senior notes due on June 11, 2029, or the notes. The notes will bear interest accruing from June 11, 2024 at an annual rate of 5.124%, payable semi-annually in arrears on June 11 and December 11 of each year.

The notes will be our direct and unsubordinated general obligations and will rank *pari passu* without preference among themselves and with all of our other unsubordinated indebtedness from time to time outstanding, that is unsecured. At any time prior to May 11, 2029, we may redeem all or part of the notes by paying a "make-whole" premium, and at any time on or after May 11, 2029, we may redeem all or part of the notes at a redemption price equal to 100% of the principal amount of the notes being redeemed as set forth in this offering memorandum. See "Description of the Notes—Optional Redemption." We may also redeem the notes in whole, but not in part, upon the occurrence of certain changes in Japanese tax law. See "Description of the Notes—Optional Tax Redemption." Except as described in the foregoing, the notes will not be redeemable prior to maturity.

The notes will be issued only in registered form in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.

Approval in-principle has been received for the listing of and quotation for the notes on the Singapore Exchange Securities Trading Limited, or the Singapore Exchange. The Singapore Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission of the notes to the official list of the Singapore Exchange and quotation of the notes on the Singapore Exchange is not to be taken as an indication of the merits of us, our subsidiaries, our associated companies or the notes.

See "Risk Factors" beginning on page 6 to read about certain matters prospective investors should consider before making an investment in the notes.

Offering Price: 100% and accrued interest, if any
Interest on the notes will accrue from June 11, 2024

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the Securities Act. The notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers, or QIBs, as defined in and in reliance on the exemption from registration provided by Rule 144A under the Securities Act and in offshore transactions to non-U.S. persons as defined in, and in reliance on, Regulation S under the Securities Act.

It is expected that delivery of the notes will be made through the book-entry facilities of The Depository Trust Company, or DTC, and its participants, including Euroclear Bank SA/NV, or Euroclear, and Clearstream Banking S.A., or Clearstream, on or about June 11, 2024.

Joint Lead Managers and Joint Bookrunners

Morgan Stanley **Citigroup** **J.P. Morgan**

Co-Managers

BofA Securities **Goldman Sachs & Co. LLC** **BNP PARIBAS**

The date of this offering memorandum is June 4, 2024.

No dealer, salesperson or other individual has been authorized in connection with the offering to give any information or to make any representations not contained in this offering memorandum. If given or made, any such information or representations must not be relied upon as having been authorized by us, any initial purchaser (as defined in "Plan of Distribution") or any person affiliated with the initial purchasers. No action has been, or will be, taken to permit a public offering of the notes in any jurisdiction where action would be required for that purpose. Accordingly, the notes offered hereby may not be offered or sold, directly or indirectly, and this offering memorandum may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof, nor shall it constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in our affairs since the date hereof.

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, OR THE SEC, OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING MEMORANDUM OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

We are furnishing this offering memorandum solely for the purpose of enabling prospective investors to consider the purchase of the notes in connection with an offering not registered under the Securities Act. The information contained in this offering memorandum has been provided by us and other sources identified in this offering memorandum. Any reproduction or distribution of this offering memorandum, in whole or in part, and any disclosure of its contents or use of any information contained in it for any purpose other than considering an investment in the notes offered hereby is prohibited. Each offeree of the notes, by accepting delivery of this offering memorandum, will be deemed to have agreed to the foregoing.

Each prospective investor who places an order for the notes consents to the disclosure by the initial purchasers to us of the prospective investor's identity, the details of such order and the actual amount of notes subscribed, if any.

No representation or warranty is made by the initial purchasers, the trustee or any of their respective agents, affiliates or advisors as to the accuracy or completeness of the information contained in this offering memorandum and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers, the trustee or their respective agents, affiliates or advisors.

The notes have not been and will not be registered under the Securities Act or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities law. The notes are being offered:

- only to QIBs, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or
- in offshore transactions to non-U.S. persons as defined in, and in accordance with, Regulation S.

You are hereby notified that sellers of the notes may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A.

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended), or the FIEA, and are subject to the Act on Special Measures Concerning Taxation of Japan (Law No. 26 of 1957, as amended), or the Special Taxation Measures Act. The notes may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the notes may not, as part of the distribution by the initial purchasers under the purchase agreement relating to the notes, at any time, be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, or a specially-related person of the issuer (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Special Taxation Measures Act which purchases unsubscribed portions of the notes from the other underwriters) or (ii) a Japanese financial institution or a Japanese financial instruments business operator, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended), or the Cabinet Order, relating to the Special Taxation Measures Act.

BY SUBSCRIBING FOR THE NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A PERSON WHO FALLS INTO THE CATEGORY OF (i) OR (ii) ABOVE.

Interest payments on the notes will be subject to Japanese withholding tax unless it is established that the notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer, or (ii) a Japanese financial institution or a Japanese financial instruments business operator, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order which complies with the requirement for tax exemption under Article 6, Paragraph (11) of the Special Taxation Measures Act or (iii) a Japanese public corporation, a Japanese financial institution or a Japanese financial instruments business operator, etc. which has received such payments through a payment handling agent in Japan, as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act, in compliance with the requirement for tax exemption under that paragraph.

Interest payments on the notes to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer will be subject to deduction in respect of Japanese income tax.

AVAILABLE INFORMATION

We have agreed, during any period that any of the notes are "restricted securities" (as defined in Rule 144 under the Securities Act) and we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, or exempt from the reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) under the Exchange Act, to furnish to holders or designated prospective purchasers of the notes, in each case upon request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

NOTICE CONCERNING THE EUROPEAN ECONOMIC AREA

Prohibition of Sales to EEA Retail Investors: The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area, or the EEA. For these purposes, a retail investor means a person who is one (or both) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended, or MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97, or the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, or the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No. 1286/2014, as amended, or the PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTICE CONCERNING THE UNITED KINGDOM

Prohibition of Sales to UK Retail Investors: The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK law; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, or the FSMA, and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK law; or (iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of UK law. Consequently, no key information document required by the PRIIPs Regulation as it forms part of UK law, or the UK PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering memorandum, "we," "us," "our" and "Suntory" refer to Suntory Holdings Limited, or Suntory Holdings, and its consolidated subsidiaries. References to "SBF" are to Suntory Beverage & Food Limited and its consolidated subsidiaries, references to "SBFA" are to Suntory Beverage & Food Asia Pte. Ltd. and its consolidated subsidiaries, references to "Cerebos" are to Cerebos Pacific Ltd. and its consolidated subsidiaries at the time of its initial acquisition (which was merged into SBFA in 2019), references to "Suntory Garuda" are to PT Suntory Garuda Beverage and its consolidated subsidiaries (which were transferred to PT Garudafood Putra Putri Jaya Tbk in January 2024), references to "Frucor" are to FRUCOR SUNTORY NEW ZEALAND LIMITED and its consolidated subsidiaries, FRUCOR SUNTORY AUSTRALIA PTY. LIMITED and Frucor Brands International B.V., references to "OSG" are to Orangina Schweppes Holding B.V. and its consolidated subsidiaries, references to "PBV" are to Pepsi Bottling Ventures LLC and its consolidated subsidiaries, references to "Suntory Global Spirits" are to Suntory Global Spirits Inc. (renamed from Beam Suntory Inc. effective April 30, 2024), its consolidated subsidiaries and certain of our other consolidated subsidiaries associated with Suntory Global Spirits' business, references to "Suntory Liquors" are to Suntory Liquors Limited and its consolidated subsidiaries (which were merged into Suntory Spirits in 2022), references to "Suntory Spirits" are to Suntory Spirits Limited and its consolidated subsidiaries, references to "Suntory Wellness" are to Suntory Wellness Limited and its consolidated subsidiaries, references to "Suntory Wine" are to Suntory Wine International Limited (which was merged into Suntory Spirits in 2022), references to "Suntory Beer" are to Suntory Beer Limited and its consolidated subsidiaries (which were merged into Suntory Spirits in 2022) and references to "Dynac" are to DYNAC CORPORATION.

In this offering memorandum, references to "U.S. dollars," "dollars" and "$" refer to the lawful currency of the United States; references to "yen" and "¥" refer to the lawful currency of Japan; references to "euro" and "€ " refer to the currency of those member states of the European Union which are participating in the European Economic and Monetary Union pursuant to the Treaty on European Union.

In this offering memorandum, including in our audited consolidated financial statements, where information is presented in thousands, millions, billions or trillions of yen or dollars, as the case may be, amounts of less than one thousand, one million, one billion or one trillion, as the case may be, generally have been truncated unless otherwise specified. In this offering memorandum, where information is presented as percentages or ratios, amounts less than one-tenth, one-tenth of one percent, one-hundredth or one-hundredth of one percent, as the case may be, generally have been rounded unless otherwise specified. Accordingly, figures presented in tables in this offering memorandum may not total due to such rounding or, in certain cases, truncation, as applicable.

Industry and market data used in this offering memorandum have been obtained from independent industry sources prepared by third parties such as Euromonitor International Limited, or Euromonitor, Inryou Souken, a Japanese trade publication, and International Wine & Spirit Research, or IWSR. Where such data is used in this offering memorandum, we have indicated the relevant industry source and the year to which such data relates. While we believe that these sources are reliable, we have not independently verified industry or market data from third-party sources and we cannot assure the accuracy or completeness of such data. We do not intend and disclaim any duty or obligation to update or revise any of the industry and market data presented to reflect new information, future events or otherwise.

Certain figures in this offering memorandum are presented for "off-trade value RSP" and "total value RSP." "Off-trade value RSP" means off-trade sales at retail selling price. "Off-trade sales" represents total sales through the following channels: supermarkets/hypermarkets, discounters, convenience stores, independent small grocers, forecourt retailers, food/drink/tobacco specialists, other grocery retailers, non-grocery retailers, vending machines, home shopping, internet retailing and direct selling. "Off-trade sales" excludes the following channels: restaurants, cafes, bars and fountain beverages sold through convenience stores. "Total value RSP" means total sales through all channels at retail selling price. "Retail selling price," or "RSP," represents the end price to the consumer, including retailer and wholesaler mark-ups, sales tax (except in the United States and Canada) and liquor tax. References to "western spirits" in this offering memorandum are to global spirits, excluding national spirits, cane spirits and aniseed spirits, each as defined by IWSR.

Our fiscal year end is December 31. Our audited consolidated financial statements as of and for the years ended December 31, 2022 and 2023 included herein have been prepared in accordance with IFRS Accounting Standards, or IFRS, as issued by the International Accounting Standards Board. We are not required to and do not prepare consolidated financial statements for the three-month period ended March 31 and the nine-month period ended September 30.

Unless otherwise indicated, all financial information included in this offering memorandum is presented using IFRS, which differ from accounting principles generally accepted in Japan, or Japanese GAAP, from accounting principles generally accepted in the United States, or U.S. GAAP. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements appear in a number of places in this offering memorandum and include statements regarding the intent, belief or current expectations of our management with respect to our business, results of operations and financial condition. In many cases, but not all, we use such words as "anticipate," "believe," "estimate," "expect," "intend," "may," "outlook," "plan," "probability," "project," "risk," "seek," "should," "target" and similar expressions in relation to us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate.

Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We do not undertake any duty to update the forward-looking statements, or the estimates and assumptions associated with them, after the date of this offering memorandum, except to the extent required by law. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the captions "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this offering memorandum that might cause the forward-looking statements not to be realized. These factors may not be exhaustive as we operate in a continually changing business environment with new risks emerging from time to time that we are unable to predict or that we currently do not expect to have a material adverse effect on our business. You should carefully read this offering memorandum in its entirety as it contains important information about our business and the risks we face.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a Japanese corporation organized under the laws of Japan. Substantially all of our directors, Audit & Supervisory Board members, executive officers and our independent auditor reside outside the United States, and a substantial portion of our assets and the assets of such persons are located outside of the United States. As a result, it may not be possible for holders or beneficial owners of the notes to effect service of process within the United States or elsewhere outside Japan upon us or such persons or to enforce against us or such persons judgments obtained in U.S. courts or elsewhere, whether or not predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States or any state thereof. Nishimura & Asahi (Gaikokuho Kyodo Jigyo), our Japanese counsel, has advised us that, in original actions or in actions for enforcement of judgments of U.S. federal or state courts brought before Japanese courts, there is in general doubt as to the enforceability of liabilities based solely on U.S. federal and state securities laws.

SUMMARY

This summary highlights selected information contained elsewhere in this offering memorandum. You should carefully read the entire offering memorandum, including the "Risk Factors" and our consolidated financial statements and related notes, before making an investment decision. The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto included elsewhere in this offering memorandum.

Overview

We are a globally diversified manufacturer and distributor of beverages and foods. Our diversified product portfolio includes soft drinks, food products, whisky and other spirits, alcohol ready-to-drink, or RTD, beverages, beer, wine and health supplements. We were the second largest producer of western spirits in the United States, the largest in Japan and the third largest globally, in terms of total value RSP for 2022, according to Euromonitor. In Japan, we were the second largest producer in the wine market and the third largest in the beer market, in terms of total value RSP for 2022, according to Euromonitor. We were also the second largest producer of non-alcoholic beverages in Japan and the fifth largest globally, in terms of total value RSP for 2022, according to Euromonitor.

Our operations are organized into the following three business segments:

Beverages and Foods Segment. Our beverages and foods segment, which is operated by SBF, produces and distributes in Japan and globally a highly diversified portfolio of non-carbonated and carbonated non-alcoholic beverages, as well as a range of functional food products.

*Alcoholic Beverages Segment***.** Our alcoholic beverages segment produces and distributes whisky and other spirits and alcohol RTD beverages in Japan and globally, including major markets such as the United States, Europe and Asia, beer and beer-flavored beverages and low-alcohol content beverages primarily in Japan and wine in Japan and globally. We also import and distribute a variety of spirits and liquors into Japan.

Others Segment. Our others segment includes the production and distribution of health supplements and premium ice cream, the operation of restaurants, the development and marketing of horticultural products and our businesses in China.

The common stock of Suntory Holdings is not listed on any stock exchange.

For the year ended December 31, 2023, we had revenue (excluding liquor tax) of ¥2,952.0 billion and profit for the year attributable to owners of the Company of ¥172.7 billion.

Company Information

Our registered head office is located at 1-40, Dojimahama 2-chome, Kita-ku, Osaka, 530-8203, Japan. Our corporate internet website is *www.suntory.com/*. The information on our website does not constitute a part of this offering memorandum.

Summary Risk Factors

Investing in the notes involves a number of risks, and prospective investors are urged to carefully consider the matters discussed under "Risk Factors" prior to making an investment in the notes. Such risks include, but are not limited to:

- unfavorable general economic conditions in Japan, or other major markets, as well as global geopolitical risks;
- the highly competitive markets in which we operate;
- our inability to effectively respond to changing consumer preferences;
- extreme weather conditions, natural disasters, health emergencies or pandemics or other catastrophic events;

- safety or quality standards applicable to our products;
- actions or disengagement of third parties to which we outsource production or from which we procure products;
- shortages or substantial price increases of certain raw materials that we use;
- disruptions or other difficulties affecting our supply chain;
- fluctuations in foreign currency exchange rates and interest rates;
- risks associated with our international operations;
- our inability to successfully identify and complete acquisitions and business alliances that complement our existing operations;
- changes in the social perception of alcoholic beverage consumption or regulations related to alcohol;
- the impact of changes in laws and regulations relating to corporate social responsibility, environmental laws or the use or disposal of plastics or other packaging on our costs and demand for our products;
- our dependence on key information systems and services, and the occurrence of cybersecurity incidents or other disruptions;
- our failure to comply with applicable laws and regulations;
- loss of key management personnel or our inability to attract and retain qualified employees;
- damage to our reputation and the strength of our brand;
- adverse events regarding our intellectual property rights;
- potential liabilities and costs from litigation and other legal proceedings;
- potential recognition of impairment losses with regard to intangible assets;
- changes in the value of assets we own;
- our substantial debt and its impact on our ability to execute our strategy and grow our business; and
- increases in our costs related to employee retirement obligations.

The Offering

The following is a brief summary of certain terms of this offering. Some of the terms and conditions described below are subject to important limitations and exceptions. For a more complete description of the terms of the Notes, see "Description of the Notes."

Securities Offered:	$500,000,000 aggregate principal amount of 5.124% senior notes due 2029.
Offering Price:	100% plus accrued interest, if any, from June 11, 2024.
Maturity Date:	The notes will mature on June 11, 2029.
Status of the Notes/Ranking:	The notes will be our direct and unsubordinated general obligations and will rank pari passu without preference among themselves and with all of our other unsubordinated indebtedness from time to time outstanding, that is unsecured.
Minimum Denomination:	The notes will be in denominations of $200,000 and integral multiples of $1,000 in excess thereof.
Payments of Principal and Interest on the Notes:	Interest on the notes will accrue at the rate of 5.124% per annum. We will pay interest on the notes semiannually in arrears on June 11 and December 11 in each year. Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. The first payment of interest will be in respect of the period from and including June 11, 2024 to but excluding December 11, 2024. We will compute interest on the basis of a 360-day year consisting of twelve 30-day months. Principal will be repaid at a price of 100% of the principal amount of the notes at maturity unless previously redeemed or repurchased. If any date for payment of principal or interest (or additional amounts, if any) falls on a day that is not a business day, then payment of principal or interest (or additional amounts, if any) need not be made on such date but may be made on the next succeeding business day. Any payment made on such next succeeding business day shall have the same force and effect as if made on the due date, and no interest shall accrue with respect to such payment for the period after such date. See "Description of the Notes—Principal, Maturity and Interest."
Additional Amounts:	All payments of principal and interest in respect of the notes will be made without withholding or deduction for, or on account of, withholding taxes imposed by or within Japan, unless such withholding or deduction is required by law. If the payments are subject to Japanese withholding tax, we will pay such additional amounts (subject to certain exceptions) in respect of Japanese taxes as will result in the payment of amounts otherwise receivable absent any deduction or withholding on account of such Japanese taxes. See "Description of the Notes—Additional Amounts." References to principal or interest in respect of the notes shall be deemed to include any additional amounts which may be payable as set forth in the indenture (as defined in "Description of the Notes").
Optional Redemption:	Prior to May 11, 2029 (the date that is one month prior to the maturity date) (the "Par Call Date"), we may redeem the notes at our option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(1) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in "Description of the Notes") plus 15 basis points less (b) interest accrued to the date of redemption, and

(2) 100% of the principal amount of the notes to be redeemed,

plus, in either case, accrued and unpaid interest thereon to the redemption date.

We may redeem the notes, in whole or in part, at any time from, and including, the Par Call Date to, but excluding, maturity, at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest on the principal amount of the notes to, but excluding, the redemption date. See "Description of the Notes—Optional Redemption."

Optional Tax Redemption: .... The notes may be redeemed at any time, at our option and sole discretion, in whole, but not in part, and upon giving not less than 30 nor more than 60 days' notice of redemption to the holders (which notice shall be irrevocable) at the principal amount of the notes together with interest accrued to the date fixed for redemption and any additional amounts thereon, if we have been or will be obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes, and such obligation cannot be avoided through the taking of reasonable measures available to us. See "Description of the Notes—Optional Tax Redemption."

Use of Proceeds: .... We intend to use the net proceeds of the sale of the notes for general corporate purposes, including the repayment of certain of our outstanding corporate bonds.

Global Notes: .... The notes will be initially represented by one or more global notes in definitive, fully registered form without interest coupons. The global notes will be deposited upon issuance with the custodian for DTC and registered in the name of DTC or its nominee. Beneficial interests in the global notes may be held only through DTC (or any successor clearing system that holds global notes) and its participants, including Euroclear and Clearstream.

The security numbers for the notes are:

For the notes sold under Regulation S:

CUSIP No:	J7823FDM5
ISIN:	USJ7823FDM52
Common Code:	283151298

For the notes sold under Rule 144A:

CUSIP No:	86803UAE1
ISIN:	US86803UAE10
Common Code:	283151247

	Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the notes represented by the global notes will at all times be DTC or its nominee (or a successor of DTC or its nominee), and voting and other consensual rights of holders of the notes will be exercisable by beneficial owners of the notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global notes may not be exchanged for definitive notes except in the limited circumstances described under "Description of the Notes—Book-Entry, Delivery and Form—Exchange of Global Notes for Definitive Notes."
Governing Law:	The indenture and the notes will be governed by and construed in accordance with the laws of the State of New York.
Ratings:	It is expected that the notes will be rated Baa1 by Moody's Japan, K.K., or Moody's, and BBB+ by S&P Global Ratings Japan, Inc., or S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and Trading:	Approval in-principle has been received for the listing of and quotation for the notes on the Singapore Exchange. The Singapore Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission of the notes to the official list of the Singapore Exchange and quotation of the notes on the Singapore Exchange is not to be taken as an indication of the merits of us, our subsidiaries, our associated companies or the notes. The notes will be traded on the Singapore Exchange in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as any of the notes remain listed on the Singapore Exchange and the rules of the Singapore Exchange so require.
Trustee, Paying Agent, Transfer Agent and Registrar:	The Bank of New York Mellon.

RISK FACTORS

Prior to making an investment decision, you should carefully consider the following risks, along with the other information in this offering memorandum, including our consolidated financial statements and related notes and other financial information. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our business, financial condition and operating results could be materially adversely affected by the factors discussed below. This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this offering memorandum. See "Forward-Looking Statements."

Risks Related to Economic Conditions and Our Markets

Unfavorable general economic conditions in Japan, or other major markets such as the United States, Europe or Asia, as well as global geopolitical risks, could negatively impact our results of operations.

Any future economic difficulties in Japan, or unfavorable economic conditions, such as a recession or economic slowdown in one or more of our major markets, including the United States, Europe and Asia, could negatively affect the affordability of, and consumer demand for, our products or result in downward pressure on the price of our products. Under challenging economic conditions, consumers may seek to reduce discretionary spending by forgoing purchases of our products or by shifting away from our products to lower-priced offerings from other companies, including private label brands. Such shifts to lower-priced offerings may cause a decrease in our revenue and could have an adverse impact on our profit margin. Consumption of alcoholic and non-alcoholic beverages, which constitute the overwhelming majority of our product offerings, also increases or decreases in accordance with changes in disposable income of consumers. Any decrease in disposable income of consumers resulting from an increase in inflation, income taxes, the cost of living, unemployment levels, political or economic instability or other factors would likely adversely affect demand for our alcoholic and non-alcoholic beverages. Weak consumer demand for our products in Japan or in other major markets could reduce our profitability and negatively affect our financial performance.

In addition, a change in Japanese labor laws that took effect in April 2024 reduced the total overtime hours that truck drivers are allowed to work amid an ongoing driver shortage, and this could result in decreased overall efficiency and productivity when using the domestic road transportation network. Coupled with rising fuel costs and the persistent weakening of the Japanese yen, these trends have consequently had adverse effects on our ability to distribute our products. There are also uncertainties in the global economy due to factors such as ongoing inflationary pressures, particularly in Europe, caused by high oil prices partially as a result of Russia's invasion of Ukraine and other factors. Moreover, trade tensions between the United States and China could result in increased tariffs that may apply to some of our products.

Furthermore, geopolitical risks, including continued trade tensions between the United States and China, geopolitical tensions in Asia, including between mainland China and Taiwan and between North Korea and South Korea, and military conflicts in the Middle East, as well as escalating military tensions in Europe as a result of Russia's invasion of Ukraine, could have adverse consequences on the economic conditions in Japan and abroad. For example, Russia's invasion of Ukraine has resulted in limited availability and increases in the price of crude oil and other raw materials. A continuation or escalation of those geopolitical risks or the appearance of new geopolitical risks could contribute to the imposition of new or more stringent import and export restrictions and other restrictive trade policies and measures, product boycotts, technology fragmentation, data regulations, and other forms of increased regulation which could harm our ability to continue to grow our business.

In addition, Japan is experiencing a long-term demographic shift towards an aging and shrinking population, which may negatively impact demand for consumer products in Japan. Should such demographic trends result in reduced demand for our products, this could reduce our profitability and negatively affect our financial performance. The demographic shift in Japan also requires us to adapt our products to changes in that market and may lead to heightened competitive pressure. Although we aim to continuously optimize our product portfolio to adapt to shifts in the market, if our initiatives are not successful, our revenue and profitability could be reduced and our financial performance in the future could be negatively impacted.

We operate in highly competitive markets, and our financial performance could suffer if we are unable to compete effectively.

The markets in which we operate, such as the alcoholic and non-alcoholic beverages and food industries, are highly competitive. We compete with major Japanese and international beverage and food companies that, like us, operate in multiple geographic areas, private label manufacturers, a variety of smaller, regional manufacturers, which may have historical strengths in particular geographic markets or product categories, as well as imported products. We may compete with such companies based on various factors including research and development, product quality, launching of new products, price, marketing, advertising activities and the growing use of e-commerce as a sales channel. Furthermore, if we fall behind on digitalization and are unable to provide an adequate digital experience to our customers, we may fail to compete effectively against more digitally proficient competitors. Our inability to compete effectively could result in a decline in our revenues and profitability and negatively affect our results of operations and financial condition.

Within a number of product categories, there may be further consolidation or realignment, which may alter the competitive environment in which we operate. The beverage industry, in particular, has been characterized by a consolidation trend, and consolidation is also occurring among certain of our wholesale customers, including distributors, in many countries. Increased competition and unanticipated actions by competitors or customers could lead to downward pressure on prices or a decline in our market share in specific product categories, which could adversely affect our results of operations and impede future growth.

Also, the absence of a level playing field or lack of transparency in some of our international markets, including in some cases tolerance of unfair practices by competitors, may skew the competitive environment in favor of certain of our competitors, which could have an adverse effect on our results of operations.

Risks Related to Our Business Operations

We may not effectively respond to changing consumer preferences.

The alcoholic and non-alcoholic beverages and food industries are highly susceptible to changes in consumer preferences. In order to generate revenues and profits, we must offer products that appeal to consumers in a timely and efficient manner to remain competitive. Drawing on our strength as a diversified beverages and foods manufacturer offering products such as non-alcoholic beverages, health-conscious products, whisky and other spirits, alcoholic RTD beverages, beer and wine, we strive to remain sensitive to changes in consumer preference and develop products that appeal to consumers. In addition, consumer preferences have been evolving due to a variety of factors, such as the emergence of younger generations which have different spending habits, growing concerns with health and wellness (including a preference for products with less added sugars and low- or non-alcoholic beverages), concerns regarding packaging materials (including single-use and other plastic packaging and their environmental impact) and the diversification of sales channels, in particular the popularity of e-commerce. The COVID-19 pandemic also had a non-negligible impact on consumer preferences, and there is no assurance that the level of alcohol consumption, which decreased during the pandemic, will recover to pre-pandemic levels due to changes in consumer preferences. Consumer preferences are also shaped by long-term demographic shifts in Japan, in particular towards an aging and shrinking population, which may result in a decrease in the popularity of our more traditional alcoholic beverage products, such as beer, whisky and other spirits, driven in part by changes in the younger and relatively more health-conscious consumer segment. There is no assurance that we will develop and launch successful new products that respond to these changes in consumer preferences. Furthermore, given the length of production cycles for certain of our products, such as, for example, whiskies or other alcoholic beverages which require aging, we may not be able to modify planned production schedules to effectively respond to unexpected increases or decreases in demand for our products. Any failure by us to recognize and react to significant or anticipated changes in consumer preferences may have an adverse effect on our results of operations and financial condition.

Our continued success is also dependent on our ability to innovate, which includes maintaining a robust pipeline of new products, promoting and improving existing products and improving the effectiveness of our product packaging and marketing efforts. While we devote significant resources to promoting our brands and new product launches, there can be no assurance as to our continued ability to develop and launch successful new products or to effectively execute our marketing programs. Any failure on our part to implement sales and marketing policies that effectively respond to market and technological trends, achieve appropriate innovation or successfully launch new products could decrease demand for our products by negatively affecting consumer perception of our brands and result in inventory write-offs and other costs. Furthermore, should we be unable to capture significant changes in consumer preference due to a variety of environmental changes beyond our expectations, our operational performance could be negatively affected.

Extreme weather conditions, natural disasters, health emergencies or pandemics or other catastrophic events could adversely affect our results of operations.

The manufacture and sale of certain of our products, such as beer and soft drinks, are significantly influenced by weather conditions and unusually cool weather during the spring and summer months, in particular, may result in a fall in revenue with respect to such products and negatively impact our results of operations.

The risk of natural disasters and severe weather events, such as earthquakes, tsunami, typhoons, severe flooding and other events, seems to be increasing in recent periods and there is a possibility of increasing severity over the medium to long term. Damage or disruption to our manufacturing or distribution capabilities, inventories, information systems or procurement of raw materials and other materials caused by extreme weather conditions, natural disasters and health emergencies, such as earthquakes, storms, fires or floods, or social turmoil caused by pandemics (such as the COVID-19 pandemic or strains of the influenza virus) may have an adverse effect on the procurement, manufacture and distribution of our products and cause potential injury to our employees. In addition, damage to our facilities, transportation networks or information systems could make it difficult to maintain our operations. If resuming ordinary operations requires significant time or costs, or if such events also cause a drop in consumer demand, our operating results and financial condition could be adversely affected.

During the COVID-19 pandemic, government authorities implemented numerous measures to contain the spread of the pandemic, such as business closures and travel restrictions, which had a negative impact on sales of our products in Japan and elsewhere. In particular, restrictions on the restaurant industry and the sale of alcohol in restaurants during the COVID-19 pandemic in Japan caused sales of beer-type beverages in Japan to decline in 2020 as compared to before the pandemic. It is unclear whether sales of our products in restaurants and bars, in particular, will return to pre-pandemic levels. A resurgence of the COVID-19 pandemic or a pandemic of similar or greater magnitude could have a material negative impact on our business, results of operations, access to sources of liquidity and financial condition.

Our products may not meet safety or quality standards.

As a manufacturer and distributor of beverages and foods, the quality and safety of our products and services are vital to our business, and we strive to comply with applicable rules and regulations and ensure that our products and services meet all required quality standards. We have established the policy, "All for the Quality," a group-wide set of measures and protocols to maintain quality control standards. However, despite these quality assurance initiatives, our products and services may not meet the required standards or deterioration of quality may occur, resulting in product safety issues, which could lead to us incurring significant costs arising from the discontinuation of production, product recalls or claims for compensation, fines, disruptions in our manufacturing or sales and marketing activities, as well as damage to our brand and reputation. In addition, any negative media coverage about us, our products and services, our suppliers, the third-party manufacturers that we use, the food safety of our competitors or the industry as a whole or the spread of negative rumors on social media platforms, with or without merit, could also have a negative impact on our brand and reputation. Any one of these factors could negatively affect demand for our products, our results of operations and financial condition and our ability to achieve our strategic initiatives.

We may be adversely affected by the actions or disengagement of third parties to which we outsource production or from which we procure products.

We outsource a portion of our production to third parties and procure certain products from third parties for sale. Using third-party manufacturers or relying on exporters has certain benefits, including allowing us to manage fluctuations in demand more efficiently, but could potentially expose us to problems occurring outside of our control, including delays in product deliveries, manufacturing defects and third-party insolvencies. The ability and willingness of these third parties to supply and provide services to us may be affected by competing orders placed by our competitors, the demands of those competitors or other factors. If we experience significant increases in demand for products which are produced by or imported from third parties, or if we need to replace a third-party manufacturer in light of changing consumer demand, there can be no assurance that alternative third-party manufacturers will be available when required and on commercial terms that are acceptable to us, or at all, or that any such manufacturer will allocate sufficient capacity to us in order to meet our requirements. If we fail to replace a third-party manufacturer in a timely manner or on commercially reasonable terms, we could experience disruptions and our ability to meet delivery obligations to our own customers could be adversely affected, which could adversely affect our business and reputation and consequently have a material adverse effect on our results of operations and financial condition. Moreover, third parties may also have relationships with other commercial entities, including our competitors, for which they may also be providing services, and if their resources are diverted towards our competitors and away from us, this could negatively affect their performance in relation to our business, and any failure to meet standards by these parties could have the same adverse effects that may arise from our own failure to meet quality control standards.

Certain raw materials we use may be subject to shortages or substantial price increases.

The principal raw materials we use in our business include aluminum cans and ends, PET bottles, cardboard packaging, sweeteners, coffee beans, tea leaves and carbon dioxide. The availability of these materials can be affected by changes in weather patterns, global supply and demand, natural disasters, pandemics (such as the COVID-19 pandemic), fluctuations in foreign currency exchange rates, rises in labor costs and distribution capacity changes. Additionally, we use electricity and natural gas to manufacture and transport our products for sale. The cost of raw materials and energy can fluctuate substantially. In light of recent increases in the cost of the raw materials that we use to manufacture our products, we have had to increase the prices of certain of our products. While these increases have helped to sustain our profitability, they could also negatively affect demand for those products and result in decreases in sales. Continued price increases could exert pressure on our costs and we may not be able to pass along any such increases to customers or consumers, which could negatively affect our results of operations and financial condition. Also, we use forward purchasing contracts to lock in pricing for certain raw materials for approximately the next twelve months to mitigate the impact of short-term fluctuations, but our forward purchasing activities may not offset such price increases.

In addition, some raw materials we use are sourced from industries characterized by a limited supply base. Although we believe that we have strong relationships with our suppliers, we could suffer shortages if the suppliers are unable or unwilling to meet our requirements. The failure of our suppliers to meet our needs could occur for many reasons, including climate change, adverse weather, natural disasters, fires, crop failure, epidemics, labor shortages, labor safety issues, strikes, manufacturing problems, transportation interruptions, government regulation, administrative measures, political instability, military conflict, terrorism, worsening of global warming and other ongoing environmental concerns, human rights abuses and energy crises. Some of these risks may be more acute where the supplier or its facilities are located in riskier or less developed countries or regions. In addition, Russia's invasion of Ukraine has resulted in limited availability and increases in the price of crude oil and other raw materials. Changing suppliers can require long lead times and significant interruption to supply could substantially harm our results of operations and financial condition.

Our supply chain may be subject to disruptions or other difficulties.

We consider proper quality control, reductions in supply chain costs (including costs associated with logistics, production and procurement) and increases in efficiency through improved supply chain management using technological advances to be a key function of our business. Our supply chain may be disrupted, and we may be unable to achieve our expected cost reductions or efficiency gains, for many reasons, including those which are outside of our control, such as adverse weather, climate change, natural disasters, fires, epidemics, labor shortages, labor safety issues, strikes, manufacturing problems, transportation interruptions, government regulation or sanctions, political instability, military conflict, terrorism, worsening of global warming and other ongoing environmental concerns, human rights abuses and energy crises. For example, new regulations to limit overtime for truck drivers were introduced in Japan in April 2024, which have reduced the ability of truck drivers to transport products within the same schedule as previously implemented. This environment creates a risk that we will be unable to secure sufficient distribution capacity for our products at affordable prices or at all. If we are unable to take sufficient steps to prevent or respond to such disruptions efficiently, our business could be adversely affected, and we may also be required to undertake significant expenditures to remedy any such disruptions, either of which could materially and adversely affect our results of operations and financial condition.

Fluctuations in foreign currency exchange rates and interest rates could affect our results of operations.

We purchase certain raw materials, including coffee beans, in currencies other than yen, principally the U.S. dollar, and use derivative financial instruments to reduce our net exposure to related foreign currency exchange rate fluctuations. However, such hedging instruments do not protect us against all currency fluctuations and our results of operations and financial condition could be adversely affected.

In addition, in preparing our consolidated financial statements, we translate revenues, income and expenses as well as assets and liabilities of overseas subsidiaries into yen at exchange rates in effect during or at the end of each reporting period. Therefore, fluctuations in the value of the yen against other foreign currencies, particularly the U.S. dollar, affect our results of operations and financial condition. Since late 2020, the value of the yen has been volatile and gradually weakened against the U.S. dollar, reaching historic lows in recent decades in April 2024, and continues to remain weak as compared to periods prior to 2020, which has resulted in an increase in our procurement costs. A prolonged weak yen could have an adverse effect on our results of operations and financial condition.

We finance a portion of our operations through interest-bearing loans and may conduct additional debt financing through bank loans or issuance of corporate bonds. In order to reduce interest rate risk, we use fixed-interest rate transactions and derivative instruments. However, any significant increases in interest rates at which we are able to conduct debt financing, due to, for example, turmoil in the financial or capital markets or a lowering of our credit ratings, could diminish our ability to raise additional funds or refinance existing debt obligations at terms acceptable to us, or at all, which may adversely affect our results of operations and financial condition. Furthermore, in March 2024 the Bank of Japan announced that it would end its yield curve control policy and its negative interest rate policy and target an uncollateralized overnight call rate of around 0% to 0.1%. The long-term effects of this change in policy and any potential future increases of interest rates by the Bank of Japan are uncertain and may adversely affect our results of operations and financial condition.

We face risks associated with our international operations.

We operate not only in Japan but have also expanded globally via acquisitions, in particular our acquisition of Beam Inc. in 2014, which significantly expanded our operations in markets outside Japan, including in regions such as the Americas, Europe, Asia and Oceania. These international operations and our continued international expansion involve risks, such as the following:

- compliance with differing or undeveloped legal, regulatory, liquor tax and other tax regimes;
- negative economic or political developments;
- lower brand recognition for our products compared to some of our competitors;
- changes in antitrust and competition laws in certain jurisdictions or changes in the interpretation and enforcement of existing antitrust and competition laws;
- social or economic disruptions caused by terrorism, military conflict, climate change, natural disasters, political instability, civil unrest or epidemics (such as the COVID-19 pandemic or new strains of the influenza virus);
- fluctuations in foreign currency and exchange rates;
- compliance with new local laws and regulations that have a direct or indirect impact on the manufacturing and sale of our products; and
- the incurrence of costs related to reorganizations of our international operations, including our international subsidiaries, affiliates, factories and brands.

Certain countries in which we operate are reported to have high levels of corruption. While we are committed to doing business in accordance with applicable anti-corruption laws, our code of conduct and other policies, we remain subject to the risk that our affiliates and our agents, such as distributors and promoters, may take action determined to be in violation of such anti-corruption laws. Any determination that our operations or activities are not in compliance with applicable laws could result in fines, interruption or cessation of business, loss of suppliers or other third-party relationships, termination or suspension of licenses or permits and other sanctions. While we continuously enhance our compliance procedures and policies, there can be no assurance that these measures will be effective in preventing violations of applicable anti-corruption laws.

Failure to successfully identify and complete acquisitions and business alliances that complement our existing operations could have an adverse effect on our medium- and long-term growth objectives.

As an important part of our growth strategy, we actively pursue business or capital alliances with, and business acquisitions of, Japanese and overseas companies to expand our global and domestic networks. Identifying and completing business or capital alliances or business acquisitions involve certain risks, including the following:

- we may be unable to identify appropriate acquisition and expansion opportunities or may be unable to agree on terms with potential counterparties, including as a result of competing bids;

- we may fail to obtain necessary consents, clearance or approvals in connection with an acquisition or alliance;
- we may be unable to raise necessary capital on favorable terms;
- by entering into a new geographic market or product segment, we may be required to change our business profile and face challenges with which we are unfamiliar or which we fail to anticipate;
- we may be unable to realize the full extent of the benefits or cost savings that we expect to realize as a result of an acquisition or business alliance. In particular, we may be unable to maintain continued demand for the products of the acquired business due to changes in social perception of alcoholic beverage consumption and sugar intake, changes in demographics or other factors;
- we may be unable to build an effective brand and product portfolio due to difficulties in developing high-value-added brands and our inability to coordinate sales and marketing strategies across different product categories, including cross-selling;
- we may experience significant challenges in combining the management, information technology systems, business cultures, compensation structures and standards of any alliance partner or acquisition with our own;
- our management's focus on integration of new acquisitions could result in distraction from other operating objectives;
- we may become subject to new laws or regulations as a result of any alliance or acquisition;
- we may be unable to retain key personnel at acquired companies;
- we may be unable to maintain key supplier, business partner and customer relationships; and
- further acquisitions may require us to incur further indebtedness.

If, due to unforeseen circumstances, we are not able to achieve the anticipated benefits of any future acquisitions and business alliances in full or in a timely manner, we could be required to recognize impairment losses, we may not be able to recoup our investments, and our business, financial position and results of operations could be materially and adversely affected. Furthermore, if we do not successfully execute our acquisition and alliance strategy, we may be unable to realize our medium- and long-term growth objectives.

Changes in the social perception of alcoholic beverage consumption or regulations related to alcohol could adversely affect our alcoholic beverages business.

Media coverage and publicity generally can exert significant influence on consumer behavior, particularly with respect to alcoholic beverages. If the social acceptability of such products were to decline significantly, sales of our products could materially decrease. In recent years, there has been increased public and political attention directed at the alcoholic beverage industry. This attention is a result of public concern over alcohol-related problems, including drunk driving, underage drinking, peer pressure to consume alcohol and health consequences resulting from excessive consumption of alcoholic beverages. Negative publicity regarding alcohol consumption, publication of studies that indicate a significant health risk from consumption of alcoholic beverages, or changes in consumer perceptions of alcoholic beverages generally could adversely affect the sale and consumption of our products and could harm our business, results of operations or financial condition as consumers and customers change their purchasing patterns. Additionally, restrictions on the restaurant industry and the sale of alcoholic beverages in restaurants during the COVID-19 pandemic in Japan led to lifestyle changes, which contributed to modifications in consumer purchasing patterns, including decreases in alcohol consumption.

We have established a special department called the Global Alcohol Responsibility and Sustainability Department, or the ARS Department, to proactively address alcohol-related problems both domestically and internationally. The ARS Department's activities include promotion of appropriate alcohol consumption behavior within and outside our corporate group, internal checks concerning sales and advertising activities with respect to alcoholic products and participation and cooperation in various activities with our stakeholders. We have also adopted internal regulations related to the manufacture and sale of alcoholic beverages, including advertising activities. However, the World Health Organization and other organizations are working to strengthen, on a global scale, regulations relating to alcohol sales and marketing activities with the goal of preventing inappropriate alcohol consumption behavior. The World Health Organization endorsed the issuance of global regulations on the sale and marketing of alcoholic beverages in 2010, and in 2022 adopted an implementation plan to further promote these global initiatives by 2030. This may lead to more stringent regulation of the alcoholic beverages industry and a declining social acceptability of such products. Japan has also adopted the Basic Law on Measures to Prevent Damages to Health due to Alcohol to follow such worldwide initiatives, which have been implemented from 2021 onwards. Furthermore, in 2024, the Ministry of Health, Labor and Welfare of Japan released its first set of guidelines on alcohol consumption and related health risks. If in the long term, as a result of these activities, regulations are enacted that are more restrictive than those that we currently expect, we could incur additional costs to comply with such regulations and this could negatively affect our alcoholic beverages business and our results of operations and financial condition.

Changes in laws and regulations relating to corporate social responsibility, environmental laws or the use or disposal of plastics or other packaging of our products could increase our costs or reduce demand for our products.

As a manufacturer of beverages and food products, we are subject to a wide range of environmental laws and regulations in the jurisdictions in which we operate, including those relating to pollution and waste recycling, water conservation, and carbon dioxide emissions. Recognizing that the global natural environment constitutes one of our management resources, we are working in earnest to implement environmental preservation activities, in an effort to hand a sustainable society to future generations. We are striving to thoroughly reduce water usage, cut carbon dioxide emissions, prevent water pollution, convert waste materials into useful resources and recycle containers. However, our soft drinks products make extensive use of PET bottle packaging and our food products also use plastic packaging. Support for the stricter regulation of disposable plastic items has been rapidly increasing globally and the risk of negative consumer sentiment towards manufacturers using plastic packaging has also increased. If these trends continue, sales of our products using PET bottle packaging and plastic packaging could decrease, we could incur increased costs for recycling or the adoption of alternative packaging materials, such as biomass plastics, and could also suffer harm to our reputation if our business practices are perceived to not be environmentally responsible. We may also be subject to more comprehensive sustainability disclosure standards in the future in light of the Sustainability Standards Board of Japan’s recent issuance of exposure drafts to align the Japanese disclosure standards with IFRS Sustainability Disclosure Standards.

We believe that we are in compliance with all applicable environmental laws and regulations. However, accidents or other incidents resulting in contamination of the environment could occur or changes in laws and regulations could arise, which could require us to incur significant capital expenditures to comply or which restrict our production capacity, and such events could have a negative impact on our results of operations and financial condition. Also, we are working with our suppliers to pursue procurement activities that take into account social responsibilities such as those related to human rights, labor standards and the environment. However, our results of operations and financial position could be negatively affected if, despite our efforts, any of the following were to occur in relation to our business activities and supply chain: global environmental problems due to global climate change, resource depletion and other issues; worsening problems with marine plastic; environmental pollution caused by accidents, mishaps and other events; higher cost outlays for investment in new equipment and production quantity restrictions mainly due to amendments in relevant laws and regulations; and problems concerning human rights such as occupational health and safety, and child labor. Furthermore, if any of our stakeholders perceive our employment opportunities as not sufficiently diverse or inclusive, our brand reputation could suffer and negatively affect our results of operations. Although we continue to promote diversity, equity and inclusion, any receipt of notices from regulatory agencies requiring us to engage in more diversity could lead to a perception by our stakeholders of a lack of commitment to diversity, equity and inclusion, which could negatively affect our brand value and reputation. If consumers and our other stakeholders consider our efforts to be insufficient or our disclosure concerning such efforts to be lacking, our reputation could be damaged and our brand value may decrease as a result.

We depend on key information systems and services. Cybersecurity incidents or other disruptions could damage our reputation and we could suffer a loss or revenue, incur substantial additional costs and become subject to litigation and regulatory scrutiny.

We depend on key information and operational technology systems, networks and services, including through services operated or maintained through third parties, to accurately and efficiently operate our business, interact with customers, operate our supply chain, provide information to management and prepare financial reports, among other activities. We have put in place security systems, back-up procedures and disaster recovery measures, and established an information system security guideline to securely store customer information as well as proprietary information, including, but not limited to, sensitive, confidential or personal information of customers and consumers, and raise awareness of security procedures.

Despite these efforts, our systems may be disrupted by events such as earthquakes and other natural disasters, terrorist attacks, software, equipment or telecommunications failure, processing errors, computer viruses, cyberattacks, hackers, other security issues, supplier defaults or other events unforeseen by us. Any such issues impacting our systems could result in business disruption, remediation costs or claims for compensation, leakage of customer or confidential information, violation of applicable laws and regulations, including the European Union's General Data Protection Regulation, legal claims or proceedings, regulatory penalties, operational and supply chain disruptions, or our inability to meet contractual obligations. For example, in the past few years, we have experienced several cybersecurity incidents, none of which have had a material impact on our business. However, the repeated occurrence of any such events, or the occurrence of a significant event which could have a material impact on our business, may negatively affect our reputation and brand value, results of operations and financial condition. Security, backup and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures.

The risks associated with informational and operational technology incidents have increased in recent years given the increased prevalence of remote working arrangements and virtual connectivity, and may be further heightened by geopolitical tensions and conflicts, such as the ongoing conflict between Russia and Ukraine. Regulators globally have also increased their focus on cybersecurity vulnerabilities and risks. Compliance with, and changes to, laws and regulations concerning privacy, cybersecurity and data protection, could result in significant expenses, and we may be required to make additional investments in security technologies. Our third-party partners also increasingly demand rigorous contractual provisions regarding privacy, cybersecurity, data governance, data protection and confidentiality, which may also result in increases in expenses in order to comply.

Our inability to comply with or adapt to changes in applicable laws and regulations may result in claims, sanctions or increased costs.

We are subject to various national and local laws and regulations in Japan and other countries and regions in which we operate. These laws and regulations include product liability laws, regulations in relation to labeling of products, anti-monopoly laws, labor laws, environmental and recycling laws and customs and tax laws which apply to various aspects of our business, including the manufacture, safety, labeling, transportation, advertising and sales of our products. Due to our global operations, we may also incur compliance costs related to international sanctions regimes, including those administered by the U.S. Treasury Department's Office of Foreign Assets Control, and anti-corruption provisions of statutes such as the Foreign Corrupt Practices Act, or FCPA. In addition, the World Health Organization has endorsed the issuance of global regulations on the sale and marketing of alcoholic beverages, which could also lead to additional compliance costs if the regulation of our industry becomes stricter as a result. Furthermore, any implementation of future decarbonization policies and regulations, including the introduction of a carbon pricing scheme in Japan which has not yet been implemented, could further increase our compliance costs. Additional regulation introduced in overseas markets may also increase our compliance costs or lead to heightened scrutiny of our business, such as the introduction of the first-ever national regulations on the amounts of certain per- and polyfluoroalkyl substances, also known as PFAS or "forever chemicals," found in drinking water, introduced by the U.S. Environmental Protection Agency in the United States in April 2024.

Violations or suspected violations of applicable laws or regulations could damage our reputation or result in regulatory or private actions with substantial penalties or damages, divert management attention from other business matters and lead to additional costs. In addition, significant changes in such laws or regulations or their interpretation, or the introduction of higher standards, could result in increased compliance costs or capital expenditures. Furthermore, the receipt of notices from governmental or regulatory agencies in response to any consumer, subcontractor, third party or other stakeholder complaints may result in incurring time and costs to address such complaints and could damage our relationships with such parties and our brand value and reputation or result in stricter compliance regimes against us. If such events occur, this may have a negative impact on our results of operations and financial condition.

In particular, increases in liquor tax or consumption tax could adversely impact demand for our products. Our alcoholic and non-alcoholic beverage products are subject to excise taxes in Japan, the United States and many of our other international markets. In Europe and America, there is growing concern among consumers and government agencies about the health problems associated with sweetened soft drinks. Future increases in excise taxes on alcoholic beverages, or the introduction of or increases in excise taxes or regulatory restrictions on the sale of carbonated or sugar-added beverages, such as new labeling requirements, serving sizes, or other restrictions, may affect demand for our products or increase our costs. Although we believe our product portfolio has a much higher proportion of non-carbonated and healthy products as compared to other global beverage firms, any such regulatory measures could adversely affect our results of operations and financial position.

Additionally, an increase in liquor taxes on one type of product relative to another could impact demand for such products. In Japan, tax revisions for beer-type beverages are being implemented in stages, with changes having taken effect in October 2020 and October 2023, and with a final stage to be implemented in October 2026, which could impact demand for categories of beer-type beverages. In addition, beer, wine and spirits are also subject to customs duties and consumption taxes in many countries. Increases in such duties or taxes in markets where we sell our products could adversely affect demand for our products and our results of operations.

The loss of key management personnel or our inability to attract and retain qualified employees could hurt our business and inhibit our ability to operate our business successfully.

In order to maintain the sustainable growth of our business, we depend on the leadership of our key management personnel as well as our ability to attract, employ and retain skilled professionals, including management professionals, creative talent and sales teams. Furthermore, we must be able to successfully recruit, train and develop new hires. If we are unable to successfully execute our human resources strategies, if we experience unforeseen increases in employee departures or if we are unable to successfully hire replacement candidates for our management personnel in a timely manner, we may lose valuable know-how or other organizational resources, which could harm our ability to compete effectively. There are also growing consumer preferences towards companies which promote diversity in the workplace, and if we are unable to respond adequately or in a timely manner to these changing social expectations, our brand image may suffer and we may be unable to effectively compete with companies which are perceived as more diverse and potentially benefitting from the varied perspectives of a more diverse workforce, whether or not this public perception is based in fact. Furthermore, Japan has been experiencing a labor shortage in part as a result of the persistently shrinking and aging population, and if this demographic trend continues, it may result in increased difficulties finding and hiring workers at various levels. Additionally, unforeseen costs in connection with increased competition for talented personnel, unexpected increases in employee departures or increased employment regulation, or issues related to workplace health and safety arising from improper labor management may negatively affect our results of operations and financial condition.

Our reputation and the strength of our brand are important to our success, and any damage to them could materially and adversely affect our business and results of operations.

Maintaining our reputation and the strength of our brand is critically important to the success of our business, as our ability to conduct our business is dependent on the trust and confidence of our customers and consumers and our reputation is critical in maintaining relationships with a broad range of stakeholders. If we are unable to maintain the quality, safety and integrity of our products, due to factors such as contamination of our products, whether caused by us or by third parties, our reputation and the strength of our brand could be harmed, leading to decreased demand for our products from existing and potential customers and consumers or other disruptions in our manufacturing or marketing and sales activities. We may also be forced to recall or completely remove products from the market, and become subject to fines, claims for monetary damages or other adverse consequences. In addition, if we are unable to appropriately implement environmental preservation activities or similar initiatives in response to increasing negative consumer sentiment towards manufacturers using plastic packaging, this could also result in a decrease in demand for our products and our reputation and the strength of our brand could be adversely affected. Furthermore, compliance or other issues arising at suppliers or third-party manufacturers may harm our reputation and the strength of our brand and lead to increased public or regulatory scrutiny or have other negative effects. Additionally, negative publicity about any of these possible concerns, with or without merit, could adversely affect our reputation and brand strength. Such negative publicity could also force us to increase marketing and other expenditures in order to defend and repair our reputation.

Adverse events regarding our intellectual property rights could harm our business.

We own various intellectual property rights, including trademarks and patents, which are essential to our business. In addition, we license brands from third parties and also license our own trademarks to other parties. If a dispute occurs regarding these licenses with third parties, we could incur significant costs to protect our rights or otherwise suffer damage to our business, such as the loss of the right to use a third-party brand. In addition, any failure by us to obtain, maintain, protect or defend our intellectual property rights could have an adverse effect on our brands, products and business. For example, in relation to trademarks we license from third parties, if the license agreement expires and cannot be renewed, we will be unable to manufacture or distribute products under such trademark, and in relation to trademarks we license to third parties, any dispute with the licensee regarding its use of the trademark or other issues could adversely affect our own use of the licensed trademark and brand.

In countries or regions where we have not registered our intellectual property rights, such as trademarks, it is possible that a third party may already own and use similar intellectual property rights. This may result in disputes over ownership and use of such rights which could have a negative impact on our brand in those countries or regions, as well as on our results of operations and financial condition.

Potential liabilities and costs from litigation and other legal proceedings could adversely affect our business.

While we believe that we are in compliance with the laws and regulations in the areas in which we operate, in the course of our business in Japan and overseas, from time to time we are party to legal proceedings regarding whether we or our employees are in breach of such laws or regulations, as well as other legal proceedings, such as those involving claims or disputes. For example, we and certain of our subsidiaries have had non-compliance incidents in various jurisdictions from time to time, with respect to tax, labor, anti-bribery and other laws and regulations. Depending on the outcome of any such proceedings, we may incur costs which could have a negative impact on our results of operations and financial condition.

Risks Related to Our Financial Profile

We may have to recognize impairment losses with regard to intangible assets, including goodwill.

As our historical growth was partially driven by acquisitions, including our acquisition of Beam Inc. in 2014, we have recorded significant goodwill. As of December 31, 2023, we had goodwill of ¥1,040.6 billion and intangible assets of ¥1,729.6 billion. We may also record additional goodwill and intangible assets as a result of further acquisitions in the future.

IFRS does not require the amortization of goodwill, but instead requires testing for impairment on a regular basis and at least annually, regardless of any indication of impairment. As such, whenever events or changes in circumstances indicate that a particular non-financial asset except for inventory and deferred tax assets or a group of those assets including goodwill and other intangible assets may be impaired, we are required to perform an impairment test to determine whether the carrying amount of such particular asset or group of assets exceeds the recoverable amount, and we conduct an impairment test every year with regard to goodwill and other intangible assets, regardless of any such indication. The recoverable amount of an asset or a group of assets 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 reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an asset or a group of assets on our statement of financial position exceeds the recoverable amount, we would be required to recognize an impairment loss. Any impairment losses for tested non-financial assets including goodwill and other intangible assets will increase our expenses and adversely affect our results of operations and financial condition.

Changes in the value of assets we own could adversely affect our results of operations.

We own certain assets, including property and securities, the market values of which are volatile and may fluctuate substantially in the future. In particular, the value of assets we own can fluctuate as a result of changes in interest rates, which may fluctuate as a result of Japanese and overseas governmental and central bank fiscal and monetary policies, such as the Bank of Japan ending its yield curve control policy and its negative interest rate policy and targeting an uncollateralized overnight call rate of around 0% to 0.1% in March 2024, and the relatively recent increases in interest rates by the central banks of some of the major developed economies in an effort to combat inflation, particularly in the United States, of volatility in financial markets or otherwise. A significant decline in the value of our assets could require us to record significant valuation or impairment losses, adversely affecting our business, financial condition and results of operations.

We have substantial debt, and this could affect our ability to execute our strategy and grow our business.

As of December 31, 2023, bonds and borrowings (under non-current liabilities) were ¥901.1 billion. Our level of indebtedness could have important consequences. For example, it could:

- divert cash flows away from investments and expenditures related to our operations and future business opportunities as a result of debt service obligations;
- limit our ability to obtain additional financing from the debt capital markets or from commercial banks, including to replace existing indebtedness as it matures;
- make us more vulnerable to downturns in general economic conditions; and
- place us at a possible competitive disadvantage compared to less-leveraged competitors or those with better access to capital resources.

Furthermore, we may incur additional indebtedness in the future, whether to fund additional acquisitions or for general corporate purposes. Any downgrades in our credit ratings resulting from the incurrence of additional indebtedness or otherwise could negatively affect our ability to finance on acceptable new terms that would otherwise advance our corporate strategy. Additionally, certain of our existing indebtedness is, and future indebtedness may be, subject to various financial covenants, and the failure to comply with these covenants could result in, for example, the acceleration of the maturity of our outstanding indebtedness, which could materially and adversely affect our financial condition.

Increases in our costs related to employee retirement obligations in the future could adversely affect our results of operations.

The expenses and obligations regarding the retirement benefits of employees are computed based on assumptions set by actuarial calculations. In the event that the actual results are different from the assumptions or the assumptions are changed, our results of operations and financial condition could be adversely affected.

Risks Relating to the Notes

The market for the notes offered by this offering memorandum may have limited liquidity.

Although approval in-principle has been received for the listing of and quotation for the notes on the Singapore Exchange, there can be no assurance that any liquid markets for the notes will ever develop or be maintained. The initial purchasers have advised us that they currently intend to make a market in the notes following the offering. However, the initial purchasers have no obligation to make a market in the notes, and they may stop at any time. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the notes or the prices at which you will be able to sell your notes, if at all.

Future trading prices of the notes will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;
- the then-current ratings assigned to the notes;
- the market for similar securities; and
- general economic conditions.

Any trading markets that develop would be affected by many factors independent of and in addition to the foregoing, including the outstanding amount of the notes and the level, direction and volatility of market interest rates generally.

In addition, in the event that our obligations in connection with maintaining the listing of the notes on the Singapore Exchange become unduly burdensome, we may be entitled to, and may decide to, delist the notes from the Singapore Exchange and seek an alternate listing for the notes on another securities exchange.

The notes are unsecured obligations.

The notes are unsecured obligations and repayment of the notes may be compromised if, among other things:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, then our assets may be insufficient to pay amounts due on the notes. To the extent we have or incur secured debt, our assets will be subject to prior claims to the extent of the value of the assets securing such indebtedness.

The indenture and the notes will contain only very limited restrictions on our ability to pledge our assets, may effectively be subordinated and will provide holders with limited protection in the event of a change in control.

The indenture and the notes will not contain any financial covenants and will contain only very limited restrictions on our ability to pledge assets to secure other indebtedness. These or other actions by us could adversely affect our ability to pay amounts due on the notes. Furthermore, we are a holding company with substantially all of our operations at the subsidiary level. Claims of the creditors of our subsidiaries will generally have priority with respect to the assets of such subsidiaries over the claims of the holders of the notes. Accordingly, the notes will be effectively subordinated to the creditors of our subsidiaries. In addition, the indenture and the notes will not contain any covenants or other provisions that afford more than limited protection to holders of the notes in the event of a change in control. See “Description of the Notes.”

The ratings of the notes could be lowered.

It is expected that the notes will be assigned with ratings of Baa1 from Moody’s and BBB+ from S&P. However, real or anticipated changes in our credit ratings will generally affect the market value of the notes. In addition, other rating agencies may assign credit ratings to the notes without solicitation from or provision of information by us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency’s judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the notes and adversely affect the price and liquidity of the notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time. A rating is not a recommendation to buy, sell or hold securities and we have no obligation to inform holders of the notes of any such downgrade, suspension, reduction or withdrawal.

The notes are subject to transfer restrictions.

The notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to persons reasonably believed to be QIBs in reliance on the exemption provided by Rule 144A, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. In addition, subject to the conditions set forth herein and in the indenture, the notes may be transferred only if the principal amount of the notes transferred is at least $200,000. For further discussion of the transfer restrictions applicable to the notes, see “Transfer Restrictions.”

We may redeem the notes at our option prior to maturity.

We may redeem the notes, in whole or in part, at our option at any time and from time to time. See “Description of the Notes—Optional Redemption.” In addition, we may redeem the notes, in whole but not in part, at our option upon certain changes in tax law. See “Description of the Notes—Optional Tax Redemption.” In the event we choose to redeem the notes, the holders of such notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the notes.

USE OF PROCEEDS

We expect that the aggregate net proceeds from the offering of the notes, after deducting the initial purchasers' fees and other estimated expenses related to the offering, will be approximately $495.1 million.

We intend to use the net proceeds of the sale of the notes for general corporate purposes, including the repayment of certain of our outstanding corporate bonds.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated capitalization and indebtedness, as of December 31, 2023 and as adjusted to give effect to the issuance of an aggregate principal amount of $500,000,000 of senior notes due 2029 offered hereby.

The information in the table below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this offering memorandum.

	As of December 31, 2023	
	Actual	**As adjusted**
	(in billions of yen)	
Short-Term debt:		
Bonds and borrowings (current portion)	¥ 446.6	¥ 446.6
Long-Term debt:		
Bonds and borrowings (non-current portion)	¥ 901.1	¥ 901.1
Senior notes offered hereby(1)	—	70.9
Total long-term debt	¥ 901.1	¥ 972.0
Equity:		
Share capital:		
1,305,600,000 shares authorized; 687,136,196 shares issued	¥ 70.0	¥ 70.0
Share premium	127.7	127.7
Retained earnings	1,816.1	1,816.1
Treasury shares	(0.9)	(0.9)
Other components of equity	501.0	501.0
Total equity attributable to owners of the Company	2,514.0	2,514.0
Non-controlling interests	544.2	544.2
Total equity	3,058.3	3,058.3
Total capitalization and indebtedness(2)	¥4,406.1	¥4,477.0

Notes:

(1) Dollar amounts translated into yen have been translated at the rate of ¥141.83=$1.00, the rate as of December 31, 2023.

(2) Total capitalization and indebtedness is the sum of bonds and borrowings (current portion), total long-term debt and total equity.

Except as set forth above, and except for changes to retained earnings due to the results of our operations in the ordinary course of business, there has been no material change to our consolidated capitalization and indebtedness since December 31, 2023.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables set forth selected consolidated financial data and certain other information. The information below should be read together with, and is qualified in its entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this offering memorandum. Our consolidated financial statements are prepared in accordance with IFRS, which differs in certain significant respects from accounting principles generally accepted in other countries, including U.S. GAAP and Japanese GAAP.

Selected Financial Data

The following tables set forth our selected historical consolidated financial data as of and for each of the years ended December 31, 2019, 2020, 2021, 2022 and 2023. The selected consolidated financial data as of and for the years ended December 31, 2022 and 2023 has been derived from, and should be read in conjunction with, our annual audited consolidated financial statements and related notes included elsewhere in this offering memorandum. The selected consolidated financial data as of and for the years ended December 31, 2019, 2020 and 2021 has been derived from our annual consolidated financial statements, which are not included in this offering memorandum.

	For the year ended December 31,				
	2019	2020	2021	2022	2023
	(in billions of yen)				
Statement of profit or loss data:					
Revenue (including liquor tax)	¥ 2,569.2	¥ 2,367.6	¥ 2,559.2	¥ 2,970.1	¥ 3,285.1
Less: liquor tax	(274.5)	(259.3)	(273.5)	(311.3)	(333.0)
Revenue (excluding liquor tax)	2,294.7	2,108.3	2,285.6	2,658.7	2,952.0
By segment:					
Beverages and Foods[(1)]	1,291.7	1,172.9	1,263.8	1,444.8	1,584.2
Alcoholic Beverages[(1)]	760.0	718.5	785.1	935.5	1,045.7
Others[(1)]	242.8	216.8	236.7	278.3	322.0
Cost of sales	(1,199.3)	(1,109.3)	(1,215.3)	(1,468.0)	(1,633.7)
Gross profit	1,095.3	998.9	1,070.3	1,190.7	1,318.3
Selling, general and administrative expenses	(840.3)	(788.0)	(830.1)	(931.5)	(1,018.6)
Share of the profit and loss on investments accounted for using the equity method	8.7	9.1	9.7	11.7	18.6
Other income	15.8	13.5	15.3	23.3	10.3
Other expenses	(19.9)	(16.5)	(17.7)	(17.7)	(11.4)
Operating income[(2)]	259.6	217.0	247.4	276.4	317.1
By segment (segment profit):					
Beverages and Foods	135.7	117.0	139.9	162.0	165.8
Alcoholic Beverages	143.6	130.8	127.9	140.6	175.6
Others	26.4	14.3	25.4	26.9	34.0
Finance income	4.0	2.0	6.7	3.6	6.7
Finance costs	(22.1)	(18.0)	(16.7)	(18.2)	(26.5)
Profit before income taxes	241.5	201.0	237.4	261.8	297.4
Income tax expenses	(59.0)	(71.3)	(82.0)	(73.3)	(69.3)
Profit for the year	¥ 182.4	¥ 129.6	¥ 155.3	¥ 188.5	¥ 228.1
Attributable to:					
Owners of the Company	¥ 140.9	¥ 100.4	¥ 113.9	¥ 136.2	¥ 172.7
Non-controlling interests	41.4	29.2	41.4	52.3	55.4

	As of December 31,				
	2019	2020	2021	2022	2023
	(in billions of yen)				
Statement of financial position data:					
Total assets	¥ 4,516.7	¥ 4,521.2	¥ 4,934.0	¥ 5,480.3	¥ 6,042.7
Current assets	1,176.0	1,264.0	1,382.8	1,565.5	1,889.1
Cash and cash equivalents	255.3	338.2	297.7	301.9	318.6
Trade and other receivables	408.8	401.1	478.5	528.8	599.3
Inventories	435.5	457.7	529.1	656.8	691.5
Property, plant and equipment, net	708.6	696.8	750.7	825.6	922.8
Goodwill	857.3	834.5	907.1	1,015.8	1,040.6
Intangible assets	1,405.3	1,348.4	1,468.4	1,628.2	1,729.6
Total liabilities	2,722.8	2,706.9	2,786.6	2,857.5	2,984.4
Current liabilities	962.7	929.7	1,105.6	1,171.2	1,492.8
Bonds and borrowings	148.8	161.5	249.2	236.1	446.6
Trade and other payables	564.4	545.6	635.6	698.3	770.2
Non-current liabilities	1,760.0	1,777.1	1,681.0	1,686.3	1,491.6
Bonds and borrowings	1,278.0	1,280.4	1,131.7	1,113.5	901.1
Deferred tax liabilities	289.5	287.2	328.9	366.1	378.7
Share capital	70.0	70.0	70.0	70.0	70.0
Total equity	1,793.8	1,814.3	2,147.3	2,622.8	3,058.3

Notes:

(1) Excludes revenue (excluding liquor tax) from intersegment transactions.

(2) The table below sets forth our Operating Income Margin and for each of our segments over the periods indicated. Operating Income Margin is calculated by dividing operating income by revenue (excluding liquor tax).

	For the year ended December 31,				
	2019	2020	2021	2022	2023
Operating Income Margin	11.3%	10.3%	10.8%	10.4%	10.7%
By segment:					
Beverages and Foods	10.5%	10.0%	11.1%	11.2%	10.5%
Alcoholic Beverages	18.9%	18.2%	16.3%	15.0%	16.8%
Others	10.9%	6.6%	10.8%	9.7%	10.6%

Non-GAAP Measures

In addition to our reported financial results prepared under IFRS, we also use non-GAAP performance measures as supplementary information to evaluate our performance and financial condition. As described in more detail below, these non-GAAP measures reflect adjustments for a number of items that we believe are useful to separate so that key trends driving the performance of our businesses can be more clearly identified by investors. However, non-GAAP measures have a number of important limitations, including those described below, and should not be viewed as a substitute for financial information prepared in accordance with IFRS. It is important to note that these non-GAAP measures have no standardized meaning prescribed by IFRS and may not be comparable to the calculation of similar measures of other companies. Due to the limitations inherent in non-GAAP measures, investors should not solely rely on non-GAAP measures in assessing our performance and financial condition.

The tables below set forth certain non-GAAP historical financial data as of and for the five years ended December 31, 2019, 2020, 2021, 2022 and 2023.

	As of and for the year ended December 31,				
	2019	2020	2021	2022	2023
	(in billions of yen, except percentages and ratios)				
EBITDA(1)	¥ 385.2	¥ 343.8	¥ 375.6	¥ 406.1	¥ 458.4
EBITDA Margin(2)	16.8%	16.3%	16.4%	15.3%	15.5%
Adjusted Operating Income(3)	¥ 258.5	¥ 217.9	¥ 251.8	¥ 270.5	¥ 316.9
Adjusted Operating Income Margin(4)	11.3%	10.3%	11.0%	10.2%	10.7%
Net Debt(5)	¥1,163.4	¥1,118.1	¥1,070.8	¥1,018.1	¥ 994.3
Net Debt / EBITDA Ratio	3.0x	3.3x	2.9x	2.5x	2.2x
Net Debt / Total Equity Ratio	0.6x	0.6x	0.5x	0.4x	0.3x
Adjusted Net Debt(6)	¥1,041.3	¥1,023.2	¥ 996.9	¥ 937.8	¥ 915.2
Adjusted Net Debt / EBITDA Ratio	2.7x	3.0x	2.7x	2.3x	2.0x
Adjusted Total Equity(7)	¥2,016.8	¥2,013.3	¥2,346.4	¥2,821.8	¥3,257.3
Adjusted Net Debt / Adjusted Total Equity Ratio	0.5x	0.5x	0.4x	0.3x	0.3x
Free Cash Flow After Dividends(8)	¥ 168.2	¥ 82.1	¥ 115.3	¥ 68.4	¥ 49.7

Notes:

(1) EBITDA is calculated as operating income plus depreciation and amortization, less other income, plus other expenses. The table below sets forth the calculation of EBITDA over the periods indicated:

	For the year ended December 31,				
	2019	2020	2021	2022	2023
	(in billions of yen)				
EBITDA:					
Operating income	¥259.6	¥217.0	¥247.4	¥276.4	¥317.1
Add: Depreciation and amortization	121.5	123.8	125.7	135.2	140.1
Less: Other income	(15.8)	(13.5)	(15.3)	(23.3)	(10.3)
Add: Other expenses	19.9	16.5	17.7	17.7	11.4
EBITDA	¥385.2	¥343.8	¥375.6	¥406.1	¥458.4

(2) EBITDA Margin is calculated by dividing EBITDA by revenue (excluding liquor tax).

(3) Adjusted Operating Income is calculated as operating income excluding non-recurring items. The table below sets forth the calculation of Adjusted Operating Income over the periods indicated:

	For the year ended December 31,				
	2019	2020	2021	2022	2023
	(in billions of yen)				
Adjusted Operating Income:					
Operating income	¥259.6	¥217.0	¥247.4	¥276.4	¥317.1
Add: Restructuring charges	4.2	2.8	5.0	5.6	2.1
Less: Gain on sales of investments in subsidiaries and associates	(0.1)	(3.4)	(2.4)	(16.1)	(4.8)
Add: Other	(5.1)	1.5	1.8	4.6	2.3
Adjusted Operating Income	¥258.5	¥217.9	¥251.8	¥270.5	¥316.9

(4) Adjusted Operating Income Margin is calculated by dividing Adjusted Operating Income by revenue (excluding liquor tax).

(5) Net Debt is calculated as interest-bearing liabilities, minus the net valuation gain (loss) arising from derivative transactions, minus cash and cash equivalents.

(6) Adjusted Net Debt is calculated as interest-bearing liabilities (calculated as bonds and borrowings (current portion) plus bonds and borrowings (non-current portion)), plus the net valuation gain (loss) arising from derivative transactions, minus cash and cash equivalents, plus lease liabilities, minus equity credit for subordinated bonds and subordinated loans recognized by Japan Credit Rating Agency, Ltd., or JCR, and Moody's. The table below sets forth the calculation of Adjusted Net Debt as of the dates indicated:

	As of December 31,				
	2019	2020	2021	2022	2023
	(in billions of yen)				
Adjusted Net Debt:					
Interest-bearing liabilities	¥1,426.8	¥1,441.9	¥1,380.9	¥1,349.7	¥1,347.8
Bonds and borrowings (current portion)	148.8	161.5	249.2	236.1	446.6
Bonds and borrowings (non-current portion)	1,278.0	1,280.4	1,131.7	1,113.5	901.1
Add: Net valuation gain (loss) arising from derivative transactions	(8.1)	14.3	(12.4)	(29.6)	(34.8)
Add: Cash and cash equivalents	(255.3)	(338.2)	(297.7)	(301.9)	(318.6)
Net Debt	1,163.4	1,118.1	1,070.8	1,018.1	994.3
Add: Lease liabilities	100.8	104.1	125.1	118.6	119.9
Add: Equity credit for subordinated bonds and subordinated loans	(223.0)	(199.0)	(199.0)	(199.0)	(199.0)
Adjusted Net Debt	¥1,041.3	¥1,023.2	¥ 996.9	¥ 937.8	¥ 915.2

(7) Adjusted Total Equity is calculated as total equity plus the equity credit for subordinated bonds and subordinated loans, which is the amount of subordinated bonds and subordinated loans multiplied by equity credit recognized by JCR and Moody's. The table below sets forth the calculation of Adjusted Total Equity as of the dates indicated:

	As of December 31,				
	2019	2020	2021	2022	2023
	(in billions of yen)				
Adjusted Total Equity:					
Total equity	¥1,793.8	¥1,814.3	¥2,147.3	¥2,622.8	¥3,058.3
Add: Equity credit for subordinated bonds and subordinated loans	223.0	199.0	199.0	199.0	199.0
Adjusted Total Equity	¥2,016.8	¥2,013.3	¥2,346.3	¥2,821.8	¥3,257.3

(8) Free Cash Flow After Dividends is calculated by deducting capital expenditures (using amounts of purchases of property, plant and equipment and intangible assets on our consolidated statement of cash flows) and dividends paid (consisting of the sum of dividends paid to owners of the Company and dividends paid to non-controlling interests on our consolidated statement of cash flows) from net cash flow provided by operating activities. The following table sets forth the calculation of free cash flow after dividends over the periods indicated:

	For the year ended December 31,				
	2019	2020	2021	2022	2023
	(in billions of yen)				
Free Cash Flow After Dividends:					
Net cash flow provided by operating activities	¥ 321.6	¥ 231.3	¥ 280.7	¥ 244.4	¥ 270.0
Subtract: Purchases of property, plant and equipment and intangible assets	(120.8)	(118.7)	(132.5)	(140.2)	(176.0)
Subtract: Dividends	(32.5)	(30.4)	(32.9)	(35.7)	(44.2)
Free Cash Flow After Dividends	¥ 168.2	¥ 82.1	¥ 115.3	¥ 68.4	¥ 49.7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes included elsewhere in this offering memorandum. Our financial statements are prepared in accordance with IFRS, which differs in certain significant respects from accounting principles generally accepted in other jurisdictions, including U.S. GAAP and Japanese GAAP. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions, and is subject to the qualifications set forth under "Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this offering memorandum.

Overview

We are a globally diversified manufacturer and distributor of beverages and foods. Our diversified product portfolio includes soft drinks, food products, whisky and other spirits, alcohol RTD beverages, beer, wine and health supplements. We were the second largest producer of western spirits in the United States, the largest in Japan and the third largest globally, in terms of total value RSP for 2022, according to Euromonitor. In Japan, we were the second largest producer in the wine market and the third largest in the beer market, in terms of total value RSP for 2022, according to Euromonitor. We were also the second largest producer of non-alcoholic beverages in Japan and the fifth largest globally, in terms of total value RSP for 2022, according to Euromonitor.

Our operations are organized into the following three business segments for financial reporting purposes:

Beverages and Foods Segment. Our beverages and foods segment, which is operated by SBF, produces and distributes in Japan and globally a highly diversified portfolio of non-carbonated and carbonated non-alcoholic beverages, as well as a range of functional food products. In the year ended December 31, 2023, revenue (excluding liquor tax) of our beverages and foods segment were ¥1,584.2 billion, or 53.7%, of total revenue (excluding liquor tax).

Alcoholic Beverages Segment. Our alcoholic beverages segment produces and distributes whisky and other spirits and alcohol RTD beverages in Japan and globally, including major markets such as the United States, Europe and Asia, beer and beer-flavored beverages and low-alcohol content beverages primarily in Japan and wine in Japan and globally. We also import and distribute a variety of spirits and liquors into Japan. In the year ended December 31, 2023, revenue (excluding liquor tax) of our alcoholic beverages segment was ¥1,045.7 billion, or 35.4%, of total revenue (excluding liquor tax).

Others Segment. Our others segment includes the production and distribution of health supplements and premium ice cream, the operation of restaurants, the development and marketing of horticultural products and our businesses in China. In the year ended December 31, 2023, revenue (excluding liquor tax) of our others segment was ¥322.0 billion, or 10.9%, of total revenue (excluding liquor tax).

Our operations are global in scope. Over the last fifteen years, we have worked to expand our brand portfolio and geographic operations significantly in a balanced manner across Europe, Asia and Oceania and the Americas through a combination of organic growth and acquisitions, particularly including the acquisition of OSG in 2009 and the *Lucozade* and *Ribena* drink brands in 2013. On May 1, 2014, we took a major step in our strategic goal of further accelerating the globalization of our business by acquiring Beam Inc., one of the world's leading spirits companies and headquartered in the United States, and in 2018 we acquired a majority stake in a subsidiary of PepsiCo, Inc. to form a joint venture in Thailand to expand the scope of our operations in Southeast Asia. Most recently, in March 2024, Suntory Wellness completed the acquisition of all of the outstanding shares of NBD Healthcare Co., Limited, through which we seek to further expand our business in overseas markets as well as build a strong business foundation in Thailand. Our revenue (excluding liquor tax) by geographic region for the years ended December 31, 2021, 2022 and 2023 are set forth in the following table:

	For the year ended December 31,					
	2021		2022		2023	
	(in billions of yen, except percentages)					
Revenue (excluding liquor tax):						
Japan	¥1,210.2	52.9%	¥1,299.4	48.9%	¥1,429.7	48.4%
Americas	362.7	15.9%	471.9	17.7%	521.9	17.7%
Europe	316.2	13.8%	387.0	14.6%	439.8	14.9%
Asia and Oceania	396.4	17.3%	500.3	18.8%	560.6	19.0%
Total	¥2,285.6	100.0%	¥2,658.7	100.0%	¥2,952.0	100.0%

Factors Affecting Our Results of Operations

Certain important factors affecting our results of our operations are described below.

Pricing

We operate in competitive markets and face pricing pressures in our various sales channels. For example, a global trend of consolidation among major retail groups has resulted in supermarkets, convenience stores and other retailers having increased bargaining power in many markets. Due to such increased pricing pressures among major retailers, our ability to increase prices in response to increases in prices of raw materials may be limited. The vending machine channel in Japan, which has historically commanded higher pricing, is also seeing price competition due to market saturation and increased competition from convenience stores. However, we have announced several increases in our prices during recent years due to increases in raw materials costs, transportation costs and FOB prices, among other factors, as have some of our competitors. Consolidation is also occurring among certain of our wholesale customers, including distributors, in many countries, which has led to an increase of their bargaining power. Pricing is also affected by the mix of products, because some products have higher average unit pricing than other types of products. Our strategy is to offer a wide range of products with unique features and, in some cases, health benefits, to achieve differentiated pricing.

Taxation of Alcoholic Beverages

The production and sale of alcoholic beverages are subject to taxation in Japan under the Liquor Tax Act and to similar excise taxes in most of the countries in which we sell alcoholic beverages, which have a substantial impact on the pricing of our alcoholic beverages. Liquor tax rates for beer in Japan are high by international standards, and differ between beer, *happoshu* (low-malt beer) and “new genre” beer-taste alcoholic beverages. The Japanese liquor tax reform for beer-type beverages in Japan is being implemented in stages, with changes having taken effect in October 2020 and October 2023, and with a final stage in October 2026, in which the applicable tax for the three categories of beer-type beverages will gradually converge and ultimately become uniform. See “Supervision and Regulation—Regulations in Japan—Taxation.” Our consolidated financial statements include separate revenue figures that include and exclude liquor tax.

Seasonality

Our sales are affected by seasonal factors as consumption of many of our products is highest during the spring and summer months. Our vending machine sales in Japan, in particular, tend to peak during periods of hot weather. Conversely, unseasonably cool or rainy weather during the summer months has the potential to reduce expected demand for certain of our products.

Procurement Costs

The principal raw materials we use in our business include aluminum cans and ends, PET bottles, cardboard packaging, sweeteners, coffee beans, tea leaves and carbon dioxide. The availability of these materials can be affected by changes in weather patterns and global supply and demand. Additionally, conversion of raw materials into our products for sale also uses electricity and natural gas. The cost of raw materials and energy can fluctuate substantially. We seek to minimize the impact of any increases through measures such as the design of lighter packaging that uses less materials, fine-tuning procurement specifications and improving our manufacturing operations to reduce waste. We also use forward purchasing contracts to lock in pricing for certain raw materials for approximately twelve months to mitigate the impact of short-term fluctuations. We expect that costs of raw materials will continue to increase in the near future.

Promotion and Advertising Expenses

We engage in a broad range of promotional and advertising activities in support of our brands and individual products. Our promotions in Japan focus on major supermarkets, discount retailers and convenience stores. We concentrate our advertising expenses in Japan on supporting our core brands within important product segments as well as focused promotions surrounding new product introductions. In our overseas business, we anticipate increasing advertising expenses as we seek to introduce new products. We target those products that we believe have the greatest cost-benefit, and we also utilize a variety of media, including online promotions and social media, in addition to television advertisement.

Foreign Exchange Rates

We operate on a global basis, and our results are impacted by movements in foreign exchange rates. In our operations in Japan, we source certain raw materials, including coffee beans, from overseas suppliers. Such materials are principally denominated in U.S. dollars. We actively manage our procurement costs in a manner that mitigates the impact of currency fluctuations. Weakening of the yen against the U.S. dollar, however, will generally increase our procurement costs. Our results of operations reported in yen are also impacted by the translation effect upon conversion of the local currency results of our overseas subsidiaries. In particular, due to the importance of the results of Suntory Global Spirits, which are denominated in U.S. dollars, the results of OSG, which are denominated in euros, and, to a lesser extent, the results of Lucozade Ribena Suntory Limited, which are also denominated in euros, a strengthening of the U.S. dollar or the euro against the yen will therefore increase the contribution from overseas subsidiaries in our consolidated results and, conversely, a weakening of the U.S. dollar or the euro against the yen will decrease the contribution from overseas subsidiaries. Since late 2020, the yen has gradually weakened against the U.S. dollar and the euro, and as a result the overall contribution of our overseas operations in our consolidated financial results has increased in the years ended December 31, 2021, 2022 and 2023.

Non-controlling Interests in SBF

SBF, which operates our beverages and foods segment, is a public company listed on the Tokyo Stock Exchange. As of December 31, 2023, we owned 59.4% of the ownership interests of SBF and 40.5% of the ownership interests were held by third parties. In our consolidated financial statements, profit attributable to non-controlling interests in our consolidated subsidiaries is identified separately from profit attributable to owners of the Company, and for the year ended December 31, 2023, profit attributable to non-controlling interests was ¥55.4 billion.

Results of Operations

Comparison of the Years Ended December 31, 2022 and 2023

	For the year ended December 31, 2022	2023
	(in billions of yen)	
Statement of profit or loss data:		
Revenue (excluding liquor tax)	¥ 2,658.7	¥ 2,952.0
By segment:		
Beverages and Foods[(1)]	1,444.8	1,584.2
Alcoholic Beverages[(1)]	935.5	1,045.7
Others[(1)]	278.3	322.0
Cost of sales	(1,468.0)	(1,633.7)
Gross profit	1,190.7	1,318.3
Selling, general and administrative expenses	(931.5)	(1,018.6)
Share of the profit and loss on investments accounted for using the equity method	11.7	18.6
Other income	23.3	10.3
Other expenses	(17.7)	(11.4)
Operating income	276.4	317.1
By segment (segment profit):		
Beverages and Foods	162.0	165.8
Alcoholic Beverages	140.6	175.6
Others	26.9	34.0

	For the year ended December 31,	
	2022	2023
	(in billions of yen)	
Finance income	3.6	6.7
Finance costs	(18.2)	(26.5)
Profit before income taxes	261.8	297.4
Income tax expenses	(73.2)	(69.3)
Profit for the year	¥ 188.5	¥ 228.1
Attributable to:		
Owners of the Company	¥ 136.2	¥ 172.7
Non-controlling interests	52.3	55.4

Note:

(1) Excludes revenue (excluding liquor tax) from intersegment transactions.

Revenue (excluding liquor tax). Revenue (excluding liquor tax) increased by ¥293.3 billion, or 11.0%, to ¥2,952.0 billion for the year ended December 31, 2023 compared to the prior year, reflecting general increases in revenue across our business segments. Compared to the prior year, revenue (excluding liquor tax) in the beverages and foods segment, the alcoholic beverages segment and others segment increased by ¥139.4 billion, ¥110.1 billion and ¥43.7 billion, or 9.6%, 11.8% and 15.7%, respectively. In Japan, revenue (excluding liquor tax) increased by ¥130.2 billion, or 10.0%, compared to the prior year, while outside Japan revenue (excluding liquor tax) increased by ¥163.0 billion, or 12.0%, compared to the prior year. Revenue (excluding liquor tax) increased by ¥49.9 billion, or 10.6%, in the Americas, ¥52.7 billion, or 13.6%, in Europe and ¥60.3 billion, or 12.1%, in Asia and Oceania.

Changes in revenue (excluding liquor tax) by business segment were as follows:

Beverages and Foods Segment. Revenue (excluding liquor tax) in our beverages and foods segment increased by 9.6% from ¥1,444.8 billion in the year ended December 31, 2022 to ¥1,584.2 billion in the year ended December 31, 2023.

In Japan, we promoted activities under a strategy of strengthening core brands, mainly in the categories of water, coffee and sugar-free tea, with new product launches and marketing activities. Along with the success of these launches and activities, the record heat wave in summer 2023 also helped drive sales and we achieved record high sales volume. Under the *Suntory Tennensui* brand, in addition to the strong growth of *Suntory Tennensui* mineral water, the *Kiritto Kajitsu* beverage series also sold well, resulting in record high sales volume. With respect to the *BOSS* brand, *BOSS Caffeine* sold well, and sales volume for canned beverages remained strong, outperforming the market. We also focused on developing our *Suntory Green Tea Iyemon* brand through various activities. Under the *GREEN DAKARA* brand, *GREEN DAKARA Yasashii Rooibos* was released in March 2023, and *GREEN DAKARA* and *GREEN DAKARA Yasashii Mugicha* underwent a renewal in April 2023, with each product performing well.

In the Asia-Pacific region, we continued our activities centered on core brands in the soft drink business and the health and wellness products business. In Vietnam, activities to strengthen brands, including the energy drink *Sting* and the tea beverage *TEA+*, resulted in a steady growth in sales volume. In Thailand, *Pepsi* performed strongly and sales volume increased. In the health and wellness products business, we focused on marketing the *BRAND'S Essence of Chicken* brand. In Oceania, stronger marketing activities for the energy drink *V* and double-digit year-on-year growth in sales volume for *BOSS* resulted in higher overall sales volumes.

In Europe, sales volume for *Oasis* reached a record high in France, while *Lucozade* recorded year-on-year sales growth in the United Kingdom. In Spain, enhanced activities to promote *Schweppes* contributed to steady sales volume compared to the prior year.

Alcoholic Beverages Segment. Revenue (excluding liquor tax) in our alcoholic beverages segment increased by 11.8% from ¥935.5 billion in the year ended December 31, 2022 to ¥1,045.7 billion in the year ended December 31, 2023.

Outside Japan, sales expanded mainly in the Asia and Europe markets. *Jim Beam* and *Maker's Mark* bourbon, *Bowmore* Scotch whisky, *Toki* Japanese whisky, *Hornitos tequila* and *Haku* Japanese craft vodka all performed well. In South Korea, we launched *Jim Beam Highball Can* and achieved sales that greatly surpassed our initial plans.

In Japan, the spirits business's revenue (including liquor tax) rose by 10% and revenue (excluding liquor tax) rose by 12%, each compared to the prior year. In strategic brands, whisky brands *Torys*, *Jim Beam* and *Ao*, along with canned highballs, performed well. For RTD products, we strengthened our core brands, such as *-196°C*, *Kodawari Sakaba* and *SUI Gin Soda Can*.

Sales volume of the beer business, including alcohol-free beer-type beverages, increased by 8% compared to the prior year, driven by the beer category, and beer excluding alcohol-free beer-type beverages grew by 9% compared to the prior year. In addition to the growth of *The Premium Malt's* and *Perfect Suntory Beer* brands, the *Suntory Draft Beer* brand, which was launched in April 2023, has been selling well. As a result, sales volume in the beer category grew by 31% compared to the prior year.

Others Segment. Revenue (excluding liquor tax) in our others segment increased by 15.7% from ¥278.3 billion in the year ended December 31, 2022 to ¥322.0 billion in the year ended December 31, 2023. This was due mainly to revenue growth from products such as *Locomore* and *VARON* in the health and wellness products business, as well as the steady revenue from the restaurant business.

Cost of sales. Cost of sales was ¥1,633.7 billion for the year ended December 31, 2023, representing an increase of ¥165.7 billion, or 11.3%, compared to the prior year. This increase was due mainly to continued increases in supply chain costs such as raw materials and logistics, despite COVID-19 being downgraded to a "Category 5" Infectious Disease in Japan in May 2023, and economic activities beginning to normalize.

Gross profit. As a result of the foregoing, gross profit increased by ¥127.6 billion, or 10.7%, to ¥1,318.3 billion for the year ended December 31, 2023 compared to the prior year.

Selling, general and administrative expenses. Selling, general, and administrative expenses increased by ¥87.1 billion, or 9.4%, to ¥1,018.6 billion for the year ended December 31, 2023 compared to the prior year. Advertising and sales promotion expenses increased by ¥26.0 billion, or 6.3%, to ¥440.8 billion for the year ended December 31, 2023 compared to the prior year. Employee benefits expenses increased by ¥31.5 billion, or 10.3%, to ¥337.5 billion for the year ended December 31, 2023 compared to the prior year. Depreciation and amortization increased by ¥2.8 billion, or 4.8%, to ¥62.2 billion for the year ended December 31, 2023 compared to the prior year.

The table below sets forth a breakdown of selling, general and administrative expenses for the years ended December 31, 2022 and 2023:

	For the year ended December 31,	
	2022	2023
	(in billions of yen)	
Advertising and sales promotion expenses	¥414.7	¥ 440.8
Employee benefits expenses	306.0	337.5
Depreciation and amortization	59.3	62.2
Other	151.3	178.0
Total selling, general and administrative expenses	¥931.5	¥1,018.6

Share of the profit and loss on investments accounted for using the equity method. Share of the profit and loss on investments accounted for using the equity method increased by ¥6.9 billion, or 59.2%, to ¥18.6 billion for the year ended December 31, 2023 compared to the prior year.

Other income. Other income decreased by ¥13.0 billion, or 55.9%, to ¥10.3 billion for the year ended December 31, 2023 compared to the prior year, due mainly to a decrease in gain on sale of investments in subsidiaries and associates in the amount of ¥4.8 billion.

Other expenses. Other expenses decreased by ¥6.3 billion, or 35.7%, to ¥11.4 billion for the year ended December 31, 2023 compared to the prior year, due mainly to a decrease in impairment losses and restructuring charges.

Operating income. As a result of the above factors, operating income increased by ¥40.7 billion, or 14.7%, to ¥317.1 billion for the year ended December 31, 2023 compared to the prior year.

In our beverages and foods segment, segment profit increased by ¥3.7 billion, or 2.3%, to ¥165.8 billion for the year ended December 31, 2023 compared to the prior year, due primarily to our highest performance for *Suntory Tennensui and GREEN DAKARA in terms of sales volume in Japan as well as an increase in sales* volume of certain of our other core brands overseas. In our alcoholic beverages segment, segment profit increased by ¥34.9 billion, or 24.9%, to ¥175.6 billion for the year ended December 31, 2023 compared to the prior year, mainly as a result of an increase in sales of *The Premium Malt's* and *Suntory Nama Beer* in Japan as well as an increase in sales of *Jim Beam*, *Maker's Mark, Toki* and *HAKU* overseas. Segment profit for our others segment was ¥34.0 billion, representing an increase of ¥7.0 billion.

Finance income. Finance income increased by ¥3.1 billion, or 87.7%, to ¥6.7 billion for the year ended December 31, 2023 compared to the prior year, due mainly to an increase in interest received.

Finance costs. Finance costs increased by ¥8.2 billion, or 45.4%, to ¥26.5 billion for the year ended December 31, 2023 compared to the prior year, due mainly to increases in interest paid and other finance costs.

Profit before income taxes. As a result of the above factors, profit before income taxes increased by ¥35.6 billion, or 13.6%, to ¥297.4 billion for the year ended December 31, 2023 compared to the prior year.

Income tax expenses. Income tax expenses were ¥69.3 billion for the year ended December 31, 2023 as compared to ¥73.2 billion for the year ended December 31, 2022.

Profit for the year attributable to non-controlling interests. Profit for the year attributable to non-controlling interests increased by ¥3.0 billion, or 5.9%, to ¥55.4 billion for the year ended December 31, 2023 compared to the prior year, due primarily to increased revenue attributable to SBF, which constitutes the majority of our beverages and foods segment.

Profit for the year attributable to owners of the Company. As a result of the above factors, profit for the year attributable to owners of the Company increased by ¥36.4 billion, or 26.8%, to ¥172.7 billion for the year ended December 31, 2023 compared to the prior year.

Comparison of the Years Ended December 31, 2021 and 2022

	For the year ended December 31,	
	2021	2022
	(in billions of yen)	
Statement of profit or loss data:		
Revenue (excluding liquor tax)	¥ 2,285.6	¥ 2,658.7
By segment:		
Beverages and Foods(1)	1,263.8	1,444.8
Alcoholic Beverages(1)	785.1	935.5
Others(1)	236.7	278.3
Cost of sales	(1,215.3)	(1,468.0)
Gross profit	1,070.3	1,190.7
Selling, general and administrative expenses	(830.1)	(931.5)
Share of the profit on investments accounted for using the equity method	9.7	11.7
Other income	15.3	23.3
Other expenses	(17.7)	(17.7)
Operating income	247.4	276.4
By segment (segment profit):		
Beverages and Foods	139.9	162.0
Alcoholic Beverages	127.9	140.6
Others	25.4	26.9
Finance income	6.7	3.6
Finance costs	(16.7)	(18.2)
Profit before income taxes	237.4	261.8
Income tax expenses	(82.0)	(73.2)
Profit for the year	¥ 155.3	¥ 188.5
Attributable to:		
Owners of the Company	¥ 113.9	¥ 136.2
Non-controlling interests	41.4	52.3

Note:
(1) Excludes revenue (excluding liquor tax) from intersegment transactions.

Revenue (excluding liquor tax). Revenue (excluding liquor tax) increased by ¥373.1 billion, or 16.3%, to ¥2,658.7 billion for the year ended December 31, 2022 compared to the prior year, reflecting general increases in revenue across our beverages and foods and alcoholic beverages business segments. Compared to the prior year, revenue (excluding liquor tax) in the beverages and foods segment increased by ¥181.0 billion, or 14.3%, revenue (excluding liquor tax) in the alcoholic beverages segment increased by ¥150.4 billion, or 19.2%, and revenue (excluding liquor tax) in the others segment increased by ¥41.5 billion, or 17.6%. In Japan, revenue (excluding liquor tax) increased by ¥89.2 billion, or 7.4%, compared to the prior year, while outside Japan revenue (excluding liquor tax) increased by ¥283.8 billion, or 26.4%, compared to the prior year. Revenue (excluding liquor tax) increased by ¥109.2 billion, or 30.1%, in the Americas, ¥70.8 billion, or 22.4%, in Europe, and ¥103.9 billion, or 26.2%, in Asia and Oceania.

Changes in revenue (excluding liquor tax) by business segment were as follows:

Beverages and Foods Segment. Revenue (excluding liquor tax) in our beverages and foods segment increased by 14.3% from ¥1,263.8 billion in the year ended December 31, 2021 to ¥1,444.8 billion in the year ended December 31, 2022.

In Japan, we strengthened our core brands, mainly in the categories of water, coffee, and sugar-free tea, and greatly exceeded our performance for the year ended December 31, 2021 as a result of new product launches and marketing activities. We also achieved record-high sales volume. In terms of specific brands, *Suntory Tennensui*, *Iyemon* and *GREEN DAKARA* achieved record-high sales. Sales volume of the *BOSS* brand as a whole matched the level of the previous year. The sales volumes concerning foods for specified health uses (FOSHU), foods with function claims (FFC) and *Iyemon Tokucha* (FOSHU) remained strong.

In the Asia-Pacific region, we continued to pursue activities centered on core brands in the soft drink business and the health and wellness products business. Particularly in Vietnam, the sales volumes of major brands, including the mainstay energy drink *Sting* and the tea drink *TEA+*, grew significantly, thereby substantially boosting our business results. In Thailand, *Pepsi* sold well. In the health and wellness products business, we saw continued improvement in marketing activities such as a renewal of the mainstay product *BRAND'S Essence of Chicken*. In Oceania, marketing activities were enhanced for energy drink *V*, a flagship brand, and year-on-year sales volume growth continued in New Zealand and Australia.

In Europe, the sales volumes of core brands *Oasis*, S*chweppes* and *Orangina* significantly exceeded previous-year levels in France. In the United Kingdom, the mainstay brand *Lucozade* performed well. In Spain, the flagship *Schweppes* brand recorded a significant year-on-year increase in sales volume.

In the Americas, sales volume remained strong due to activities to support the main carbonated beverage brands and the growing non-carbonated beverage category.

Alcoholic Beverages Segment. Revenue (excluding liquor tax) in our alcoholic beverages segment increased by 19.2% from ¥785.1 billion in the year ended December 31, 2021 to ¥935.5 billion in the year ended December 31, 2022.

For overseas markets, Suntory Global Spirits' premiumization strategy drove net sales growth, and premium brands represented more than half of *Full Bottle Spirits* sales for the first time ever in the year ended December 31, 2022. Growing consumer preference for premium brands helped drive strong sales growth for brands such as *Maker's Mark* and *Basil Hayden* bourbon, *Toki* Japanese whisky, *Laphroaig Scotch* whisky, Japanese craft gin *ROKU* and *Hornitos* tequila. We continued to achieve global RTD growth as we expanded our offerings tailored to local taste preferences with the successful launch of *-196* in Australia and the relaunch of *On The Rocks* in the United States.

In Japan, the spirits business's revenue (excluding liquor tax) rose by 11% compared to the prior year. In the whisky category, major brands *Kakubin* and *Ao*, along with canned highball product *Kaku Highball Can*, performed well. RTD took on the challenge of creating new demand by launching *CRAFT -196°C* and *BAR Pomum*. *SUI Gin Soda Can*, which was launched nationwide in March 2022, achieved sales of 3.95 million cases for the year ended December 31, 2022, about 1.6 times the anticipated annual sales figure even after it was revised upward.

Sales volume of the beer business increased by 4% compared to the prior year driven by the beer category, and beer excluding alcohol-free beer-type beverages grew by 5% compared to the prior year.

The wine business's revenue (excluding liquor tax) rose by 18% compared to the prior year. Launched in September 2022, a new Japanese wine brand, *SUNTORY FROM FARM*, caught on due to its flavor profile ensured by strict quality control. In the imported wines lineup, the sales volume for Italian wine *Tavernello Organico* increased significantly due to stronger marketing of its organic production method.

In the non-alcoholic beverage category, we engaged in the realization of compelling flavors, expansion of the lineup and proposals communicating appeal with the aim of creating a culture that can be enjoyed by people who drink alcohol and those who do not, which can be achieved with an alcohol content of 0.00%, including *All Free* brand of beer-type beverages, *Non-Aru-Banshaku Lemon Sour Non-Alcoholic*, *Non-Alcoholic Wine Holiday* and *Non-Aru-Banshaku Highball*.

Others Segment. Revenue (excluding liquor tax) in our others segment increased 17.6% from ¥236.7 billion in the year ended December 31, 2021 to ¥278.3 billion in the year ended December 31, 2022. This was due mainly to the revenue from strong sales of products such as *Locomore* and *Omega A.D.E.* in the health and wellness products business as well as a significant increase of revenue from the restaurant business.

Cost of sales. Cost of sales was ¥1,468.0 billion for the year ended December 31, 2022, an increase of ¥252.7 billion, or 20.8%, compared to the prior year. This increase was due mainly to increased overall costs as a result of increased sales volumes, fluctuations in foreign exchange rates and an increase in supply chain costs such as raw materials and logistics.

Gross profit. As a result of the increase in revenue (excluding liquor tax), gross profit increased by ¥120.3 billion, or 11.2%, to ¥1,190.7 billion for the year ended December 31, 2022 compared to the prior year.

Selling, general and administrative expenses. Selling, general, and administrative expenses increased by ¥101.3 billion, or 12.2%, to ¥931.5 billion for the year ended December 31, 2022 compared to the prior year. Advertising and sales promotion expenses increased by ¥36.0 billion, or 9.5%, to ¥414.7 billion for the year ended December 31, 2022 compared to the prior year. Employee benefits expenses increased by ¥37.1 billion, or 13.8%, to ¥306.0 billion for the year ended December 31, 2022 compared to the prior year. Depreciation and amortization increased by ¥3.2 billion, or 5.7%, to ¥59.3 billion for the year ended December 31, 2022 compared to the prior year.

The table below sets forth a breakdown of selling, general and administrative expenses for the years ended December 31, 2021 and 2022:

	For the year ended December 31,	
	2021	**2022**
	(in billions of yen)	
Advertising and sales promotion expenses	¥378.6	¥414.7
Employee benefits expenses	268.9	306.0
Depreciation and amortization	56.1	59.3
Other	126.4	151.3
Total selling, general and administrative expenses	¥830.1	¥931.5

Share of the profit and loss on investments accounted for using the equity method. Share of the profit on investments accounted for using the equity method increased by ¥2.0 billion, or 21.1%, year-on-year to ¥11.7 billion for the year ended December 31, 2022.

Other income. Other income increased by ¥8.0 billion, or 52.6%, year-on-year to ¥23.3 billion for the year ended December 31, 2022, due mainly to ¥16 billion of gain on sale of all the shares of Suntory Coffee Australia Limited to UCC ANZ MANAGEMENT PTY LTD by SBF in April 2022, net of the expenses related to this share transfer.

Other expenses. Other expenses slightly increased by ¥50 million, or 0.3%, to ¥17.7 billion for the year ended December 31, 2022 compared to the prior year.

Operating income. As a result of the above factors, operating income increased by ¥28.9 billion, or 11.7%, to ¥276.4 billion for the year ended December 31, 2022 compared to the prior year.

In our beverages and foods segment, segment profit increased by ¥22.1 billion, or 15.8%, to ¥162.0 billion, due primarily to our focus on and resulting improvement of our core brands' market shares in each of the regions in which we operate as well as executing our strategies to increase revenue, including price increases for PET bottle products in Japan and certain of our products overseas. In our alcoholic beverages segment, segment profit increased by ¥12.6 billion, or 9.9%, to ¥140.6 billion, mainly as a result of an increase in sales to business customers due to post-COVID recovering economic conditions in Japan as well as Suntory Global Spirits' premiumization strategy that drove net sales growth overseas. Segment profit for our others segment was ¥26.9 billion, an increase of ¥1.5 billion.

Finance income. Finance income decreased by ¥3.1 billion, or 46.5%, to ¥3.6 billion for the year ended December 31, 2022 compared to the prior year, due mainly to a decrease in fair value gains from financial assets measured at fair value through profit or loss (FVTPL), offset in part by an increase in interest received.

Finance costs. Finance costs increased by ¥1.4 billion, or 8.8%, to ¥18.2 billion for the year ended December 31, 2022 compared to the prior year, due mainly to an increase in other finance costs.

Profit before income taxes. As a result of the above factors, profit before income taxes increased by ¥24.3 billion, or 10.3%, to ¥261.8 billion for the year ended December 31, 2022 compared to the prior year.

Income tax expenses. Income tax expenses decreased by ¥8.7 billion, or 10.7%, to ¥73.2 billion for the year ended December 31, 2022 compared to the prior year.

Profit for the year attributable to non-controlling interests. Profit for the year attributable to non-controlling interests increased by ¥10.8 billion to ¥52.3 billion for the year ended December 31, 2022 compared to the prior year, due primarily to increased revenue attributable to SBF, which constitutes the majority of our beverages and foods segment.

Profit for the year attributable to owners of the Company. As a result of the above factors, profit for the year attributable to owners of the Company increased by ¥22.2 billion, or 19.5%, year-on-year to ¥136.2 billion for the year ended December 31, 2022.

Liquidity and Capital Resources

Capital Requirements

Our principal capital and liquidity needs have been for strategic acquisitions and investments, capital expenditures, working capital, repayment of borrowings and payment of interest and funds for payment of dividends and income taxes.

Strategic Acquisitions and Investments

We regularly consider acquisition, joint venture and other investment opportunities that have the potential to support sustainable profit growth and may be pursued at an appropriate valuation level. For example, we acquired Beam Inc. in 2014, SBF acquired shares of certain beverage subsidiaries and brands from JT in 2015, and we acquired a majority stake in International Refreshment (Thailand) Co., Ltd. in 2018. We expect to continue with this approach and execute acquisitions and investments subject to our operating environment and available financial resources.

On March 1, 2024, Suntory Wellness acquired all outstanding shares of NBD Healthcare Co., Limited, a health and consumer product manufacturer in Thailand, for cash consideration of $160 million.

Capital Expenditures

Our capital expenditures include purchases of property, plant and equipment, vending machines, structures, machinery and other items that are necessary for enhancing the productivity of our factories and other facilities and strengthening our competitiveness and operations.

In the year ended December 31, 2023, we spent ¥214.2 billion on capital expenditures, defined as purchases of property, plant and equipment as shown on our consolidated statement of cash flows, to increase our manufacturing capacity, update our manufacturing facilities, strengthen our sales ability, improve the quality of our products and streamline our businesses. Of the total, a little under half was spent in our beverages and foods segment, primarily to increase our manufacturing capability, streamline our business and purchase vending machines, with most of the remainder was spent in our alcoholic beverages segment, primarily to increase our manufacturing capacity and update our manufacturing facilities and conduct promotional activities. We plan to maintain similar levels of capital expenditures in the near term for both our beverages and foods segment as well as our alcoholic beverages segment primarily towards the continued increase of our manufacturing capacity.

We generally finance our capital expenditures with net cash provided by operating activities, although we also use cash borrowed by certain of our subsidiaries.

Working Capital

Our principal working capital requirements are for the purchase of raw materials and other inventories, salaries and wages, selling costs, advertising and promotion costs, taxes and research and development.

Dividends

We also require sufficient liquidity to make our scheduled dividend payments. We seek to maintain a prudent dividend payout ratio in order to contribute to long-term growth. The following table sets forth our dividends declared with respect to the years indicated.

	For the year ended December 31,				
	2019	**2020**	**2021**	**2022**	**2023**
	(in billions of yen, except for percentages)				
Dividends	¥8.9	¥8.9	¥8.9	¥8.9	¥8.9
Dividend payout ratio[1]	6.3%	8.9%	7.8%	6.5%	5.2%

Note:
(1) Calculated as dividends declared (excluding dividends to non-controlling interests) as a percentage of profit attributable to owners of the Company.

In addition to cash dividends paid to shareholders, our subsidiaries also pay dividends to non-controlling interests, principally consisting of payments to minority shareholders of SBF (following SBF's initial public offering in 2013). The following table sets forth cash dividends paid to non-controlling interests during the years indicated.

	For the year ended December 31,				
	2019	**2020**	**2021**	**2022**	**2023**
	(in billions of yen)				
Cash dividends paid to non-controlling interests	¥23.6	¥21.5	¥24.0	¥26.8	¥35.3

Sources of Liquidity

We expect our ongoing sources of liquidity to include a diverse combination of sources, including available cash and cash equivalents, cash generated from operations, borrowings and issuances of additional debt, with a focus on managing funding costs. SBF, in which we hold a 59.48% equity interest, is a source of liquidity through periodic payments to us of dividends and license fees under a brand royalty license agreement for the *Suntory* corporate brand.

As of December 31, 2023, we had short-term borrowings of ¥40.9 billion, subject to a weighted-average interest rate of 6.28%.

As of December 31, 2023, we had long-term borrowings of ¥586.5 billion, subject to a weighted-average interest rate of 0.43%. Our long-term borrowings consist primarily of loans from Japanese commercial banks and other institutions. These loans mature between 2025 and 2083 and include an option to suspend interest payments provided that efforts are made to pay accumulated interest within five years and to pay any accumulated interest upon the payment of dividends on common stock or other junior securities.

As of December 31, 2023, we had ¥314.6 billion in outstanding bond obligations, excluding current portion, and interest rates on our bonds range from 0.00% to 6.63%. These bonds mature between 2025 and 2083 and include an option to suspend interest payments provided that efforts are made to pay accumulated interest within five years and to pay any accumulated interest upon the payment of dividends on common stock or other junior securities.

We also have two commitment lines in the total amount of ¥100.0 billion, none of which was drawn down as of December 31, 2023. Suntory Global Spirits has one commitment line, which is guaranteed by us, in the amount of ¥5.0 billion, which was not drawn down as of December 31, 2023. SBF has three commitment lines in the total amount of ¥110.0 billion (a ¥40.0 billion commitment line, or Line A, a ¥30.0 billion commitment line, or Line B, and an additional ¥40.0 billion commitment line, or Line C), none of which was drawn down as of December 31, 2023. Under these commitment lines SBF is subject to certain financial covenants, including the following:

- SBF's shareholders' equity as of the last day of each fiscal year and interim period must not be less than 70% of SBF's shareholders' equity as of the last day of the previous fiscal year or interim period (Line A);
- SBF's shareholders' equity belonging to the owner of the parent company as of the last day of each fiscal year and interim period must not be less than 70% of SBF's shareholders' equity belonging to the owner of the parent company as of the last day of the previous fiscal year or interim period (Line B);
- SBF's shareholders' equity belonging to the owner of the parent company as of the last day of each fiscal year must not be less than 75% of SBF's shareholders' equity belonging to the owner of the parent company as of the last day of the previous fiscal year (Line C);
- SBF may not incur an operating loss (subject to an adjustment to exclude other income and other expenses, in the case of Line C) for two consecutive fiscal years (Line B and Line C);
- SBF's investment ratio, directly or indirectly, to Suntory Foods Limited, Orangina Schweppes Holding B.V., Pepsi Bottling Ventures LLC and Suntory Beverage & Food Asia Pte. Ltd. (including successor companies) must not fall below 50% (Line C);
- SBF must maintain Suntory Foods Limited, Orangina Schweppes Holding B.V., Pepsi Bottling Ventures LLC and Suntory Beverage & Food Asia Pte. Ltd. as its consolidated subsidiaries (Line C); and
- SBF must maintain a long-term credit rating from JCR or Rating and Investment Information, Inc. of BBB- or higher (Line C).

The table below summarizes the scheduled repayments of our bonds, short-term borrowings and long-term borrowings as of December 31, 2023 (other than obligations under finance leases) on a consolidated basis:

	For the year ending December 31,						
	Total	**2024**	**2025**	**2026**	**2027**	**2028**	**2029 and thereafter**
	(in billions of yen)						
Bonds, short-term borrowings and long-term borrowings (excluding obligations under finance leases)	¥1,394.6	¥461.0	¥116.8	¥69.7	¥99.8	¥64.6	¥582.4

For information with respect to our lease obligations, see Note 23 to our audited consolidated financial statements as of and for the year ended December 31, 2023 and Note 23 to our audited consolidated financial statements as of and for the year ended December 31, 2022, included elsewhere in this offering memorandum.

Credit Ratings

Our credit ratings, which reflect each rating agency's opinion of our financial strength, operating performance and ability to meet our obligations are as follows:

Rating Agency	Category	Rating
S&P	Long-term issuer credit rating	BBB+
Moody's	Long-term issuer rating	Baa1
JCR	Long-term issuer rating	AA

The ratings are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each of the financial strength ratings should be evaluated independently.

Cash Flows

The following table shows information with respect to our cash flows for the years ended December 31, 2021, 2022 and 2023.

	For the year ended December 31,		
	2021	2022	2023
	(in billions of yen)		
Net cash flow provided by operating activities	¥ 280.7	¥ 244.4	¥ 270.0
Net cash flow used in investing activities	(152.5)	(120.9)	(170.5)
Net cash flow used in financing activities	(178.3)	(131.7)	(93.5)
Net increase (decrease) in cash and cash equivalents	(50.1)	(8.2)	5.8
Cash and cash equivalents at the beginning of year	338.2	297.7	301.9
Cash and cash equivalents at the end of the year	297.7	301.9	318.6

Comparison of the Years Ended December 31, 2022 and 2023

Net cash flow provided by operating activities increased by ¥25.5 billion, or 10.5%, to ¥270.0 billion in the year ended December 31, 2023 compared to the prior year. This increase reflects primarily an increase in profit before income taxes, a decrease in increase in inventories and an increase in increase in trade and other payables, offset in part by increases in increase in trade and other receivables and income taxes paid.

Net cash flow used in investing activities increased by ¥49.6 billion, or 41.0%, to ¥170.5 billion in the year ended December 31, 2023 compared to the prior year. This increase was due mainly to an increase in purchases of property, plant and equipment and intangible assets, offset in part by a decrease in proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation.

Net cash flow used in financing activities decreased by ¥38.2 billion, or 29.0%, to ¥93.5 billion in the year ended December 31, 2023 compared to the prior year. This decrease was due mainly to an increase in proceeds from long-term borrowings, which was offset in part by an increase in repayment of long-term borrowings.

As a result of the above factors, cash and cash equivalents as of December 31, 2023 increased by ¥16.6 billion to ¥318.6 billion compared to the prior year-end.

Comparison of the Years Ended December 31, 2021 and 2022

Net cash flow provided by operating activities decreased by ¥36.3 billion, or 12.9%, to ¥244.4 billion in the year ended December 31, 2022 compared to the prior year, primarily as the result of an increase in increase in inventories, a decrease in increase in trade and other payables and gain on sales of shares of subsidiaries (compared to none in the prior year), offset in part by an increase in profit before income taxes and a decrease in increase in trade and other receivables.

Net cash flow used in investing activities for the year ended December 31, 2022 decreased by ¥31.5 billion, or 20.7%, to ¥120.9 billion, compared to the prior year. This was mainly the result of a decrease in payments for acquisition of investment securities and proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation, offset in part by an increase in purchases of property, plant and equipment and intangible assets.

Net cash flow used in financing activities decreased by ¥46.6 billion, or 26.1%, to ¥131.7 billion compared to the prior year. This was due mainly to increase in short-term borrowings and commercial papers compared to decrease in short-term borrowings and commercial papers in the prior year and an increase in proceeds from long-term borrowings, offset in part by an increase in repayment of long-term borrowings.

As a result of the above factors, cash and cash equivalents as of December 31, 2022 increased by ¥4.2 billion to ¥301.9 billion compared to the prior year-end.

Market Risks

We engage in international operations, which expose us to market risks principally from changes in foreign exchange rates, and we are also subject to interest rate risk in both our Japanese and overseas operations. For more information, see "Risk Factors—Risks Related to Our Business Operations—Fluctuations in foreign currency exchange rates and interest rates could affect our results of operations" and "—Factors Affecting Our Results of Operations."

In order to reduce interest rate risk and currency exchange rate risk, subject to our risk management policy, we use derivative financial instruments, including interest rate swaps, foreign exchange forward contracts, currency swaps and currency option contracts. We utilize derivatives solely for risk management purposes and we do not hold or issue derivatives for speculative or trading purposes.

Critical Accounting Policies

Our consolidated financial statements as of and for the year ended December 31, 2023 and as of and for the year ended December 31, 2022 have been prepared in conformity with IFRS. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period. We base our estimates and assumptions on historical experiences and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenue and expenses that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions. We believe that the following are our critical accounting policies. Critical accounting policies are defined as those that involve estimates requiring the application of management's judgment to individual transactions to determine the most appropriate accounting treatment in circumstances where the use of different estimates could result in material changes to our financial condition or results of operations.

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.

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 25 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.

Goodwill and intangible assets

Goodwill

Goodwill is stated at cost less accumulated impairment losses. The method for measurement at initial recognition of goodwill is described in "Note 3. Material accounting policy information (2) Business combinations" to our consolidated financial statements as of and for the year ended December 31, 2023, included elsewhere in this offering memorandum. 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. Material accounting policy information (10) Impairment of non-financial assets" to our consolidated financial statements as of and for the year ended December 31, 2023, included elsewhere in this offering memorandum.

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. Material accounting policy information (2) Business combinations" to our consolidated financial statements as of and for the year ended December 31, 2023, included elsewhere in this offering memorandum. 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: 5 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. Material accounting policy information (10) Impairment of non-financial assets" to our consolidated financial statements as of and for the year ended December 31, 2023, included elsewhere in this offering memorandum.

Post-employment benefit plans

We and certain of our consolidated subsidiaries have the following post-employment benefit plans for our 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.

Revenue

Sale of goods

We are engaged in the sale of alcoholic and non-alcoholic beverages and foods. As customers usually obtain control of the goods and our performance obligation is satisfied at the time when the goods are delivered, we recognize 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.

Interest income

Interest income is recognized using the effective interest method.

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 (or 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 we conduct the business activities and earn taxable profit (or loss). Deferred tax is recognized for the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their value for tax purposes as at the reporting date, as well as the carryforward of unused tax losses and unused tax credits.

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

- Temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising on initial recognition of an asset or liability arising in a transaction other than business combinations and transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition and affect neither accounting profit nor taxable profit;
- 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; and
- Taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, to the extent it is probable that we are 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 recovery) of taxes.

We and our wholly owned subsidiaries in Japan have adopted the group tax sharing system.

New Accounting Standards

From January 1, 2023, we have applied International Accounting Standards 12 “Income Taxes” (Revised), or IAS 12. We apply the temporary and mandatory exceptions to the deferred tax requirements of IAS 12 issued by the IASB in May 2023. Accordingly, we neither recognize nor disclose information about deferred tax assets and deferred tax liabilities related to taxes arising from tax regimes related to the Pillar Two model rules. In addition, the taxation regime regarding the Pillar Two model rules came into effect in 2023 for some of our subsidiaries but because it is only effective for the year beginning January 1, 2024, this did not have any impact on our consolidated financial statements for the year ended December 31, 2023. Although the application of IAS 12 requires disclosure of qualitative and quantitative information related to the impact of Pillar Two income taxes, Pillar Two income tax effects are not disclosed because we currently consider them to be immaterial.

In addition, effective from the fiscal year ended December 31, 2023 we have adopted "Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)." This amendment has been applied to corresponding figures for the year ended December 31, 2022 presented as comparative information in our audited consolidated financial statements as of and for the year ended December 31, 2023. Accordingly, financial information for us presented in this offering memorandum as of and for the year ended December 31, 2022 reflects such retrospective adjustments, unless otherwise stated. Such retrospective adjustments have, however, not been reflected in our audited consolidated financial statements as of and for the year ended December 31, 2022. See "Note 3. Material accounting policy information—(Changes in accounting policies)" and "Note 17. Income taxes—(1) Deferred tax assets and deferred tax liabilities—(Changes in accounting policies)" to our audited consolidated financial statements as of and for the year ended December 31, 2023, included elsewhere in this offering memorandum.

BUSINESS

Overview

We are a globally diversified manufacturer and distributor of beverages and foods. Our diversified product portfolio includes soft drinks, food products, whisky and other spirits, alcohol RTD beverages, beer, wine and health supplements. We were the second largest producer of western spirits in the United States, the largest in Japan and the third largest globally, in terms of total value RSP for 2022, according to Euromonitor. In Japan, we were the second largest producer in the wine market and the third largest in the beer market, in terms of total value RSP for 2022, according to Euromonitor. We were also the second largest producer of non-alcoholic beverages in Japan and the fifth largest globally, in terms of total value RSP for 2022, according to Euromonitor.

Our operations are organized into the following three business segments:

Beverages and Foods Segment. Our beverages and foods segment, which is operated by SBF, produces and distributes in Japan and globally a highly diversified portfolio of non-carbonated and carbonated non-alcoholic beverages, as well as a range of functional food products.

Alcoholic Beverages Segment. Our alcoholic beverages segment produces and distributes whisky and other spirits and alcohol RTD beverages in Japan and globally, including major markets such as the United States, Europe and Asia, beer and beer-flavored beverages and low-alcohol content beverages primarily in Japan and wine in Japan and globally. We also import and distribute a variety of spirits and liqueurs into Japan.

Others Segment. Our others segment includes the production and distribution of health supplements and premium ice cream, the operation of restaurants, the development and marketing of horticultural products and our businesses in China.

The common stock of Suntory Holdings is not listed on any stock exchange.

For the year ended December 31, 2023, we had revenue (excluding liquor tax) of ¥2,952.0 billion and profit for the year attributable to owners of the Company of ¥172.7 billion.

Our registered head office is located in Osaka, Japan, and our operational headquarters, Suntory World headquarters, is located in Tokyo, Japan.

History

Our predecessor commenced manufacturing wine in Osaka in 1899 as an unincorporated enterprise under the name Torii Shoten. We were a pioneer in the introduction of western-style alcoholic beverages in the Japanese market. In 1929, we launched Japan's first genuine malt whisky and in 1963 expanded our operations to include the manufacture of beer. We subsequently ventured into the non-alcoholic beverages and foods industries. The *Suntory* brand is now one of the leading domestic brands based on our high market share in the Japanese soft drinks, whisky and other spirits, alcohol RTD beverages and beer markets, as well as in the global soft drinks and spirits markets. We have also diversified our business portfolio to include food products, wine, health supplements, premium ice cream, restaurants and horticulture.

We have been a closely held, family-owned company since our founding, and our senior management focuses on long-term growth and steady cash flow generation. As of December 31, 2023, approximately 89.5% of the issued and outstanding shares of our common stock were held by Kotobuki Realty Co., Ltd.

Adopting a Holding Company Structure

We are a holding company which was established on February 16, 2009 through a method of stock transfer pursuant to which all of the shares in our predecessor, Suntory Limited, were transferred to Suntory Holdings. The purpose of the stock transfer was to create a new management structure in which management of our group would be separated from the operating businesses of the group.

As a part of the reorganization, several businesses were transferred through demergers and several newly incorporated, wholly owned subsidiaries of Suntory Holdings were established with the aim of reorganizing our operating and governance structure.

One of the key subsidiaries established as part of the reorganization in 2009 was SBF, which initially operated our beverages and foods business in Japan. Subsequently, SBF also acquired the group's international non-alcoholic beverage and food operations in order to manage our global non-alcoholic beverages business in an integrated manner.

Global Expansion

We have a long history of global operations. We started exporting our whisky products in 1931 and distributing *Midori* liqueur in the United States in 1978. We acquired Pepcom Industries, Inc., now integrated into PBV, in 1980, and initiated management of Cerebos, which was subsequently merged into SBFA in 2019, in 1990.

In the spirits business, in 1994 we acquired Morrison Bowmore Distillers Ltd. to obtain the *Bowmore* liquor brand. We also completed the acquisition of Beam Inc. in May 2014, which significantly increased the scale of our global spirits operations.

Over the years, we have made a series of acquisitions in overseas markets. In our beverages and foods segment, we acquired Frucor in 2009, OSG in 2009, and the *Lucozade* and *Ribena* drink brands from GlaxoSmithKline in 2013. We have also established several joint ventures, including Suntory Garuda in 2011 (which was transferred to PT Garudafood Putra Putri Jaya Tbk in January 2024) and Suntory PepsiCo Vietnam Beverage Co., Ltd. in 2013. In March 2018, we acquired a majority stake in a subsidiary of PepsiCo, Inc. to form a joint venture in Thailand to further expand our presence in Southeast Asia. Most recently, in March 2024, Suntory Wellness completed the acquisition of all outstanding shares of NBD Healthcare Co., Limited, by which we seek to further expand our business to overseas markets as well as build a strong business foundation in Thailand.

SBF Initial Public Offering

SBF conducted a global offering of its common stock in 2013, whereby SBF offered and sold 93,000,000 newly issued SBF shares and Suntory Holdings offered and sold 32,200,000 SBF shares. Following the offering, SBF's shares were listed on the Tokyo Stock Exchange in July 2013, and our shareholding of SBF shares decreased to 59.48% of SBF's total shares issued and outstanding. The shares of SBF's common stock are currently listed on the Prime Market of the Tokyo Stock Exchange.

Acquisition of Beam Inc. and Reorganization of Alcoholic Beverages Operations

Since our acquisition of all of the outstanding shares of Beam Inc. in May 2014, upon which Beam Inc. was renamed Beam Suntory Inc. (currently Suntory Global Spirits), we have enhanced our global footprint and were the second largest producer of western spirits in the United States, the largest in Japan and the third largest globally, in terms of total value RSP for 2022 according to Euromonitor. Our combined portfolio of leading brands includes Suntory Global Spirits' *Jim Beam*, *Maker's Mark* and *Knob Creek* bourbons, *Teacher's*, *Laphroaig* and *Bowmore* Scotch whiskies, *Canadian Club* Canadian whisky, *Kilbeggan* Irish whisky, *Sauza* tequila and *Pinnacle* vodka, and Suntory's leading Japanese whiskies, *Yamazaki*, *Hakushu*, *Hibiki,* and *Kakubin*.

We already had an existing business relationship with Beam Inc. prior to the acquisition through the distribution of Beam Inc.'s products in Japan, while Beam Inc. had been distributing Suntory's products in Singapore and other Asian markets. We also already had a broad portfolio of Japanese whiskies and other spirits with strong domestic brand recognition, but the acquisition of Beam Inc. significantly increased our own product offerings to include bourbon, Scotch and Irish and Canadian whiskies and gave us access to Beam Inc.'s sophisticated distribution network not just in the United States, but also in key emerging markets such as India, Brazil, Mexico, Eastern Europe and Southeast Asian countries. We have integrated our global spirits operation under Suntory Global Spirits and have aimed to achieve continued growth in markets worldwide, including the United States, by leveraging a combined portfolio of brands, an expanded distribution network and fully shared production facilities. For example, in July 2021, we announced a strategic partnership with The Boston Beer Company to expand the sales of RTD products across the United States, and on May 1, 2024, we announced the rebranding of Beam Suntory Inc., renaming it as Suntory Global Spirits, effective April 30, 2024, to reflect our evolution into a global leader across a multitude of categories of spirits as well as RTD cocktails.

In April 2017, we established Suntory Beer, Wine & Spirits Japan Limited, or Suntory BWS, to be the holding company of Suntory Beer, Suntory Wine and Suntory Liquors and coordinate our group-wide alcoholic beverages strategy in the Japanese market in conjunction with Suntory Spirits and Suntory Global Spirits. In July 2022, we further reorganized our Japanese alcoholic beverages business by merging Suntory BWS, Suntory Beer, Suntory Wine, Suntory Liquors and Suntory Spirits through an absorption-type company merger, in which Suntory Spirits became the surviving entity, in order to promote the integrated management of our entire Japanese alcoholic beverages business in response to changes in alcohol consumption trends.

Strengths and Strategy

We are a global beverage company with an extensive and geographically diversified reach offering a wide-ranging portfolio of premium brands in the alcoholic beverages as well as beverages and foods businesses.

We are a unique global beverage company, with a balanced business portfolio and a diversified geographic footprint which provide consistent profitability, ample cash flow and financial stability. Since our acquisition of Beam Inc. in 2014, our business platform has expanded significantly over the past decade in the United States and globally. Revenue (excluding liquor tax) from Japan was 48% of total revenue (excluding liquor tax) for the year ended December 31, 2023, and revenue (excluding liquor tax) from the Americas, Europe, and Asia and Oceania was 18%, 15% and 19%, respectively, for the same period.

Both of our core segments, the alcoholic beverages segment and the beverages and foods segment, have delivered growth over recent years. Our revenue growth management as well as our efforts to pursue our premiumization strategy across our portfolio and continue reducing costs have allowed us to deliver stable profits. Despite the recent increases in the cost of the raw materials that we use to manufacture our products, revenue and operating income for the year ended December 31, 2023 not only increased compared to the prior year but also reached an all-time high. Specifically, our revenue (excluding liquor tax) increased by 11.0% for the year ended December 31, 2023 and our operating income increased by 14.7%, each compared to the prior fiscal year. In addition to our core segments, we have also steadily expanded our other businesses on a global scale, including our health and wellness products business, restaurant business, horticulture business and other services business. For example, in March 2024, Suntory Wellness completed the acquisition of all of the outstanding shares of NBD Healthcare Co., Limited as part of our efforts to expand our business in overseas markets and build a strong business foundation in Thailand. We continue to focus on our growth strategy, with a strong emphasis on organic growth, and to target improved profitability by introducing high value-added products and pursuing our cost reduction efforts.

We operate a leading global alcoholic beverages business, with robust growth and strong cash flow generation driven by established brand equity in whisky and premium categories and strong market positions in Japan and the Americas.

We operate a global alcoholic beverages business with stable revenue driven by our leading positions and strong business platforms in both Japan and the Americas. We believe that these two major markets will continue to propel our steady growth. For the year ended December 31, 2023, Japan accounted for 47% of our alcoholic beverages sales based on revenue (excluding liquor tax) and the Americas accounted for 33%. We also maintain a robust presence in Europe and aim to expand in key emerging markets, including China and India. Our spirits portfolio includes some of the world's most recognized brands, such as leading Japanese whiskies (*Yamazaki, Hakushu* and *Hibiki*), the United States' top-selling premium spirits (*Maker's Mark* and *Jim Beam Black*) and high-quality products such as *Toki* whisky, *Roku* craft gin and *Haku* craft vodka. In addition, with initiatives such as the partnership between Suntory Global Spirits and Frucor, which we announced in August 2023, we are pursuing growth opportunities in regions other than our core markets of Japan and the Americas to further enhance our global presence.

We were the second largest producer of western spirits in the United States, the largest in Japan and the third largest globally, in terms of total value RSP for 2022, according to Euromonitor. We have a strong focus on whisky and other premium products in our alcoholic beverages business. Our product portfolio covers all five major whisky regions, namely, American, Japanese, Scotch, Canadian and Irish. According to IWSR, whisky accounted for 30% of the global spirits market (excluding national spirits and other spirits) in terms of sales volume for 2022, having grown at a compound annual growth rate of 4% from 2017 to 2022. By contrast, sales of white spirits, while accounting for 59% of the global spirits market, had a compound annual growth rate of 1% from 2017 to 2022, in terms of sales volume, according to IWSR. 57% of Suntory Global Spirits' sales volume in 2022 was attributable to whisky products, making it particularly well placed to benefit from such growth. Moreover, through enhanced marketing activities to increase brand equity, among other initiatives, we continue to pursue premiumization across our product portfolio. According to IWSR, spirits in the premium and above categories accounted for 10% of the global spirits market in terms of sales volume for 2022, having grown at a compound annual growth rate of 8% over the period from 2017 to 2022. By comparison, sales of the standard spirits, value spirits and low-price spirits categories, while accounting for 22%, 39% and 29%, respectively, of the global market in 2022, had compound annual growth rates of 3%, 1% and 0%, respectively, from 2017 to 2022. 24% of Suntory Global Spirits' sales volume in 2022 was attributable to premium and above spirits.

Our strategies for continued global growth also include integrated global research and development efforts, and increased value creation through the sharing of business intelligence and know-how. For example, through cross-regional collaborations, we have launched unique, high-quality products such as *Legent,* a product bringing together the whisky blending expertise of both Japan and the United States. We are also strengthening our RTD category of beverages, such as with the launch of *-196* in Australia. In Japan, similar to our global initiatives, we are also focusing on premiumization and the strengthening of certain of our product line-ups, including RTD beverages, to accommodate recent trends and changes in demand as a result of factors such as a shift towards health-conscious products, particularly for younger consumers, and tax revisions for beer-type beverages that are being implemented in Japan in stages. See "Supervision and Regulation—Regulations in Japan—Taxation."

Our geographically diversified beverages and foods business has a strong presence in developed markets as well as the growing Asian economies.

We are the second largest non-alcoholic beverage producer in Japan and the fifth largest globally, in terms of total value RSP for 2022, according to Euromonitor. Our geographically diverse beverages and foods business features a strong portfolio of long-selling, highly competitive brands capturing local consumer preferences, which has contributed to strong operating results. In the year ended December 31, 2023, while Japan accounted for approximately 44% of SBF's consolidated revenue of ¥1,591.7 billion, approximately 74% of SBF's consolidated operating income of ¥156.2 billion, which does not include reconciliations for SBF's proportionate overhead costs incurred by us, was attributable to overseas markets. Because SBF operates substantially all of our beverages and foods business, we believe that this demonstrates the geographically diversified nature of this business. Furthermore, we believe that our strength lies in our product innovation and marketing capabilities, which allow us to offer unique products tailored to each region and to create demand for new products. Our overall global strategies for growth include continued innovation of our core brands, structural transformation, such as revenue growth management, reinforcement and business portfolio review, as well as investment in key areas, such as production capacity expansion, digital transformation (DX) and sustainability.

In developed markets such as Japan and Europe, we continue to focus on strengthening our core brands and creating new value. In Japan, in 2023, our mineral water brand *Suntory Tennensui* was the best-selling brand in the Japanese soft drink market in terms of the volume of cases sold, according to Inryou Souken, and annual sales volume of *BOSS* coffee brand products ranked second with 102 million cases sold. As a result, we have increased our soft drink market share in Japan from 22.0% in 2019 to 24.5% in 2023, based on retail sales volume, according to Inryou Souken. Due to our strong brand power in Japan, we have been able to raise prices for our large (2L) and small (500mL) PET bottle products while continuing to increase our market share in soft drinks. For our large PET bottle products, manufacturer's suggested retail price, or MSRP, was increased by ¥20 per unit in October 2022 and was further increased by ¥30 per unit in October 2023 with price increases for various PET bottle products across multiple categories ranging from 6% to 22% depending on the original MSRP. In addition, as announced in April 2024, MSRP for our large PET bottle products is scheduled to be further increased by ¥30 per unit in October 2024 with price increases for various PET bottle products across multiple categories ranging from 6% to 32% depending on the original MSRP. For our small PET bottle products, MSRP increased by ¥20 per unit in October 2022 with price increases ranging from 6% to 20%. In Europe, we also own well-known soft drink brands such as *Lucozade* in the United Kingdom and *Orangina* in France, and we have achieved steady profitability growth as a result of our initiatives focused on innovating and strengthening our core brands. This is demonstrated by SBF's segment profit margin for its Europe business of 15.2% for the year ended December 31, 2023, a record high when compared to the preceding five years. We aim to further increase sales in Europe by strengthening cost management and realizing synergies through the integration of our manufacturing facilities in Spain.

Establishing a strong position in emerging markets in Asia has been a strategic focus of our beverages and foods business, and we operate a soft drink business and a health products business in markets such as Vietnam and Thailand. For the year ended December 31, 2023, SBF achieved revenue of ¥371 billion for its APAC business, which is the sum of revenue from its Asia and Oceania Pacific businesses, representing a compound annual growth rate of 6.9% from 2019 to 2023. Through our joint venture with PepsiCo, we had the number one market share of 34.6% in Vietnam's soft drink market in terms of total off-trade volume of retail sales in 2023, according to Euromonitor, and have been able to grow our revenue in line with market growth. Similar to our approach in Vietnam, we have been operating a beverage joint venture with PepsiCo in Thailand since March 2018, and we had the fourth largest market share (7.5%) in Thailand's soft drink market in terms of total off-trade volume of retail sales in 2023, according to Euromonitor. In terms of product portfolio, we aim to further strengthen our core brands such as *Tea+, BRAND'S*, *V* and *Sting*. In addition to the soft drink business, we also operate a health products business in Asia, with Thailand being the main market. Led by our core *Essence of Chicken* brand, this has been a highly profitable business.

We are committed to deleveraging, supported by a sound financial policy and stable cash flow generation.

Deleveraging continues to be a top priority following the acquisition of Beam Inc., after which our Net Debt / EBITDA Ratio and Net Debt / Total Equity Ratio increased to 6.3x and 1.6x, respectively, as of December 31, 2014 (or, as adjusted for lease liabilities and equity credit of subordinated bonds and loans, to 5.5x and 1.2x, respectively). For the year ended December 31, 2014 we calculated EBITDA as the aggregate of operating income, depreciation and amortization and amortization of goodwill, and we calculated Net Debt as the aggregate of short-term borrowings, current portion of long-term debt and long-term debt, minus cash and cash equivalents and short-term investments, and did not include lease obligations. We changed our calculation method of EBITDA and Net Debt to our current method starting with the year ended December 31, 2016 so the figures prior to the change are not directly comparable. By steadily paying down indebtedness, we have consistently decreased our leverage since then, lowering these ratios to 2.2x and 0.3x (or, as adjusted for lease liabilities and equity credit of subordinated bonds and loans, to 2.0x and 0.3x), respectively, as of December 31, 2023. As a result of our continued deleveraging efforts, our credit ratings improved from BBB to BBB+ from S&P and from Baa2 to Baa1 from Moody's as of June 2023. We remain committed to achieve further deleveraging and further ratings improvements.

For the year ended December 31, 2023, we had net cash flow provided by operating activities of ¥270 billion and Free Cash Flow After Dividends of ¥49 billion. We plan to maintain similar levels of capital expenditures and do not plan to substantially change the level of dividend payments going forward. In line with this financial policy, we aim to prioritize the allocation of Free Cash Flow After Dividends to repaying indebtedness in the near term.

In terms of funding, we plan to fund essentially all of our businesses (except for short-term funding needs such as working capital) at the holding company level, other than SBF, which as a listed company conducts its own financing and repayment activities. We plan to secure a stable funding base by diversifying funding by type, currency, tenor and target market.

We have a strong commitment to sustainability as demonstrated through our water conservation, carbon dioxide reduction and plastic usage reduction efforts.

Under the philosophy of "Creating Harmony with People and Nature," we are actively engaged in various sustainability-related activities. We have set numerical targets for reductions in water usage, plastic usage and carbon dioxide emissions, and are working steadily to achieve those targets. With respect to water conservation, we have launched Natural Water Sanctuary Projects and conducted forest conservation activities in diverse areas and natural water education programs for future generations both in Japan and globally. We have adopted a plastic policy, under which we aim for all PET bottles used globally for Suntory products to be made entirely of recycled or plant-based material by 2030, and we are developing direct recycling technologies to support this effort. Under our carbon dioxide policy, using 2019 emissions as a baseline, we aim to reduce GHG emissions at our sites by 50% and throughout our value chain by 30% by 2030, with a goal of achieving net zero GHG emissions by 2050.

The disclosure under "—Strengths and Strategy" includes various forward-looking statements based on various assumptions and beliefs, including but not limited to the assumptions set forth above as well as the non-occurrence of the various risks set forth in "Risk Factors." Many of such assumptions and beliefs relate to matters that are outside of our control, including factors affecting the business and economic environment. In addition, there can be no assurances as to our ability to implement our various strategic initiatives. These and other unanticipated events and circumstances could affect our ability to achieve the targets set forth above. As a result, we cannot and do not make any representation or assurances as to the achievability of such targets or *whether our underlying assumptions are appropriate. You should be aware that actual results may vary, potentially materially, from the above forward-looking statements.*

Our Business Operations

Our operations are divided into three business segments: the beverages and foods segment, the alcoholic beverages segment and our others segment.

Beverages and Foods

Our beverages and foods segment involves the manufacture and sale of a wide variety of beverages and foods products. This segment's operations are principally undertaken by SBF.

Japan: Although we continue to expand our international operations, Japan remains our largest market for beverages and foods products in terms of sales. Our broad product portfolio in Japan includes the *Suntory Tennensui* brand in mineral water, the *BOSS Coffee* and *Craft BOSS* brands in RTD coffee, the *Suntory Green Tea Iyemon* brand in RTD green tea, the *Suntory Black Oolong Tea* brand in RTD oolong tea, the *C.C. Lemon* and *Pepsi* brands in carbonates, the *GREEN DAKARA* brand in functional drinks and *Suntory Mugicha* in RTD barley tea. Certain of our products are approved by the Minister of Consumer Affairs of Japan as FOSHU, or foods containing functional components which can provide positive effects on health conditions or function (for example, to lower glucose levels or break down body fat), and which are approved to make specific health claims on the food label, and we also offer foods with functional claims, or FFC, such as our *Iyemon Plus* products.

Europe: Our operations in Europe center on non-alcoholic beverages produced by subsidiaries OSG and Lucozade Ribena Suntory Limited. OSG's product portfolio includes globally-renowned brands such as *Schweppes* and *Orangina* along with fruit juices marketed under the Oasis brand. OSG concentrates business in both geographically close national markets, as well as developing countries in Africa, the Middle East and Latin America. Lucozade Ribena Suntory Limited markets its *Lucozade* and *Ribena* sports and energy drinks in Europe and other regions. The *MayTea* brand, a low-sugar, infused iced tea offered in a variety of flavors, which we launched in France in 2016 and subsequently expanded into Belgium and Spain.

Oceania: Our operations in New Zealand and Australia are conducted through Frucor. Frucor's business consists of the manufacture and sale of non-alcoholic beverages and its wide variety of products include the *V* energy drink, *Suntory BOSS Coffee*, *Fresh Up* and a number of *Pepsi* brand beverages. Frucor also exports its products to certain Pacific islands. In February 2022, we announced SBF's agreement with UCC ANZ MANAGEMENT PTY LTD (UCC), a subsidiary of UCC Holdings Co., Ltd., to transfer all shares in Suntory Coffee Australia Limited as a result of our continuous and comprehensive products portfolio review. In addition, in August 2023, Suntory Global Spirits and Frucor announced a partnership to launch Suntory Oceania, including an investment of AUD 654 million for the construction of a new net-zero facility, aimed to expand both our alcoholic and non-alcoholic beverages business in Australia and New Zealand.

Southeast Asia: Based in Thailand, Suntory Beverage & Food International (Thailand) Co., Ltd. (formerly known as BRAND'S SUNTORY INTERNATIONAL CO., LTD.) operates as the headquarters for our health food business in Asia and oversees manufacturing and sales operations for health food products, processed foods and health supplements throughout Asia. In March 2018, we acquired a 51.0% stake in a subsidiary of PepsiCo to form a joint venture with PepsiCo to supply both Pepsi and SUNTORY brand products in Thailand. Also in March 2018, SBF completed the sale of the Australia and New Zealand portions of the food and instant coffee business of Cerebos (which was subsequently merged into SBFA in 2019) to The Kraft Heinz Company. In April 2013, we acquired a 51.0% stake in PepsiCo's existing Vietnam beverage business, with PepsiCo retaining the remaining portion, which manufactures and markets a wide range of soft drink products, including RTD tea, which was not part of PepsiCo's existing product portfolio in Vietnam, and carbonated drinks. SBFA, based in Singapore, acts as our regional holding company. In January 2024, as part of our effort to shift our focus on the health enrichment category in Indonesia, we transferred all of SBF's shares in Suntory Garuda to PT Garudafood Putra Putri Jaya Tbk.

Americas: A joint venture between us and PepsiCo, PBV is the largest privately held bottler of *Pepsi* products in the United States, operating bottling and distribution facilities while also offering a broad portfolio of *Pepsi* brand products to consumers in North Carolina and various other states.

Distribution

Japan

Our principal distribution channels in Japan for non-alcoholic beverages are comprised of sales to wholesalers, which sell our products to retailers, sales to vending machine operators, which manage vending machines that stock our products, and direct distribution through vending machines we operate. We generally deliver products that we manufacture from our factories to our distribution centers and deliver them to wholesalers and retailers, although certain products are shipped directly from our factories to wholesalers.

Although the majority of our sales are made through wholesalers and other third-party distribution channels, we also sell a portion of our products directly to consumers. For example, we sell certain products through vending machines we operate. Effective April 1, 2013, we merged five of our vending machine operator subsidiaries into Japan Pepsi-Cola Sales Co., Ltd. and changed its name to Suntory Beverage Service Limited to combine their operations and enhance the efficiency of our nationwide vending machine channel operations. In July 2015, SBF acquired shares of certain beverage subsidiaries and brands of JT, including its vending machine business, further expanding our vending machine network in Japan. Effective April 1, 2024, SBF further reorganized its vending machine business by merging Suntory Foods Limited's vending machine operator business into Suntory Beverage Solution Limited, both of which are wholly owned subsidiaries of SBF.

Overseas

Through our acquisitions and partnerships overseas, we have a strong and diverse distribution and marketing network to draw upon in conducting our global operations.

Europe: In France, OSG's largest customers are mass merchandisers, while in Spain its largest customers include wholesalers and mass merchandisers. OSG's two main distribution channels in Europe are sales to wholesale distributors and sales directly to retailers. With respect to retail products in France, OSG ships many orders directly to the retailers.

Oceania: Products shipped from factories in New Zealand are sent to one of our distribution centers in either Australia or New Zealand, depending on the target market. In both Australia and New Zealand, we sell products directly to both wholesalers and retailers. Our primary manufacturing facilities are based in New Zealand and manufacture most of the products we market in Australia and New Zealand.

Southeast Asia: Our acquisitions and partnerships in Southeast Asia have given us strong local management teams and distribution networks. We believe that our investments in marketing in Southeast Asia will help support our relationships with our distribution networks. In some parts of Southeast Asia, we also distribute our products through our affiliates.

Competition

We operate in highly competitive markets globally. Our beverages and foods brands compete against global, regional, local and private label manufacturers. Among our global competitors in this segment, The Coca-Cola Company and PepsiCo have the largest global market share.

In Japan, our competitors include Coca-Cola (Japan) Co., Ltd., Asahi Soft Drinks Co., Ltd., Kirin Beverage Company, Limited and ITO EN, LTD., among others. With the largest share of the Japanese carbonated soft drinks market and sports drinks market, Coca-Cola (Japan) Co., Ltd. is our primary competitor and the only non-alcoholic beverage business with a higher market share in Japan than us as of December 31, 2023 (by sales volume according to data compiled by Inryou Souken). Internationally, our largest competitors are also affiliates of The Coca-Cola Company.

We compete both in Japan and internationally on the basis of price, quality, product variety and distribution. Success in this competitive environment is dependent on the effective promotion of existing products, the introduction of new products to capture changing consumer preferences and the effectiveness of advertising campaigns, marketing programs, product packaging, pricing, increased efficiency in production techniques and brand and trademark development and protection. We believe that we are able to compete effectively in part due to the strength of our brands, innovation and marketing, as well as our broad portfolio of healthy products and disciplined push for overseas expansion, coupled with the high quality of products and the stability of our distribution network.

Alcoholic Beverages

The business carried on by our alcoholic beverages segment involves the manufacture and sale of a wide variety of alcoholic beverages and is principally undertaken by Suntory Spirits and Suntory Global Spirits. In July 2022, we reorganized our alcoholic beverages business in Japan by merging Suntory BWS, Suntory Beer, Suntory Wine, Suntory Liquors and Suntory Spirits through an absorption-type company merger, in which Suntory Spirits became the surviving entity, in order to promote the integrated management of our entire Japanese alcoholic beverages business in response to changes in alcohol consumption trends.

Beer

We manufacture and sell a portfolio of beer and beer-flavored beverage brands, including *The Premium Malt's*, *The Premium Malt's MASTER'S DREAM, Suntory Nama Beer, Kinmugi* (the so-called "new genre" beer-flavored alcoholic beverages category) and *All-Free* (non-alcoholic beer-flavored beverage), which we brew in four breweries in Japan. Our beer products are primarily marketed and sold in Japan, although a select number of brands, primarily *The Premium Malt's*, is also sold outside of Japan.

Spirits

We manufacture and sell a portfolio of whisky brands, including *Yamazaki*, *Hakushu*, *Hibiki*, *Toki*, *Chita* and *Kakubin*, which are produced in our Yamazaki, Hakushu and Chita distilleries in Japan, and *Bowmore*, which is produced at the Morrison Bowmore distillery in the United Kingdom. The acquisition of Beam Inc. added, among others, *Jim Beam*, *Maker's Mark* and *Knob Creek* bourbons, *Teacher's* and *Laphroaig* Scotch whiskies, *Connemara* Irish whisky, *Canadian Club* whisky, *Courvoisier* cognac (which we sold in April 2024 to the Campari Group as part of our efforts to increase the allocation of resources to our stronger spirits brands), *Sauza* tequila and *Pinnacle* vodka to our portfolio of spirits products. We also produce other spirits and liquors, such as *shochu*, cocktails, and *shochu*-based beverages. We also develop, produce and distribute alcohol RTD beverages and low-alcohol content beverages to meet the various demands of consumers in Japan. In collaboration with Suntory Global Spirits, we have also jointly developed a number of new products, such as *ROKU*, a Japanese craft gin, *HAKU*, a Japanese craft vodka, *Legent*, a new type of bourbon, and *SUNTORY WORLD WHISKY Ao*.

Wine

We carry on the global production and sale of wine through our consolidated subsidiary, Suntory Spirits. In Japan, we produce wine at three wineries with *SUNTORY FROM FARM* being our newest brand of Japanese wines, which we launched in 2022. Overseas, we own and manage Château Lagrange S.A.S., a grand cru château in Medoc, France and Weingut Robert Weil, a vineyard located in Rheingau, Germany. We also import into Japan a large selection of wines from various countries. We acquired a significant share in China-based wine importer and distributor ASC Fine Wines Holding Ltd. in 2009.

Distribution

In Japan, our alcoholic beverages products are typically first sold to third-party liquor wholesalers licensed under the Liquor Tax Act, from which the products are resold to liquor retailers. We also export our alcoholic beverages products to overseas consumers through our global distribution systems. Overseas, we utilize primarily the global operations of Suntory Global Spirits and use different business models to market and distribute our products in various regions of the world. In the United States, we sell our products either to wholesale distributors for resale to retail outlets or, in those states that control alcohol sales, to state governments which then sell them to retail customers and consumers. In other global markets, we use a variety of route-to-market models, including third-party distributors, global or regional duty-free customers, other spirits producers and joint ventures.

Pricing

Legal restrictions in Japan require manufacturers to set fair and transparent prices, including for rebates to be transparent (with disclosure of the basis and timing of payment) as well as justifiable. Manufacturers, distributors, wholesalers and retailers of alcoholic beverages are subject to the Act regarding Protection of Liquor Tax and Alcoholic Beverages Business Union, etc. of Japan, as amended (the "Liquor Tax Protection Act").

Pursuant to the Liquor Tax Protection Act, sellers of alcoholic beverages in Japan are prohibited from selling alcohol at a price below overall cost of sales on a continued basis, or in a fashion which could significantly affect their own businesses or those of other vendors of alcoholic beverages. Moreover, as the tax authorities intend for liquor taxes to be borne by ultimate consumers, increases or decreases in liquor taxes should be appropriately passed on to consumers through increases or decreases in prices rather than changes in margins at the level of the manufacturer, the wholesalers or the retailers. Furthermore, the Liquor Tax Act, which was amended in 2017 and is being implemented in stages, with changes having taken effect in October 2020 and October 2023, and with a final stage in October 2026, will effectively lower taxes on beer, while raising taxes on low-malt *happoshu* and new-genre beer-taste beverages.

Competition

In the alcoholic beverages industry in Japan, we compete with three other major companies: Kirin Company Limited, Asahi Breweries, Ltd. and Sapporo Breweries Ltd. Although competition in the Japanese spirits market is intensive, we enjoy a high market share with respect to whisky in particular. We believe that the main competitive factors in the alcoholic beverages market are taste and quality, pricing, brand loyalty and consumer perception, the ability to introduce new products successfully, packaging, logistics and distribution and marketing and promotional activities. Separately, the global distilled spirits industry is very competitive. Based on information sourced from Euromonitor, we were the second largest producer of western spirits in the United States, the largest in Japan and the third largest globally, in terms of total value RSP for 2022. We compete on the basis of product quality, brand image, innovation, price and service in response to consumer preferences. While the industry is highly fragmented, other major competitors include Bacardi Limited, Brown-Forman Corporation, Constellation Brands, Inc., Davide Campari Milano-S.p.A., Rémy Cointreau S.A. and Becle. S.A.B. de C.V.

Other Businesses

Our other businesses cover a broad range of markets, including the production and distribution of health supplements and premium ice cream, the operation of restaurants, the development and marketing of horticultural products and our businesses in China. The others segment also houses our group-wide research and development function.

Wellness

We manufacture and sell a wide range of cosmetics and health products. Inspired by the growing health-consciousness among today's consumers, this business builds on a foundation established through our research on food and quality control technologies. We launched the sesame-based health supplement *Sesamin* in 1993, and in 2001, we established the Institute for Health Care Science to reinforce our existing health-related R&D practices. We sell our products through a telemarketing model that enables us to suggest products and services suited to individuals and provide products that meet their personal needs. Our main product lineup includes *Sesamin EX*, *DHA & EPA + Sesamin EX*, *Locomore*, *Omega A.D.E.* and *Kurozu Ninniku*. In 2015, our wellness business entered the Taiwanese market. Most recently, in March 2024, Suntory Wellness completed the acquisition of all of the outstanding shares of NBD Healthcare Co., Limited, through which we seek to further expand our wellness business in overseas markets as well as build a strong business foundation in Thailand.

Premium ice cream

We produce and distribute various kinds of premium ice cream products in Japan under the *Häagen-Dazs* label. We utilize the highest quality raw ingredients and ice cream products in developing new products, attempting new ventures specifically for the Japanese market.

Restaurants

We operate our restaurant business, both in Japan and overseas, through various types of restaurant chains, including: Dynac, which has approximately 230 restaurants, bars and pubs; Pronto Corporation, which has approximately 300 establishments centered on the *Pronto* chain, which operates as a cafe and bar; and Izutsu Maisen Co., Ltd., which handles production and sales of ready-to-eat food products and other items in addition to operating a restaurant business under the *Tonkatsu Maisen* brand. We also have additional restaurant business operations overseas, mainly in Mexico and Asia.

Horticulture business

We develop new flower seedlings, such as *Surfinia* and *Sun Parasol*, and vegetable seedlings which are marketed to over 30 countries around the world. We also develop and market other horticultural products, such as flower pots, planters and fertilizers.

China

In 1995, we entered into the soft drinks market in China, primarily in the Shanghai and Beijing metropolitan areas, and we currently manufacture and sell RTD oolong tea and RTD coffee, carbonated soda drinks and other soft drinks as well as alcoholic beverages.

Suntory Business Systems

Suntory Business Systems Limited, established in April 2017, operates to integrate the work and functions common to the various members of our group companies in order to further streamline integrated group management.

Suntory System Technology

Suntory System Technology Limited, established in March 1990, operates to formulate and promote our group IT and digital strategies as well as support the planning, development and operation of various systems.

Suntory Global Innovation Center

Suntory Global Innovation Center Limited, established in 2013, operates as a centralized research facility for our scientific research and technology departments.

Procurement

The principal raw materials and ingredients for manufacturing our products vary depending on the relevant product category. The principal ingredients used in our products are sugar and liquid sugar, coffee beans, tea leaves and carbon dioxide and ingredients provided in unit form by certain brand owners such as PepsiCo. Our key packaging materials include aluminum cans, PET beverage bottles and cardboard.

In both the Japan and overseas businesses, we mainly acquire our ingredients and supplies directly from the producer or manufacturer, although in some cases we purchase from commercial trading companies that themselves acquire the materials from the relevant producer or manufacturer. Fuel and natural gas are also important commodities for us due to their use in our facilities and in the trucks delivering our products.

We work to promote collaboration between our Japan and overseas operations in acquiring supplies and ingredients and regulating demand within our global business as part of our strategy of supply chain optimization. In addition, we also actively work to introduce the use of ingredients and supplies that are environmentally friendly while maintaining our drive for cost effectiveness and high quality. We reduce our exposure to variations in the cost of ingredients and supplies through a variety of methods, including the use of multiple suppliers, medium-term supply contracts and innovative reductions in the quantity of materials used in its packaging, futures contracts and currency hedges. When prices increase, such increases may or may not be passed on to our customers. In light of recent increases in the cost of the raw materials that we use to manufacture our products, we have had to increase the prices of certain of our products.

Production and Inventory

We own and operate a global network of production facilities which carry out our manufacturing and production activities both in Japan and overseas. The key production facilities of the beverages and foods segment are located in Japan, Europe, Southeast Asia, Oceania and the United States. The key production facilities of the alcoholic beverages segment are located in the United States, Japan, Europe and Mexico. The key production facilities of the businesses in our others segment are located in Japan.

Because whiskies, cognacs, brandies, rum and some tequila varieties are aged for various periods (generally from three to ten years for whiskies, for example), we maintain substantial inventories of maturing product in warehouse facilities. Production of maturing inventory is generally scheduled to meet demand years into the future, and production schedules are adjusted from time to time to bring inventories into balance with estimated future demand. In addition, we may, from time to time, purchase or sell maturing spirits to manage estimated future demand. However, due to a substantial increase in worldwide demand for Japanese whisky over the past decade, our maturing inventory has not been sufficient to meet demand for certain of our brands. As a result, we suspended sales of our *Hakushu 12* and *Hibiki 17* brands in 2018 and our *Shiro Kaku* brand in March 2019. While we continuously invest to expand our production facilities, we do not expect our output of Japanese whisky products to increase significantly for at least a few more years.

Quality Control

We have introduced strict quality control systems at every phase of production, namely: developing new products; procurement of raw materials and supplies; manufacturing; and delivery and distribution. At the development phase for new products, we take steps to ensure that all necessary information will be accurately disclosed on the packaging of the relevant product, with multiple checks carried out internally. With respect to the procurement phase, we have put in place risk management standards whereby the quality of raw materials and supplies are regularly analyzed, as well as ensuring the traceability of such raw materials. We also periodically perform quality audits of the supplies of our raw materials. At the production phase, we have quality control systems which comply with applicable international standards such as ISO 9001, ISO22000 and FSSC22000. At the delivery and distribution phase, we have also established certain shipment standards in order to ensure safe distribution and timely delivery.

We have established the Suntory Group Quality Policy, which is a unified set of group-wide guidelines, the adequacy of and compliance with which are regularly monitored. Further, our Quality Assurance Committee acts as a group-wide committee to discuss quality control strategies. With respect to overseas production, where necessary, we send our staff to production sites to monitor and supervise the production process for quality control. In addition, we conduct quality testing of products produced at our overseas production sites. We aim to ensure that there is immediate disclosure about any failure in quality control in order to reduce damage being caused to our consumers.

Research and Development

We seek to build up our technological know-how to continuously develop and launch new products in each of our business segments. Our main research and development facilities are located in Kyoto (Suntory World Research Center) and Kanagawa (product development center), and carry out research and development activities such as functional research of food materials, research into technologies for utilizing microorganisms and new technologies, development of new products and related technologies, research and development on containers, packaging and supplies, raw materials research and development and the development and improvement of analytical methods and sensory inspection for quality assurance.

We also engage in a variety of research and development activities to drive innovation throughout our business globally, including through cross-regional collaborations designed to take advantage of our global scale. These activities principally involve the development of new products, improvement of existing products and production processes and the development and implementation of new technologies to improve or promote existing or proposed product lines, all in response to rapidly changing market pressures. In Japan, our principal research and development focuses on new products, production methods, materials, containers and packaging and assessing the effectiveness of our products and researching means to further promote their effectiveness.

The following highlights some of our group's successful research and development activities:

- In the beverages and foods segment, one notable example of our research and development efforts in Japan is the production of our *Craft BOSS* iced coffee and iced tea products. After launching in 2017 to target new coffee customers, we have continued to release new products under our *Craft BOSS* brand, with our newest product lineup that is part of our *Craft BOSS Amakunai Italiano* series released in April 2024. In addition, our R&D capabilities have led to the development of our *Suntory Black Oolong Tea* and *Iyemon Tokucha* products, which are approved as FOSHUs by the Minister of Consumer Affairs of Japan and contain various compounds that research shows help block the absorption of fat in foods and helps to reduce body fat, as well as FFC products such as *Iyemon Plus*. Our R&D has also helped develop our *Pepsi Special* product, which is also approved as a FOSHU in Japan and helps block the absorption of fat. In many cases we have been able to apply our R&D developments in Japan to products in international markets, including the development of nutritional drinks under *BRAND'S* in Thailand, reduced sugar *Lucozade* in the United Kingdom, premium low-sugar iced tea *MayTea* in France, flavored water *GoodMood* in Indonesia, *TEA+* in Vietnam and *MyTea* in Indonesia.

- In the alcoholic beverages segment, we developed *All-Free* as a beer-flavored beverage that not only is non-alcoholic, but is also no-carbohydrate and zero-calorie. The *Karada-WO-OMOU All-Free*, was our first beer-flavored product classified as a FOSHU. In the low-alcohol content beverages market, which has shown significant growth in recent years, products under our *-196°C* and *Kodawari Sakaba* brands have been further developed to address the growing demand for low-alcohol content RTD beverages. We have also collaborated with Suntory Global Spirits to jointly develop a number of new and innovative craft spirit products, such as *ARDRAY* and *Clermont Steep* in addition to releasing limited edition Japanese whiskeys such as *Yamazaki LIMITED EDITION 2023* and *Hibiki BLOSSOM HARMONY 2023*.

Sustainability

We are dedicated to realizing a sustainable society and enriching people's lives while conserving the natural environment. Our approach to sustainability is outlined in the Suntory Group Sustainability Vision, which includes seven sustainability themes centered around "Nature" and "People" highlighting their interdependence. We are implementing a range of activities, together with our stakeholders, to create harmony with people and nature. Our seven sustainability themes are as follows.

- *Water*. We focus on water stewardship, conservation management and water education.
- *Containers and Packaging*. We promote a circular economy and sustainable packaging.
- *Climate Action*. We focus on reducing greenhouse gas emissions across all business activities and adapting to climate change.
- *Raw Ingredients*. We promote responsible sourcing along our supply chain.
- *Health*. We focus on creating a positive impact on health through beverages and health foods, promoting responsible drinking and engaging in responsible marketing.
- *Human Rights*. We promote respect of human rights throughout the value chain as well as implement diversity, equity and inclusion initiatives.
- *Enriching Life*. We focus on creating new value as well as enriching life through community co-creation.

For example, our "2R+B" strategy specifies reducing the amount of plastics used (Reduce), using recycled materials (Recycle), and using bio-based materials (Bio). We have worked to make packaging materials lighter and thinner, and have introduced Japan's most lightweight PET bottles and created Japan's thinnest labels. Furthermore, we are also implementing a variety of other initiatives, including PET bottles made from bio-based raw materials.

In 2018, we introduced our "FtoP Direct Recycle Technology," a first-of-its-kind PET preform manufacturing technology that streamlines the recycling process of making PET bottles out of used PET bottles which is useful in decreasing environmental impact while improving supply chain efficiencies. We are also the first company to use plastic caps made of 100 percent plant-based materials for our beverage products. We will continue our efforts to develop PET bottles with less environmental impact and to contribute to building an efficient recycling system.

In May 2019, we unveiled a new company-wide policy focused on implementing sustainable plastic to promote a recycling-oriented and decarbonized society. In aiming to realize our corporate philosophy, "Creating Harmony with People and Nature," our sustainability policy expresses our dedication to promote problem-solving efforts together with various stakeholders. Based on this policy, we will aim for fully sustainable plastic bottles by expanding our "FtoP production" capability and switching to recycled materials or plant-based materials for all PET bottles used globally by 2030. In this way, we will further enhance our activities for global environmental conservation to create a recycling-oriented society.

We believe that we comply with all applicable environmental laws and regulations.

Intellectual Property and Know-How

We own various intellectual properties necessary for our business, including the corporate brand *SUNTORY*. In addition, we own other trademarks, including *MIDORI* for liqueur, *HIBIKI* for whisky and *TOMI* for wine, as well as other intellectual property rights such as patents relating to equipment for production processes and know-how.

In order to maintain strategic and effective management and use of intellectual property, Suntory Holdings owns the rights to trademarks, patents and designs applicable groupwide, including the *SUNTORY* brand, and receives brand royalty payments from group companies for their usage.

The trademarks we own and/or license are valuable assets that reinforce the distinctiveness of our brands and consumers' favorable perception of our products, while our patents and designs provide additional competitive advantages. Accordingly, we work to maintain the integrity of our intellectual property and ensure that third parties do not infringe on it. We take, and intend to continue to take, appropriate measures if we become aware of material infringements on our intellectual properties. We have an internal clearing process for new designs to reduce the risk of any unintentional infringement on other parties' intellectual property rights.

SBF has an exclusive license with PepsiCo to manufacture and sell certain *Pepsi* brands (*Pepsi-Cola*, *Diet Pepsi-Cola*, *Mountain Dew* and *Seven Up*) in Japan, which requires that SBF purchase certain raw materials from PepsiCo at contractually determined prices but does not include a separate license fee. SBF also licenses certain of our brands to other parties in certain countries.

Employees

As of December 31, 2023, we had 41,511 employees on a consolidated basis, not including temporary employees. Of the total, 19,330 were employed in Japan and 22,181 were employed in our overseas operations. We believe our labor relations are good.

Legal Proceedings

From time to time, we are subject to various lawsuits, claims, disputes and investigations in the normal conduct of our operations. These include, but are not limited to, commercial disputes, including purported class actions, employment claims, actions by tax and customs authorities, internal investigations and environmental matters. Some of the legal proceedings to which we are subject include claims for substantial or unspecified damages. We believe that there are meritorious defenses to these legal proceedings and are contesting them vigorously.

In particular, Suntory Global Spirits (Beam Inc. at the time) voluntarily disclosed legacy FCPA compliance issues at its Indian subsidiary to the Department of Justice, or the DOJ, and the SEC in October 2012. In July 2018, Suntory Global Spirits settled with the SEC and agreed to pay approximately $8 million to resolve the matter with the SEC. In October 2020, Suntory Global Spirits entered into a three-year deferred prosecution agreement with the DOJ and paid a criminal monetary penalty of approximately $19 million to resolve the investigation into the matter. Following the expiration of the deferred prosecution agreement in October 2023, in light of Suntory Global Spirits' full compliance with the terms of such agreement, pursuant to a motion filed by the DOJ, the federal court dismissed the case against Suntory Global Spirits with prejudice in April 2024.

The above incident did not, nor are we involved in any other litigation or other legal proceedings that would individually or in the aggregate be expected to, have a material adverse effect on our results of operations or financial condition.

MANAGEMENT

Our articles of incorporation provide for a board of directors consisting of no fewer than three members and provide for no fewer than three Audit & Supervisory Board members. All directors and Audit & Supervisory Board members are elected by our shareholders at a general meeting of shareholders. The normal term of office of Directors expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within one year after such director's election and that of Audit & Supervisory Board members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within four years after such Audit & Supervisory Board member's election, but directors and Audit & Supervisory Board members may serve any number of consecutive terms.

We have introduced an executive officer system in order to facilitate efficient and more responsive decision-making and draw clearer lines of responsibility. Executive officers are responsible for managing our business operations. The board of directors oversees the executive officers and sets fundamental strategies.

By its resolution, our board of directors may elect, from among its members, an Honorary Chairman, a Senior Advisor, a Chairman and a President, along with one or more Vice Chairmen, Executive Vice Presidents, Senior Managing Directors and Managing Directors. Our board of directors also elects one or more Representative Directors from among its members. Each of the Representative Directors has the authority to represent us in conducting our affairs.

Our Audit & Supervisory Board members are not required to be certified public accountants. Our Audit & Supervisory Board members may not at the same time be directors, accounting advisors, managers or any other type of employees of us or any of our subsidiaries or corporate executive officers of any of our subsidiaries, and at least one-half of them must be persons who satisfy the requirements for an Outside Audit & Supervisory Board Member under the Companies Act of Japan, or the Companies Act. Each Audit & Supervisory Board member has a statutory duty to supervise the administration by the directors of our affairs, to examine the financial statements and business reports to be submitted to the shareholders by a Representative Director and to prepare an audit report. They are obligated to participate in meetings of the board of directors and, if necessary, to express their opinion at such meetings, but are not entitled to vote.

The Audit & Supervisory Board members form the Audit & Supervisory Board. The Audit & Supervisory Board has a statutory duty to prepare an audit report based on the audit reports issued by the individual Audit & Supervisory Board members each year. An Audit & Supervisory Board member may note his opinion in the audit report if the opinion expressed in his audit report is different from the opinion expressed in the audit report issued by our Audit & Supervisory Board. The Audit & Supervisory Board must establish the audit principles, the method of examination by the Audit & Supervisory Board members of our affairs and financial position and any other matters relating to the performance of the Audit & Supervisory Board members' duties. The Audit & Supervisory Board is required to elect from among its members at least one standing Audit & Supervisory Board Member.

We are required to appoint and have appointed an independent auditor, who has the statutory duties of examining the financial statements to be submitted to the shareholders by a Representative Director and preparing its audit report thereon. Deloitte Touche Tohmatsu LLC currently acts as our independent auditor.

Directors and Audit & Supervisory Board Members

The names and titles of our directors and Audit & Supervisory Board members as of the date of this offering memorandum are as set forth below.

Name	Title	Director or Audit & Supervisory Board Member Since
Nobutada Saji	Representative Director, Chairman of the Board and Chief Executive Officer	February 2009
Shingo Torii	Representative Director, Vice Chairman of the Board	February 2009
Takeshi Niinami	Representative Director, President and Chief Executive Officer	September 2014
Nobuhiro Torii	Representative Director, Executive Vice President and Chief Operating Officer	January 2011
Shinichiro Hizuka	Director and Executive Vice President	March 2015
Kenji Yamada	Director and Executive Vice President	March 2022
Josuke Kimura	Director and Senior Managing Executive Officer	March 2023
Kaneo Oka	Director and Senior Managing Executive Officer	March 2022
Yukihiro Kamakura	Director and Senior Managing Executive Officer	March 2023
Takashi Mikuriya(1)	Director (Outside)	March 2017
Kazutomo Aritake	Director	March 2017
Ichie Matsuoka	Senior Audit & Supervisory Board Member	March 2022
Tsuyoshi Nishizaki	Senior Audit & Supervisory Board Member	March 2023
Minoru Amano(2)	Audit & Supervisory Board Member (Outside)	February 2009
Hideo Yamada(2)	Audit & Supervisory Board Member (Outside)	March 2016

Notes:

(1) Mr. Takashi Mikuriya satisfies the requirements for outside director under the Companies Act.

(2) Messrs. Minoru Amano and Hideo Yamada satisfy the requirements for outside Audit & Supervisory Board members under the Companies Act.

Executive Officers

Our executive officers are appointed by our board of directors and have the primary executive responsibility within their appointed business areas and a duty under our internal regulations to report to the board of directors. We currently have 36 executive officers. The term of office for executive officers is one year, and they may serve any number of consecutive terms.

The names and titles of our executive officers as of the date of this offering memorandum are as follows:

Name	Title
Sho Semba	Senior Managing Executive Officer
Masato Arishiro	Managing Executive Officer
Koichi Nagashima	Managing Executive Officer
Masato Tsuchida	Managing Executive Officer
Yasushi Fukuda	Managing Executive Officer
Hiroaki Horie	Managing Executive Officer
Toru Miyanaga	Managing Executive Officer
Masaaki Fujiwara	Managing Executive Officer
Takashi Muromoto	Managing Executive Officer
Eiichiro Nishida	Managing Executive Officer
Masato Hayashi	Managing Executive Officer
Junji Miyawaki	Managing Executive Officer
Jun Asaki	Managing Executive Officer
Hiroshi Miyamori	Executive Officer
Toyonobu Inoue	Executive Officer
Naoto Okinaka	Executive Officer
Junichi Mori	Executive Officer
Shingo Kawasaki	Executive Officer
Noriyuki Ando	Executive Officer
Hiroshi Kato	Executive Officer
Shinzo Shimomura	Executive Officer
Atsushi Yoshioka	Executive Officer
Katsunori Kurihara	Executive Officer
Makoto Fujimoto	Executive Officer
Mitsuhiro Kawamoto	Executive Officer
Asako Tsuda	Executive Officer
Keiko Yoshio	Executive Officer
Masaki Morimoto	Executive Officer
Taira Nishikawa	Executive Officer
Hiroshi Takemoto	Executive Officer
Yosuke Okazaki	Executive Officer
Tadamiki Kodama	Executive Officer
Akiko Suzuki	Executive Officer
Kyoko Igarashi	Executive Officer
Susumu Tada	Executive Officer
Seizo Saji	Executive Officer

SUBSIDIARIES AND AFFILIATES

We conduct our business together with our subsidiaries. As of December 31, 2023, we had 237 consolidated subsidiaries and 33 affiliates accounted for using the equity method. The following table presents information with respect to our principal consolidated subsidiaries and affiliates accounted for using the equity method as of December 31, 2023:

Name	Location	Main business	Issued capital	Percentage of voting rights directly or indirectly held by us[(1)(2)]
Consolidated subsidiaries:				
Beverages and Foods Segment				
Suntory Beverage & Food Limited	Tokyo, Japan	Product manufacturing and sales	¥168,384 million	59.4%
Suntory Foods Limited	Tokyo, Japan	Product sales	¥1,000 million	100.0%
Suntory Beverage Solution Limited	Tokyo, Japan	Product sales	¥80 million	100.0%
Japan Beverage Holdings Inc.	Tokyo, Japan	Product sales	¥100 million	82.7%
Suntory Products Limited	Tokyo, Japan	Product manufacturing	¥1,000 million	100.0%
Orangina Schweppes Holding B.V.	Netherlands	Product manufacturing and sales	€18 thousand	100.0%
Lucozade Ribena Suntory Limited	United Kingdom	Product manufacturing and sales	£544 million	100.0%
Suntory Beverage & Food Asia Pte. Ltd.	Singapore	Strategic planning and group supervision for the businesses in Southeast Asia	S$808,827 thousand	100.0%
Suntory Beverage & Food International (Thailand) Co., Ltd.	Thailand	Product manufacturing and sales	THB250 million	100.0%
PT Suntory Garuda Beverage[(3)]	Indonesia	Product manufacturing and sales	IDR198,048 million	75.0%
Suntory PepsiCo Vietnam Beverage Co., Ltd.	Vietnam	Product manufacturing and sales	VND5,597,429 million	100.0%
Suntory PepsiCo Beverage (Thailand) Co., Ltd.	Thailand	Product manufacturing and sales	THB14,085,250 thousand	51.0%
FRUCOR SUNTORY NEW ZEALAND LIMITED	New Zealand	Product manufacturing and sales	NZ$ 446,709 thousand	100.0%
FRUCOR SUNTORY AUSTRALIA PTY. LIMITED	Australia	Product manufacturing and sales	A$249,200 thousand	100.0%
Pepsi Bottling Ventures LLC	United States	Product manufacturing and sales	US$215,554 thousand	65.0%
Alcoholic Beverages Segment				
Beam Suntory Inc.[(4)]	United States	Product manufacturing and sales	US$10	100.0%
Suntory Spirits Limited	Tokyo, Japan	Product manufacturing and sales	¥15,000 million	100.0%
Others Segment				
Suntory (China) Holdings Co., LTD.	China	Holding company for Suntory Group companies in China	RMB1,696,604 thousand	100.0%
Suntory Wellness Limited	Tokyo, Japan	Health-related business	¥500 million	100.0%
DYNAC HOLDINGS CORPORATION[(5)]	Tokyo, Japan	Food service operations	¥50 million	100.0%

Name	Location	Main business	Issued capital	Percentage of voting rights directly or indirectly held by us(1)(2)
Suntory Flowers Ltd.	Tokyo, Japan	Seed production and sales	¥100 million	100.0%
Suntory Business Systems Limited	Tokyo, Japan	Provision of expert services offered by the Suntory group as a whole	¥100 million	100.0%
Suntory System Technology Limited	Tokyo, Japan	Provision of expert services offered by the Suntory group as a whole	¥100 million	100.0%
Suntory Global Innovation Center Limited	Tokyo, Japan	Research and development	¥100 million	100.0%
Equity method affiliates:				
Häagen-Dazs Japan, Inc.	Tokyo, Japan	Product manufacturing and sales	¥460 million	40.0%

Notes:

(1) For all companies in our beverages and foods segment other than SBF, the percentage represents the percentage of voting rights directly or indirectly held by SBF.

(2) Percentages have been truncated to the figures presented in this table.

(3) All shares held by SBF in PT Suntory Garuda Beverage were transferred to PT Garudafood Putra Putri Jaya Tbk in January 2024.

(4) Beam Suntory Inc. was renamed Suntory Global Spirits Inc. effective April 30, 2024.

(5) DYNAC HOLDINGS CORPORATION, DYNAC Corporation and DYNAC Partners Corporation were merged in January 2024 with DYNAC Corporation as the surviving entity.

SUPERVISION AND REGULATION

Our business and operations are subject to various forms of governmental regulation in the countries in which we operate, including laws and regulations relating to liquor tax, food sanitation, health, product liability, recycling, anti-monopoly, labor and taxation. The following are some of the major laws and regulations applicable to our businesses:

Regulations in Japan

The Food Sanitation Act

Food and beverages, additives, and apparatus used for the production, processing and preparation of food and beverages and additives, and containers and packaging used for food and beverages and additives, are subject to the Food Sanitation Act of Japan, as amended, or the Food Sanitation Act. Under the Food Sanitation Act, food and beverages and additives available for purchase, as well as apparatus and containers and packaging available for purchase or used for operation of business, are required to meet certain sanitary standards. The Prime Minister is empowered to establish necessary standards for labeling in relation to apparatus used for the production, processing and preparation of food and beverage and additives, and containers and packaging used for food and beverage and additives, in consultation with the Minister of Health, Labor and Welfare. False labeling or advertising, which may cause harm to public health, is prohibited. The operation of restaurants is also subject to the Food Sanitation Act.

The Health Promotion Act

Certain of our products are approved as FOSHU, which is subject to the Health Promotion Act of Japan, as amended, or the Health Promotion Act. Under the Health Promotion Act, permission from the Secretary General of Consumer Affairs Agency is required to sell foods and beverages with indications that the foods and beverages are appropriate for specified health uses. The Health Promotion Act also requires manufacturers to label certain health claims on FOSHU. Such matters include the fact that foods and beverages are categorized as a FOSHU, amount per package, daily adequate intake, how to ingest, ingesting considerations, wording for dissemination and public awareness with regard to well-balanced dietary life.

Act on Japanese Agricultural Standards

The Act on Japanese Agricultural Standards of Japan, as amended, or the JAS Act, provides for regulations regarding proper and reasonable standards in the field of agriculture, forestry, and fishery and ensures that certification and examination, etc. is undertaken appropriately.

The Food Labeling Act

The provisions for food and beverages labeling in the Food Sanitation Act, the Health Promotion Act and the JAS Act were integrated into a single act, the Food Labeling Act, which was established to create a unified, comprehensive system for food and beverages labeling. Under the Food Labeling Act, the Prime Minister must establish standards that cover certain matters for the labeling of food and beverages that are intended for sale, after consulting with the Minister of Health, Labor and Welfare, the Minister of Agriculture, Forestry and Fisheries and the Minister of Finance and hearing the opinions of the consumer committee. Such matters include the names of food and beverages, substances that cause food allergies, preservation method, expiration date, raw materials, additives, nutrient value and caloric value, country of origin, labeling method and indication of FOSHU. The Food Labeling Act also introduced a requirement to label certain function claims on food and beverages that contain ingredients that work effectively for the purpose of maintaining and improving the health of a person who does not suffer from sickness. Such labeling includes the fact that food and beverages are categorized as FFC, the ingredients of the food or beverages that work effectively in respect of certain functions based on a scientific background, the daily adequate intake of the food or beverages, food that does not have the approval of the Minister of Health, Labor and Welfare in respect of its effectiveness and safety, how to ingest, ingesting considerations, and wording for dissemination and public awareness regarding a well-balanced dietary life. Persons engaged in the manufacturing, processing, import or sale of food and beverages are prohibited from selling food and beverages that are not labeled according to the standards regarding the labeling. If a person fails to indicate the labeling matters or comply with the compliance matters set forth in the Food Labeling Act, the Prime Minister, the Minister of Finance or the Minister of Agriculture, Forestry and Fisheries may give certain instructions or issue an order to such person and make a public announcement to that effect. A person who has violated any such order or sold food and beverages that are not labeled with regard to certain matters including the names of food and beverages, substances that cause food allergies, preservation method, expiration date and notes for consumption of FOSHU or FFC may be punished.

If a person who sold food and beverages without compliant labeling voluntarily recalls such food and beverages, such person needs to report to the Prime Minister and the Prime Minister needs to make a public announcement on such report.

The Act Against Unjustifiable Premiums and Misleading Representations

The Act Against Unjustifiable Premiums and Misleading Representations is a law designed to prevent inducement of customers by means of unjustifiable premiums and misleading representations in connection with transactions of goods and services, by setting forth the restriction and prohibition of acts that are likely to interfere with general consumer's voluntary and rational choice-making, and thereby to protect the interests of general consumers. The Act provides (i) the restriction or the prohibition of offering of certain premium, and (ii) the prohibition of certain representation that are likely to interfere with general consumers' voluntary and rational choice-making. An operator who violates prohibition stated in (ii) is generally subject to an administrative monetary penalty.

The Promotion of Sorted Collection and Recycling of Containers and Packaging Act

The Promotion of Sorted Collection and Recycling of Containers and Packaging Act of Japan, as amended, or the Collection and Recycling Act, is a law designed to reduce waste and to promote the utilization of recycled resources relating to waste containers and packaging. The Minister of the Environment, the Minister of Economy, Trade and Industry, the Minister of Finance, the Minister of Health, Labor and Welfare and the Minister of Agriculture, Forestry and Fisheries are obligated to establish basic standards for the sorted collection and recycling of waste containers and packaging emitted. Under the Collection and Recycling Act, enterprises which use specified containers and packaging are required to recycle them. Our glass and plastic bottles and paper containers used in alcoholic beverages and non-alcoholic beverages fall under the specified containers or packaging as provided for in the ministerial ordinances, and other regulations.

Protection of Personal Information Act

We receive and manage personal information from a large number of customers, especially in connection with its product campaigns. The Protection of Personal Information Act and its related rules, regulations and guidelines impose various requirements on businesses that use databases, including us, containing personal information, such as appropriate custody of such information and restrictions of information sharing with third parties.

Taxation

Alcoholic beverages are subject to the Liquor Tax Act. Under the Liquor Tax Act, the production and sale of alcoholic beverages require a liquor license issued by the superintendent of the competent tax office. The manufacturers of alcoholic beverages are required to pay liquor taxes, with the current tax rates for beer, low-malt happoshu (with less than 25% malt content) and new-genre beer-taste beverages being ¥181,000, ¥134,250 and ¥134,250 per kiloliter, respectively. The Liquor Tax Act was amended in 2017 to apply the same liquor tax rates on beer, low-malt happoshu and new-genre beer-taste beverages by October 2026, with changes carried out in three stages and the rate eventually being unified at ¥155,000 per kiloliter. The changes will effectively lower taxes on beer, while raising taxes on low-malt happoshu and new-genre beer-taste beverages.

Liquor Tax Protection Act

Manufacturers, distributors, wholesalers and retailers of alcoholic beverages are generally subject to the Liquor Tax Protection Act. Under the Liquor Tax Protection Act, the manufacturers and distributors of alcoholic beverages are required to label certain matters, including items such as the names of such manufacturers and certain distributors, wholesalers and retailers, the product category of alcoholic beverages and alcohol by volume. Also, pursuant to the Standards regarding Fair Transactions in Liquor, which have been prescribed under the Liquor Tax Protection Act, alcohol beverages business operators are prohibited from selling alcohol beverages repeatedly and over a considerable period (i) at a price below overall cost of sales (calculated as the sum of the cost of goods sold plus sales, general and administrative expenses) without justifiable reasons and (ii) in a manner which might have a significant effect on their alcohol beverages business or the alcohol beverages business of other operators.

Regulation in the United States

The production, storage, transportation, distribution and sale of our products are subject to regulation by federal, state and local authorities in the United States. The Alcohol and Tobacco Tax and Trade Bureau of the United States Treasury Department regulates the U.S. spirits industry with respect to production, blending, bottling, sales, advertising, and transportation of industry products. Also, each state in the United States regulates the advertising, promotion, transportation, sale, and distribution of such products.

Distilled spirits are subject to U.S. federal excise taxes and/or customs duties, as well as state, local and other taxes. Beverage alcohol sales could be adversely impacted by increases to excise tax rates, which are considered from time to time by U.S. states and municipalities. The effect of any future excise tax increases cannot be determined, but any future excise tax increases could have an adverse effect on our results of operations and financial condition.

Other International Regulation

Our businesses outside Japan and the United States are subject to a variety of laws and regulations in the many countries in which we operate. These laws and regulations relate to the health and safety of our products and their labeling, as well as advertising, transportation, recycling and manufacturing activities, among other matters. In many of the key markets for our business, distilled spirits are subject to excise taxes and/or customs duties, as well as state/provincial, local and other taxes. We seek to strictly comply with the laws and regulations that apply to our business. We do not believe that the laws of any one particular country outside of Japan and the United States are likely to materially affect our results of operations or financial performance.

DESCRIPTION OF THE NOTES

The following description of the notes is a summary of the detailed provisions of the notes and the indenture. It does not purport to be complete. In this summary, "we," "us" and "our" refer to Suntory Holdings. This summary is subject to and is qualified by reference to all the provisions of the notes and the indenture, including the definitions of certain terms used therein. We urge you to read those documents in their entirety because they, and not this description, define the rights of holders of the notes. You may request copies of those documents upon written request from the corporate trust office of the trustee located at 240 Greenwich Street, New York, NY 10286, United States of America.

The notes will be issued pursuant to an indenture to be dated on or around June 11, 2024 between us and The Bank of New York Mellon, as trustee, which we refer to herein as the "indenture."

General

The notes will be issued only in fully registered form without interest coupons in denominations of $200,000 and integral multiples of $1,000 in excess thereof. The notes will be represented by one or more registered notes in global form without coupons and in certain circumstances may be represented by notes in definitive form.

The indenture and the notes will not contain any financial covenants or restrictions on the payment of dividends, the incurrence of indebtedness (other than as set forth under "—Negative Pledge") or the issuance or repurchase of the notes. The indenture and the notes also will not contain any covenants or other provisions to afford protection to holders of the notes in the event of a highly leveraged transaction or a change in control.

The notes will not be registered with the SEC and are being offered and sold by the initial purchasers or their affiliates outside the United States in offshore transactions only to non-U.S. persons in reliance on Regulation S and by the initial purchasers or their affiliates inside the United States to "qualified institutional investors" in reliance on Rule 144A. Accordingly, the indenture is not required to be, and has not been, qualified under the U.S. Trust Indenture Act of 1939, as amended.

Status of the Notes

The notes will be our direct and unsubordinated general obligations and will rank *pari passu* and without any preference among themselves and with all of our other unsubordinated indebtedness from time to time outstanding, that is unsecured (other than obligations mandatorily preferred by applicable law).

Principal, Maturity and Interest

The initial aggregate principal amount of the notes is $500,000,000. The notes will mature on June 11, 2029. Principal of the notes will be repaid at maturity at a price of 100% of the principal amount of the notes. Interest on the notes will accrue at the rate of 5.124% per annum. The notes will not be redeemable prior to maturity, except as set forth under "—Optional Tax Redemption" and "—Optional Redemption," and will not be subject to any sinking fund.

We will pay interest on the notes semi-annually in arrears on June 11 and December 11, beginning on December 11, 2024. We will pay interest on each interest payment date to the holders of record of the notes as at 5:00 p.m. (New York City time) on the day ten Business Days immediately preceding such interest payment date. Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. The first payment of interest will be in respect of the period from and including June 11, 2024 to but excluding December 11, 2024. We will compute interest on the basis of a 360-day year consisting of twelve 30-day months.

If any payment is due on the notes on a day that is not a Business Day, we will make the payment on the day that is the next Business Day. Payments postponed to the next Business Day in this situation will be treated under the indenture as if they were made on the original due date. Postponement of this kind will not result in a default under the notes or the indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a Business Day.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking or trust institutions in New York City or in Tokyo are authorized generally or obligated by law, regulation or executive order to close.

Repurchase

We, or any subsidiary of ours, may at any time repurchase any or all of the notes in the open market or otherwise at any price. Subject to applicable law, neither we nor any subsidiary of ours shall have any obligation to offer to repurchase any notes held by any holder as result of our or its repurchase or offer to repurchase notes held by any other holder in the open market.

Consolidation, Merger and Sale of Assets

We will not: (a) consolidate or merge with or into another person (where we are not the surviving corporation) or (b) sell, assign, transfer, convey or otherwise dispose of all or substantially all of our properties or assets in one or more related transactions, to another person, unless:

- such successor person or persons assumes or succeeds our obligations under the notes and the indenture (and, if such person is organized in a jurisdiction other than Japan, agrees to pay additional amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of such person, or any authority therein or thereof having power to tax, corresponding to the obligation to pay additional amounts as described under "—Additional Amounts" substituting such jurisdiction for references to "Japan," with a corresponding option to redeem the notes at any time prior to maturity if the obligation to pay such additional amounts arises as a result of any change in or amendment to the laws or regulations of the jurisdiction of such person or any political subdivision or authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the completion of such transaction as described under "—Optional Tax Redemption" substituting such jurisdiction for references to "Japan"); and
- immediately after such transaction, no event of default shall have occurred and be continuing.

Additional Amounts

We will make payments of principal and interest on the notes without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges imposed or levied by or on behalf of Japan or any political subdivision or taxing authority thereof or therein, unless such withholding or deduction is otherwise required by law. If we are required by Japanese law to make any such withholding or deduction, we will pay such additional amounts as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required. However, no additional amounts will be payable with respect to any note under any of the following circumstances:

- the holder or beneficial owner of the note is an individual non-resident of Japan or non-Japanese corporation and is liable for such Japanese taxes in respect of such note by reason of its (a) having some connection with Japan other than the mere holding of the note or (b) being a specially-related person of the issuer;
- the holder or beneficial owner who would otherwise be exempt from any such withholding or deduction fails to comply with any applicable requirement to provide certification, information, documents or other evidence concerning its nationality, residence, identity or connection with Japan, including any requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined in "Taxation—Japanese Taxation—Interest Payments on Notes and Redemption Gain") to the relevant paying agent to whom such note is presented (where presentation is required), or whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to such paying agent;
- the holder or beneficial owner of the note is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution (as defined in "Taxation—Japanese Taxation—Interest Payments on Notes and Redemption Gain—2. Resident Investors") that complies with the requirement, among others, to provide Interest

Recipient Information or to submit a Written Application for Tax Exemption, and an individual resident of Japan or a Japanese corporation that duly notifies (directly or through the relevant Participant or otherwise) the relevant paying agent of its status as not being subject to withholding or deduction by us by reason of receipt by such individual resident of Japan or Japanese corporation of interest on the notes through a payment handling agent in Japan appointed by us);

- the note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on the note became due or after the full payment was provided for, whichever occurs later, except to the extent the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days;
- the holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such additional amounts had it been the holder of such note; or
- any combination of the above.

For the avoidance of doubt, any amounts to be paid by us on the notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to any of the foregoing and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended, or the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to any of the foregoing) any law, regulation or other official guidance implementing an intergovernmental approach thereto, (a "FATCA Withholding Tax"); and we will not be required to pay additional amounts on account of any FATCA Withholding Tax.

We will make any required withholding or deduction and remit the full amount deducted or withheld to the Japanese taxing authority in accordance with applicable law, if we are required by Japanese law to make any such withholding or deduction. We will use commercially reasonable efforts to obtain and provide to the trustee certified copies of tax receipts evidencing the payment of any tax, duty, assessment or other governmental charge so deducted or withheld to the extent available from the Japanese taxing authority imposing such tax, duty, assessment or other governmental charge. The trustee will make such certified copies available to holders upon reasonable written request to the trustee.

The obligation to pay additional amounts with respect to any taxes, duties, assessments or other governmental charges will not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or governmental charge or (B) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of the principal of and/or interest on the notes; provided that, except as otherwise set forth in the notes and in the indenture, we will pay all stamp and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the indenture or as a consequence of the initial issuance, execution, delivery or registration of any notes.

If the notes are held by or through a participant of an international clearing organization, such as DTC and Euroclear, Clearstream, or a financial intermediary, in each case, as prescribed by the Special Taxation Measures Act, each such participant or financial intermediary being referred to as a "Participant," in order to receive payments free of withholding or deduction by us for, or on account of, Japanese taxes, if the relevant beneficial owner is (A) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the issuer) or (B) a Designated Financial Institution, such beneficial owner shall, at the time of entrusting a Participant with the custody of the notes, provide certain information prescribed by the Special Taxation Measures Act and the Cabinet Order and other regulations thereunder to enable the Participant to establish that such beneficial owner is exempted from the requirement for Japanese taxes to be withheld or deducted, or the Interest Recipient Information, and advise the Participant if the beneficial owner ceases to be so exempted (including where the beneficial owner who is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the issuer).

If the notes are not held through a Participant, in order to receive payments free of withholding or deduction by us for, or on account of, Japanese taxes, if the relevant beneficial owner is (A) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the issuer) or (B) a

Designated Financial Institution, such beneficial owner shall, prior to each time at which it receives interest, submit to the relevant paying agent and us a Written Application for Tax Exemption in a form obtainable from the issuer or its agent stating, *inter alia*, the name and address of the beneficial owner, the title of the notes, the relevant interest payment date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

References to principal or interest in respect of the notes shall be deemed to include any additional amounts due which may be payable in respect of such principal and interest pursuant to the indenture.

Optional Tax Redemption

We have the option to redeem the notes at any time prior to maturity if, as a result of any change in or amendment to the laws or regulations of Japan or any political subdivision or authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date of the notes, we would be required to pay additional amounts with respect to the notes as described under "—Additional Amounts" and such obligation cannot be avoided by us through the taking of reasonable measures available to us, in which case we may redeem the notes in whole, but not in part, at a redemption price equal to 100% of the principal amount of the notes together with interest accrued to the date fixed for redemption and any additional amounts payable thereon.

Furthermore, we must give holders and the trustee between 30 days' and 60 days' notice before redeeming the notes, and no such notice of redemption may be given earlier than 90 days prior to the earliest date on which we would be required to pay additional amounts if a payment in respect of the notes were then due.

Optional Redemption

Prior to May 11, 2029 (the date that is one month prior to the maturity date) (the "Par Call Date"), we may redeem the notes at our option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(1) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 15 basis points less (b) interest accrued to the date of redemption, and

(2) 100% of the principal amount of the notes to be redeemed,

plus, in either case, accrued and unpaid interest thereon to the redemption date.

We may redeem the notes, in whole or in part, at any time from, and including, the Par Call Date to, but excluding, maturity, at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest on the principal amount of the notes to, but excluding, the redemption date.

Our actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

Notice of any redemption will be mailed or electronically delivered (or otherwise transmitted in accordance with the depositary's procedures) at least 30 days but not more than 60 days before the redemption date to each holder of notes to be redeemed and to the trustee.

If less than all of the notes are to be redeemed at any time, the notes will be selected for redemption as follows:

(a) if the notes are listed on any securities exchange, in compliance with the requirements of the principal securities exchange on which the notes are traded or if the notes are held through the clearing systems, in compliance with the requirements of the applicable clearing systems (on a pro rata pass through distribution of principal basis); or

(b) if the notes are not listed on any securities exchange or held through the clearing systems, on a pro rata basis, by lot or by such other method as the trustee deems fair and appropriate, unless otherwise required by applicable law.

"*Treasury Rate*" means, with respect to any redemption date, the yield determined by us in accordance with the following two paragraphs.

The Treasury Rate shall be determined by us after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily)—H.15" (or any successor designation or publication) ("H.15") under the caption "U.S. government securities–Treasury constant maturities–Nominal" (or any successor caption or heading) ("H.15 TCM"). In determining the Treasury Rate, we shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the Par Call Date (the "Remaining Life"); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and shall interpolate to the Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 TCM is no longer published, we shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the Par Call Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date, one with a maturity date preceding the Par Call Date and one with a maturity date following the Par Call Date, we shall select the United States Treasury security with a maturity date preceding the Par Call Date. If there are two or more United States Treasury securities maturing on the Par Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, we shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

No notes of a principal amount of $200,000 or less will be redeemed in part. If any note is to be redeemed in part only, the notice of redemption that relates to the note will state the portion of the principal amount of the note to be redeemed. A new note in a principal amount equal to the unredeemed portion of the note will be issued in the name of the holder of the note upon surrender for cancellation of the original note. For so long as the notes are held by DTC (or another depositary), the redemption of the notes shall be done in accordance with the policies and procedures of the depositary.

Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes or portions thereof called for redemption.

Negative Pledge

So long as any of the notes remains outstanding we may not create or permit to subsist any mortgage, charge, pledge or other security interest upon the whole or any part of our property, assets or revenues, present or future, to secure, for the benefit of the holders thereof, any (i) payment of any sum due in respect of any of our External Indebtedness (as defined below) or (ii) payment by us under any guarantee of, or indemnity or other like obligation in respect of, any External Indebtedness, without at the same time securing our debt obligations under the notes and the indenture equally and ratably with such External Indebtedness.

"External Indebtedness" means any indebtedness in the form of or represented by bonds, notes, debentures or other securities which:

- either: (a) are, or may at the option of the person entitled thereto be or become, denominated or payable in, or by reference to, a currency or currencies other than yen or (b) are denominated or payable in yen and more than 50% of the aggregate principal or face amount of which is initially distributed by us or with our authorization outside Japan; and
- are, or are capable of being, quoted, listed or ordinarily traded on any stock exchange or on any over-the-counter securities market outside Japan.

Events of Default

Holders of the notes will have certain rights and remedies if an event of default occurs. An event of default is defined in the indenture and means any of the following:

(a) a default is made in the payment of any interest on any of the notes when it becomes due and payable, and such default continues for a period of 30 days thereafter; or

(b) a default is made in the payment of the principal on any of the notes when it becomes due and payable; or

(c) we are in default in the performance or observance of any other obligation applicable to the notes or contained in the indenture and such default shall continue for 60 days after our receipt of written notice requiring such default to be remedied from the trustee, or holders of not less than 25% in aggregate outstanding principal amount of the notes; or

(d) (a) any indebtedness for borrowed monies contracted or incurred by us or our Principal Subsidiaries issued in the form of notes, bonds or debentures exceeding in the aggregate U.S.$10,000,000 (or its equivalent in any other relevant currency or currencies) is accelerated as a result of a default by any person or any event treated in effect as a default, (b) we or any of our Principal Subsidiaries default in the repayment or discharge of any such notes, bonds or debentures when due or, if later, at the expiration of any grace period originally applicable thereto or (c) we or any of our Principal Subsidiaries shall have failed to pay when due or, if later, at the expiration of any grace period originally applicable thereto any guarantee exceeding in the aggregate U.S.$10,000,000 (or its equivalent in any other relevant currency or currencies) contracted or incurred by it in respect of any indebtedness issued in the form of notes, bonds or debentures for borrowed monies in accordance with the terms of any such guarantee; or

(e) an effective resolution is passed or an order of a court of competent jurisdiction is made that we or any of our Principal Subsidiaries be wound up or dissolved except (a) for the purposes of or pursuant to and followed by a consolidation or merger under which the corporation or successor corporation has assumed all our obligations under the notes pursuant to the terms of the indenture as described under "—Consolidation, Merger and Sale of Assets," or a Succession Transaction, or (b) in the case of a Principal Subsidiary (i) a solvent winding up or solvent dissolution for the purposes of or pursuant to and followed by a consolidation or merger whereby the undertakings, business and assets of such Principal Subsidiary are transferred to or otherwise vested in us or any of our other subsidiaries or (ii) a voluntary winding up or dissolution of a Principal Subsidiary where there are surplus assets in such Principal Subsidiary attributable to us and/or any of our other subsidiaries and such surplus assets are distributed to us and/or such subsidiary; or

(f) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of our or any Principal Subsidiary's assets or undertakings and such possession or appointment has not been discharged or stayed within a period of 60 days; or

(g) a distress, execution or seizure before judgment is levied or enforced upon or sued out against the whole or a part of our or any Principal Subsidiary's property and such distress, execution or seizure before judgment is material in its effect upon the operations of such person and is not discharged within 60 days thereof; or

(h) we or any Principal Subsidiary (a) shall stop payment (within the meaning of Japanese, United States or any other applicable bankruptcy law), (b) shall cease or through an official action of its board of directors shall threaten to cease to carry on business (otherwise than for purposes of a Succession Transaction pursuant to the terms of the indenture) or (c) shall be unable to pay our or its debts as and when they fall due; or

(i) proceedings shall have been initiated against us or any Principal Subsidiary under any applicable bankruptcy, reorganization or insolvency law and such proceedings have not been discharged or stayed within a period of 60 days; or

(j) we or any Principal Subsidiary (a) shall initiate or consent to proceedings relating to ourselves or itself under any applicable bankruptcy, reorganization or insolvency law including the obtaining of a moratorium or (b) shall make an assignment for the benefit of, or enter into any composition with, our or its creditors.

Pursuant to the indenture, the trustee shall give notice by mail to the holders of the notes of all defaults known to the trustee which have occurred. The trustee is not obligated to do anything to ascertain whether any event of default or default has occurred or is continuing and will not be responsible to holders or any other person for any loss arising from any failure by it to do so.

"Principal Subsidiary" at any time shall mean any of our consolidated subsidiaries (a)(i) whose consolidated revenue (excluding liquor tax) (or equivalent line item under the relevant generally accepted accounting principles), constitute at least 10% of our total revenue (excluding liquor tax), or (ii) whose consolidated total assets, constitute at least 10% of our total assets, in each case, as calculated by reference to the then latest financial statements (consolidated or, as the case may be, unconsolidated) of the relevant subsidiary and our then latest consolidated financial statements or (b) to which is transferred all or substantially all of the assets of a subsidiary which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to clause (a) above) and the subsidiary to which the assets are so transferred shall become a Principal Subsidiary.

There are provisions in the indenture requiring us to furnish to the trustee each year a certificate from our principal executive, financial or accounting officer as to his or her knowledge of our compliance with all conditions and covenants under the indenture.

Acceleration of the Notes upon an Event of Default

The indenture provides that:

- if an event of default occurs due to specified events of bankruptcy, insolvency or reorganization, the principal of and interest accrued on the notes shall be due and payable immediately; and
- if any other event of default occurs and is continuing, the trustee, the holders of not less than 25% in aggregate principal amount of the outstanding notes or the trustee at the written direction of such holders, by notice in writing to us may declare the principal of and accrued interest on the notes to be due and payable immediately.

Annulment of Acceleration and Waiver of Defaults

In some circumstances, if any or all of the events leading to acceleration under the indenture, other than the non-payment of the principal of the notes that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the holders under the indenture of a majority in aggregate principal amount of the notes may annul past declarations of acceleration or waive past defaults of the notes.

Limitation on Actions by Holders

The indenture provides that no individual holder of notes may institute any action against us under the indenture, except actions for payment of overdue principal or interest, unless the following actions have occurred:

- the holder must have previously given written notice to the trustee of the continuing default;
- the holders of not less than 25% in aggregate principal amount of the outstanding notes, must have:
  (i) requested the trustee to institute that action in its own name; and
  (ii) offered the trustee such indemnity and/or security and/or prefunding satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

- the trustee must have failed to institute that action within 60 days after receipt of the request and offer of indemnity and/or security and/or prefunding referred to above; and
- the holders of a majority in principal amount of the outstanding notes, voting as one class, must not have given written directions to the trustee during such 60-day period inconsistent with those of the holders referred to above.

No one or more of such holders of the notes shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the indenture, except in the manner therein provided and for the equal and ratable benefit of all of such holders.

Application of Proceeds

Any money collected from us by a trustee under the indenture by acceleration, through insolvency proceedings or by other means as a result of our breach of the terms of the indenture shall be applied in the order described below:

- first, to the payment of fees, costs and expenses of the trustee and agents applicable to the notes for which money was collected, including indemnity payments to the applicable trustee and any agent;
- second, if payment is not due on the principal of the notes for which money was collected, to the payment of interest;
- third, if payment is due on the principal of the notes for which money was collected, to the payment of the whole amount then owing and unpaid upon all of the notes for principal and interest; and in the case the money collected shall be insufficient to pay in full the whole amount so due and unpaid upon the notes, then to the payment of principal and interest without preference or priority of principal or over interest, ratably to the aggregate of such principal and accrued and unpaid interest; and
- finally, to the payment of the remainder, if any, to us or any other person lawfully entitled thereto.

Discharge, Defeasance and Covenant Defeasance

We have the ability to eliminate most or all of our obligations on the notes prior to maturity if we comply with the following provisions:

Discharge of indenture

We may discharge all of our obligations, other than as to transfers and exchanges, under the indenture after we have:

- paid or caused to be paid the principal of and interest on all of the outstanding notes in accordance with their terms;
- delivered to the trustee for cancellation all of the outstanding notes; or
- irrevocably deposited with the trustee cash or U.S. government obligations in trust for the benefit of the holders of the notes that have either become due and payable, or are by their terms due and payable, or are scheduled for redemption, within one year, in an amount certified by an accounting or financial firm of national standing to be sufficient to pay on each date that they become due and payable, the principal of and interest on those notes.

Defeasance of notes at any time

We may also discharge all of our obligations, other than as to transfers and exchanges, under any notes at any time, which is referred to in this offering memorandum as defeasance. Alternatively, we may be released with respect to any outstanding notes from the obligations imposed by the covenants described above limiting consolidations, mergers and sale of assets and the creation of security interests, and elect not to comply with those sections without creating an event of default. Discharge under those procedures is called covenant defeasance.

Defeasance or covenant defeasance may be effected only if, among other things:

- we irrevocably deposit with the trustee cash or U.S. government obligations, as trust funds in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of or interest on all outstanding notes being defeased; and
- we deliver to the trustee an opinion of counsel of recognized standing to the effect that:
  - the holders of the notes being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance; and
  - the holders of the notes being defeased will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred.

In the case of a defeasance, the opinion must be based on a ruling of the U.S. Internal Revenue Service or a change in U.S. federal income tax law occurring after the issuance of the notes, since that result would not occur under current tax law.

Judgment Currency

To the fullest extent permitted under applicable law, we agree that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of or interest on any notes, or the Required Currency, into a currency in which a judgment will be rendered, or the Judgment Currency, the rate of exchange used will be the rate at which the trustee or holder could purchase the Required Currency with the Judgment Currency in accordance with normal banking procedures and (b) our obligations under the indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with clause (a) above), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under the indenture.

Modification and Amendments

Modification without Consent of Holders

We and the trustee may enter into supplemental indentures without the consent of the holders of the notes to:

- secure the notes;
- evidence the assumption by a successor corporation of our obligations;
- add covenants for the protection of the holders of the notes;
- to add to, change or eliminate any of the provisions of the indenture for the purpose of reflecting any change in the procedures relating to Japanese withholding tax resulting from any amendment to the applicable Japanese tax laws, provided that such amendment is relevant to the notes;
- effect any changes to the indenture in a manner necessary to comply with the procedures of DTC, Euroclear or Clearstream or any applicable clearing system or other depositary for the notes;
- make changes that do not adversely affect the rights of the holders of the notes;
- cure any ambiguity, to correct or supplement any provision in the indenture which may be defective or inconsistent with any other provision in the indenture, or to make any other provisions with respect to matters or questions arising under the indenture, provided that such action shall not adversely affect the interests of the holders of the notes in any material respect;
- establish the forms or terms of the notes; or
- evidence the acceptance of appointment by a successor trustee.

Modification with Consent of Holders

Each of we and the trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the then outstanding notes, voting as one class, may add any provisions to, or change in any manner or eliminate any of the provisions of, the indenture or modify in any manner the rights of the holders of the notes. However, we and the trustee may not make any of the following changes to any outstanding notes without the consent of each holder that would be affected by the change:

- change the final maturity of the security or of any installment of principal of any such note;
- reduce the principal amount;
- reduce the rate or extend the time of payment of interest;
- reduce any amount payable on redemption;
- change any of our obligations to pay any additional amounts on notes for any tax, assessment or governmental charge withheld or deducted (if any);
- change the place where, or the currency in which, any principal or interest on the note is payable;
- impair the right of any holder to institute suit for the enforcement of any payment on any note when due; or
- reduce the percentage of notes the consent of whose holders is required for modification of the indenture.

It shall not be necessary for any act of holders under the relevant section of the indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

The Trustee

The trustee, The Bank of New York Mellon, is a bank organized under the laws of the State of New York. The indenture provides that during the existence and continuance of an event of default with respect to the notes, the trustee will exercise the rights and powers vested in it by the indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The trustee will be under no obligation to exercise any of its rights or power under the indenture at the request of holders, unless the requisite number of holders have instructed the trustee in writing and have offered the trustee indemnity and/or security and/or prefunding satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such instruction or request. In the absence of an event of default with respect to the notes, the trustee need only perform the duties specifically set forth in the indenture. The indenture does not contain limitations on the rights of the trustee under the indenture, should it be or become a creditor of ours, to obtain payment of claims.

Indemnification of Trustee

The indenture provides that the trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of notes relating to the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred upon the trustee in respect of such notes. In addition, the indenture contains a provision entitling the trustee, to be indemnified and/or secured and/or prefunded by the holders of a notes before proceeding to exercise any right or power at the request of holders of such notes. Subject to these provisions and specified other limitations, the holders of a majority in aggregate principal amount of outstanding notes, voting as one class, may direct in writing the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee in respect of the notes. The trustee shall not be liable to any person for having acted on instruction or direction provided to it by holders with respect to the indenture and the notes.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the indenture shall have a combined capital and surplus of not less than $50,000,000 and shall be a corporation organized and doing business under the laws of the United States, any state thereof or the District of Columbia and having an established place of business in the Borough of Manhattan, The City of New York.

Further Issuances

We reserve the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes offered hereby (other than the issue date, the issue price and, in some cases, the first interest payment date), which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes; provided that if any additional notes are not fungible with the notes offered hereby for U.S. federal income tax purposes, such additional notes will be issued as a separate series under the indenture and will have a separate "CUSIP" or similar identifying number from the notes offered hereby.

Governing Law

The indenture and the notes will be governed by and construed in accordance with the laws of the State of New York.

Consent to Service of Process and Submission to Jurisdiction

Under the indenture, we irrevocably designate Suntory Global Spirits as our authorized agent for service of process in any legal action or proceeding arising out of or relating to the indenture or the notes brought in any federal or state court in the Borough of Manhattan in The City of New York, New York, and we irrevocably submit to the non-exclusive jurisdiction of those courts.

Book-Entry; Delivery and Form

DTC

The notes will initially be issued to investors only in book-entry form. The notes sold in reliance on Rule 144A under the Securities Act will initially be in the form of one or more fully registered global notes, or the Rule 144A global notes, and the notes sold in reliance on Regulation S under the Securities Act will initially be in the form of one or more fully registered global notes, or the Regulation S global notes. The global notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depositary for the notes. The global notes will initially be deposited with The Bank of New York Mellon, acting as custodian for DTC.

The notes (including any beneficial interest in a global note) will be subject to certain restrictions on transfer set forth in the notes and the indenture and will bear a legend regarding the restrictions as set forth under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification (in the form provided in the indenture).

On or prior to the fortieth day after the later of the commencement of the offering and the date of the issuance of the notes, a beneficial interest in a Regulation S global note may be transferred to a person who wishes to take delivery of such beneficial interest through a Rule 144A global note only upon receipt by the trustee of a written certification (in the form provided in the indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a "qualified institutional buyer" within the meaning of Rule 144A purchasing for its own account (or for the account of one or more qualified institutional buyers over which account it exercises sole investment discretion), (ii) transfers such note in a transaction meeting the requirements of Rule 144A and (iii) has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions." After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend regarding such restrictions set forth under "Transfer Restrictions."

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Regulation S global note only upon receipt by the transfer agent of a written certification (in the form provided in the indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions set forth under "Transfer Restrictions" and in accordance with Rule 903 or 904 of Regulation S under the Securities Act.

Any beneficial interest in one of the global notes that is transferred to an entity that takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC, or participants, or persons who hold interests through participants (including Euroclear and Clearstream). Ownership of beneficial interests in a global note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Unless and until notes in certificated form are issued, the only holder of the notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary.

Investors may hold their interests in a global note directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system, including Euroclear or Clearstream. Euroclear and Clearstream will hold interests in the global notes on behalf of their participants through DTC. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Euroclear, Clearstream and their participants. In considering the interests of holders of the notes while title to the notes is registered in the name of a nominee of DTC, the trustee, the paying agent, transfer agent and registrar may (but will not be obliged to) rely conclusively upon any information made available to it by DTC as to the identity (either individually or by category) of its participants with entitlements to the notes and may (but will not be obliged to) consider such interests as if such accountholders were the holders of the notes. None of the trustee, the paying agent, transfer agent and registrar nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests.

DTC advises that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly, or indirect participants.

Euroclear

Euroclear holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Non-participants in the Euroclear system may hold and transfer book-entry interests in the notes through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Investors electing to acquire, hold or transfer notes through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such intermediary with respect to the settlement of secondary market transactions in notes. Euroclear will not monitor or enforce any transfer restrictions with respect to the notes. Investors that acquire, hold and transfer interests in the notes by book-entry through accounts with Euroclear or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such intermediary and each other intermediary, if any, standing between themselves and the individual notes.

Euroclear has advised that, under Belgian law, investors that are credited with securities on the records of Euroclear have a co-property right in the fungible pool of interests in securities on deposit with Euroclear in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of

Euroclear, Euroclear participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear. If Euroclear did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all participants credited with such interests in securities on Euroclear's records, all participants having an amount of interests in securities of such type credited to their accounts with Euroclear would have the right under Belgian law to the return of their pro rata share of the amount of interests in securities actually on deposit. Under Belgian law, Euroclear is required to pass on the benefits of ownership in any interests in notes on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Distributions with respect to the notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear terms and conditions.

Clearstream

Clearstream advises that it is incorporated under the laws of Luxembourg and licensed as a bank and professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream has established an electronic bridge with the Euroclear operator to facilitate the settlement of trades between Clearstream and Euroclear. As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream customers are limited to securities brokers and dealers and banks, and may include the underwriters of this offering. Other institutions that maintain a custodial relationship with a Clearstream customer may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC.

Distributions with respect to notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures.

Transfers

Purchases of notes within the DTC system must be made by or through DTC participants, which will receive a credit for the notes on DTC's records. The ownership interest of each actual purchaser of notes, a beneficial owner of an interest in a global note, is in turn to be recorded on the DTC participants' and indirect participants' records. Beneficial owners of interests in a global note will not receive written confirmation from DTC of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the notes. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of DTC participants and indirect participants acting on behalf of beneficial owners of interests in a global note. Beneficial owners of interests in a global note will not receive notes in certificated form representing their ownership interests in the notes unless use of the book-entry system for the notes is discontinued.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global note. DTC's records reflect only the identity of the DTC participants to whose accounts those notes are credited, which may or may not be the beneficial owners of interests in a global note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those notes are credited, which also may or may not be the beneficial owners of interests in a global note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the global note for all purposes under the notes and the indenture. No beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the indenture.

We expect that DTC will take any action permitted to be taken by a holder, including the presentation of notes for exchange, only at the direction of one or more of its participants to whose account DTC's interests in the global notes are credited and only in respect of that portion of the aggregate, principal amount of notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a global note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The trustee will send any notices in respect of the notes held in book-entry form to Cede & Co.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the notes unless authorized by a participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those participants to whose account the notes are credited on the record date.

Payment of principal of and interest on the notes held in book-entry form will be made to Cede & Co. or another nominee of DTC by the paying agent in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a global note will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not DTC's or ours, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of and interest on the notes or other amounts to DTC is our responsibility, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a global note is the responsibility of participants and indirect participants.

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a global note among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of us, the trustee, the registrar, the transfer agent or the paying agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their respective operations.

Exchange of Global Notes for Certificated Notes

If DTC is at any time unwilling or unable to continue as a depositary for the global notes and a successor depositary is not appointed within 90 days, or if there shall have occurred and be continuing an acceleration event with respect to the notes, we will issue notes in certificated form in exchange for the global notes. The certificated notes delivered in exchange for beneficial interests in any global note will be registered in the names, and issued in denominations of U.S.$200,000 or integral multiples of U.S.$1,000 in excess thereof, requested by or on behalf of DTC (in accordance with its customary procedures). Any such exchange shall be made free of charge to the beneficial owners of the global notes, except that a person receiving certificated notes must bear the cost of insurance, postage, transportation and other related costs in the event that such person does not take delivery of such certificated notes at the offices of the trustee or the paying agent. The notes are not issuable in bearer form. Except in the limited circumstances described above, owners of interests in the global notes will not be entitled to receive physical delivery of notes in certificated form.

Payment of principal and interest in respect of the certificated notes shall be payable at our office of agency in the City of New York which shall initially be the specified office of the paying agent, at 240 Greenwich Street, New York, NY 10286, United States of America *provided* that, at our option, payment may be made by wire transfer for such interest payable to or upon the written order of such holders at their last addresses as they appear on our registry books or at such other addresses as may be specified in the written orders of the holders; and provided further that, payments of any interest on certificated notes (other than at maturity) may be made by the paying agent, in the case of a registered holder of at least U.S.$10,000,000 principal amount of notes, by electronic funds transfer of immediately available funds to a United States dollar account maintained by the payee, provided such registered holder so elects by giving written notice to the trustee designating such account, no later than 15 days immediately preceding the relevant date for payment (or such other date as the trustee may accept in its discretion). Unless such designation is revoked, any such designation made by such holder with respect to such notes shall remain in effect with respect to any future payments with respect to such notes payable to such holder.

So long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, we will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that a global note is exchanged for definitive notes. In addition, in the event that any of the global notes is exchanged for definitive notes, an announcement of such exchange shall be made by us or on our behalf through the Singapore Exchange and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

Registration, Transfer and Exchange of Notes

The registrar will maintain at its specified office a note register with respect to the notes. The name of the registered holder of each note will be recorded in the note register. We, the trustee, the registrar, the transfer agent and the paying agent may treat the person in whose name any note is registered as the absolute owner of the note for all purposes and none of them shall be affected by any notice to the contrary.

At the option of the holder, subject to the restrictions contained in the note and in the indenture, the note may be transferred or exchanged for a like aggregate principal amount of notes of different authorized denominations, upon surrender for exchange or registration of transfer, at the corporate trust office. Any note surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer or other documentation in a form identified in the indenture. Notes issued upon exchange or transfer shall be registered in the name of the holder requesting the exchange or, as the case may be, the designated transferee or transferees and delivered at the trustee's office, or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees. No service charge, other than any cost of delivery not made by regular mail, shall be imposed for any transfer or exchange of notes, but we may or the registrar may require payment of a sum sufficient to cover any stamp duty, tax or governmental charge or insurance charge that may be imposed in connection with any transfer or exchange of notes.

Upon the transfer, exchange or replacement of certificated notes bearing the legend, the trustee will deliver only certificated notes bearing such legend unless we otherwise consent.

Paying Agent and Registrar

The Bank of New York Mellon will initially act as paying agent, transfer agent and registrar for the notes. We may change the paying agent, transfer agent or registrar without prior notice to the holders of the notes.

Whenever we appoint a paying agent to make payments required under the indenture and the notes, the paying agent will hold all sums received by it for the payment of the principal of and interest on the notes and will make payments to such holders as provided for in the indenture and the notes.

Clearance and Settlement

The notes have been accepted for clearance through DTC for the accounts of its participants, including Euroclear and Clearstream.

Minimum Board Lot Size on the Singapore Exchange

The notes will be traded on the Singapore Exchange in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require.

TAXATION

The following summaries are not intended to be a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of notes by investors. Potential investors should consult their own tax advisers on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning the notes, including specifically the applicable tax consequences under Japanese or United States law, the law of the jurisdiction of their country of residence (if different) and any tax treaty between Japan and their country of residence.

Japanese Taxation

The following is a general description of certain aspects of Japanese taxation applicable to the notes. It does not purport to be a comprehensive description of the tax aspects of the notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on current tax laws and regulations in Japan and current income tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this offering memorandum are to be regarded as advice on the tax position of any beneficial owner of the notes or any person purchasing, selling or otherwise dealing in the notes or any tax implication arising from the purchase, sale or other dealings in respect of the notes.

The Notes

The notes do not fall under the concept of so-called "taxable linked notes" as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, i.e., notes of which the amount of interest is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order relating to the Special Taxation Measures Act) regarding the issuer of the notes or a person who has a special relationship with the issuer of the notes (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is under direct or indirect common control with, the issuer of the notes) within the meaning prescribed by the Cabinet Order (such person is referred to as a specially-related person of the issuer).

Representation Investor upon Distribution

The notes may not, as part of the distribution by the initial purchasers under the purchase agreement relating to the notes, at any time be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the issuer (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Special Taxation Measures Act which purchases unsubscribed portions of the notes from the other underwriters), or (ii) a Japanese financial institution or a Japanese financial instruments business operator, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order.

By subscribing for the notes, an investor will be deemed to have represented that it is a person who falls into the category of (i) or (ii) above.

Interest Payments on Notes and Redemption Gain

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the notes and the redemption gain, meaning any positive difference between the acquisition price of the interest-bearing notes of the holder and the amount which the holder receives upon redemption of such interest-bearing notes, or the Redemption Gain. In addition, the following description assumes that, only global notes are issued for the notes, and no definitive notes and coupons that are independently traded are issued, in which case different tax consequences may apply. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-resident Investors

If the recipient of interest on the notes or of the Redemption Gain with respect to interest-bearing notes is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes, as described below, the Japanese tax consequences for such individual non-resident of Japan or non-Japanese corporation are significantly different depending upon whether such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer. Most importantly, if such individual non-resident of Japan or non-Japanese corporation is a specially-related person of the issuer, income tax at the rate of 15.315% of the amount of such interest will be withheld by the issuer of the notes under Japanese tax law.

1.1. Interest

(1) If the recipient of interest on the notes is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the notes is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, inter alia:

(i) if the relevant notes are held through certain participants in an international clearing organization such as DTC or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order, or together with the Special Taxation Measures Act and the ministerial ordinance and other regulations thereunder, the Law (each such participant or financial intermediary, a Participant), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant notes, certain information prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted, or the Interest Recipient Information, and to advise the Participant if such individual non-resident of Japan or non-Japanese corporation ceases to be so exempted (including the case where it became a specially-related person of the issuer); and

(ii) if the relevant notes are not held by a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (Hikazei Tekiyo Shinkokusho), or the Written Application for Tax Exemption, together with certain documentary evidence. If the information required to be stated in the Written Application for Tax Exemption is submitted to the relevant paying agent in an electronic form prescribed by the Special Taxation Measures Act and the Cabinet Order, the Written Application for Tax Exemption will be deemed to be submitted to the relevant paying agent.

Failure to comply with such requirements described above (including the case where the Interest Recipient Information is not duly communicated as required under the Law) will result in the withholding by the issuer of the notes of income tax at the rate of 15.315% of the amount of such interest.

(2) If the recipient of interest on the notes is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315% withholding tax by the issuer of the notes, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph 1.1(1) above. Failure to do so will result in the withholding by the issuer of the notes of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.1(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the issuer as of the beginning of the fiscal year of the issuer of the notes in which the relevant interest payment date falls, the exemption from Japanese withholding tax on interest mentioned above will not apply, and income tax at the rate of 15.315% of the amount of such interest will be withheld by the issuer of the notes. If such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, regular income tax or corporate tax, as appropriate, collected otherwise by way of withholding, will apply to such interest under Japanese tax law.

(4) If an individual non-resident of Japan or a non-Japanese corporation (regardless of whether it is a specially-related person of the issuer) is subject to Japanese withholding tax with respect to interest on the notes under Japanese tax law, a reduced rate of withholding tax or exemption from such withholding tax may be available under the relevant income tax treaty between Japan and the country of tax residence of such individual non-resident of Japan or non-Japanese corporation. As of the date of this offering

memorandum, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 10% with, inter alia, Australia, Canada, Finland, France, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Qatar and Singapore. Under the income tax treaties with Australia, Austria, Belgium, Denmark, France, Germany, the Netherlands, New Zealand, Spain, Sweden, Switzerland, the United Kingdom and the United States, in some countries, including the United States, residents, or in other countries, certain limited categories of qualified residents, who receive interest on the notes, subject to compliance with certain procedural requirements under Japanese law, generally may be fully exempt from Japanese withholding tax for interest on the notes (provided that no exemption will apply to pension funds in the case of Australia and New Zealand). In order to avail themselves of such reduced rate of, or exemption from, Japanese withholding tax under any applicable income tax treaty, individual non-residents of Japan or non-Japanese corporations which are entitled, under any applicable income tax treaty, to a reduced rate of, or exemption from, Japanese withholding tax on payment of interest by the issuer of the notes are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Interest (as well as any other required forms and documents) in advance through the issuer of the notes to the relevant tax authority before payment of interest.

(5) Under the Law, if an individual non-resident of Japan or a non-Japanese corporation that is a beneficial owner of the notes becomes a specially-related person of the issuer, or an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of the issuer becomes a beneficial owner of the notes, and if such notes are held through a Participant, then such individual non-resident of Japan or non-Japanese corporation should notify the Participant of such change in status by the immediately following interest payment date of the notes. As described in paragraph 1.1(3) above, as the status of such individual non-resident of Japan or non-Japanese corporation as a specially-related person of the issuer for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of the issuer in which the relevant interest payment date falls, such individual non-resident of Japan or non-Japanese corporation should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax starts to apply with respect to such individual non-resident of Japan or non-Japanese corporation as being a specially-related person of the issuer.

1.2. Redemption Gain

(1) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but the receipt of such Redemption Gain is not attributable to such permanent establishment, no income tax or corporate tax is payable with respect to such Redemption Gain.

(2) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of such Redemption Gain is attributable to such permanent establishment, such Redemption Gain will not be subject to any withholding tax but will be aggregated with the recipient's other Japanese source income which is subject to Japanese taxation and subject to regular income tax or corporate tax, as appropriate.

(3) Notwithstanding paragraphs 1.2(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of the issuer as of the beginning of the fiscal year of the issuer of the notes in which such individual non-resident of Japan or non-Japanese corporation acquired such notes, the Redemption Gain will not be subject to withholding tax but will be subject to regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan; provided that an exemption may be available under the relevant income tax treaty.

2. Resident Investors

If the recipient of interest on the notes is an individual resident of Japan or a Japanese corporation for Japanese tax purposes, as described below, regardless of whether such recipient is a specially-related person of the issuer, income tax will be withheld at the rate of 15.315% of the amount of such interest, if such interest is paid to an individual resident of Japan or a Japanese corporation (except for (i) a Japanese financial institution or a Japanese financial instruments business operator, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order, each, a Designated Financial Institution, which complies with the requirement for tax exemption under Article 6, Paragraph (11) of the Special Taxation Measures Act or (ii) a Japanese public corporation or a Japanese public-interest corporation designated by the relevant law, each, a Public Corporation etc., or a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by Article 3-3, Paragraph (6) of the Special Taxation Measures Act, each, a Specified Financial Institution, to which such interest is paid through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order, or a Japanese Payment Handling Agent, with custody of the notes, or the Japanese Custodian, in compliance with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act). In addition to the withholding tax consequences upon resident investors as explained in this section 2, resident investors should consult their own tax advisors regarding their regular income tax or corporate tax consequences other than by way of withholding.

2.1. Interest

(1) If an individual resident of Japan or a Japanese corporation (other than a Specified Financial Institution or a Public Corporation etc., who complies with the requirement as referred to in paragraph 2.1(2) below) receives payments of interest on the notes through Japanese Payment Handling Agents, income tax at the rate of 15.315% of the amount of such interest will be withheld by the Japanese Payment Handling Agent rather than by the issuer of the notes. As the issuer of the notes is not in a position to know in advance the recipient's status, the recipient of interest falling within this category should inform the issuer of the notes through a paying agent of its status in a timely manner. Failure to so inform may result in double withholding. In addition, interest on the notes received by an individual resident of Japan through a Japanese Payment Handling Agent will be subject to 15.315% separate net basis taxation in Japan by filing a separate tax return, and if any withholding tax stated above is to be withheld by the Japanese Payment Handling Agent, the amount of such withholding tax would be credited to Japanese individual income tax upon filing of such separate tax return; provided, however, that an individual noteholder being an individual resident of Japan may choose not to include the interest on the notes to be paid each time in his or her tax return, in which case the above-stated withholding tax would be the final Japanese tax for such individual noteholder being an individual resident of Japan. On the other hand, in the case of other recipients who are Japanese corporations referred to in the beginning of this paragraph, the amount of interest received by any such recipient will be included in such recipient's other taxable income and subject to regular corporate tax.

(2) If the recipient of interest on the notes is a Public Corporation etc. or a Specified Financial Institution that keeps its notes deposited with, and receives the interest through, the Japanese Custodian, and such recipient submits through such Japanese Custodian to the competent tax authority the report prescribed by the Law, no withholding tax is levied on the amount of interest, provided that a Specified Financial Institution will be subject to regular corporate tax with respect to such interest. However, since the issuer of the notes is not in a position to know in advance the recipient's tax exemption status, the recipient of interest falling within this category should inform the issuer of the notes through a paying agent of its status in a timely manner. Failure to so notify the issuer of the notes may result in the withholding by the issuer of the notes of a 15.315% income tax.

(3) If an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution which complies with the requirements described in paragraph 2.1(4) below) receives interest on the notes not through a Japanese Payment Handling Agent, income tax at the rate of 15.315% of the amount of such interest will be withheld by the issuer of the notes, and the amount of such interest will be aggregated with the recipient's other taxable income and subject to income tax or corporate tax, as appropriate.

(4) If a Designated Financial Institution receives interest on the notes not through a Japanese Payment Handling Agent and such recipient complies with the requirement, inter alia, to provide the Interest Recipient Information or to submit the Written Application for Tax Exemption as referred to in paragraph 1.1(1) above, no withholding tax will be imposed, while the Designated Financial Institution will be subject to regular corporate tax with respect to such interest.

2.2. Redemption Gain

If the recipient of the Redemption Gain is an individual resident of Japan or a Japanese corporation, such Redemption Gain will not be subject to any withholding tax. In addition, if the recipient of the Redemption Gain is an individual resident of Japan, such Redemption Gain will be subject to 15.315% separate net basis taxation in Japan by filing a separate tax return. If the recipient of the Redemption Gain is a Japanese corporation, such Redemption Gain will be included in the recipient's other taxable income and subject to regular corporate tax with some limited exceptions.

3. Special Additional Withholding Tax for Reconstruction from the Great East Japan Earthquake

Due to the imposition of a special additional withholding tax of 0.315% (or 2.1% of 15%) to secure funds for reconstruction from the Great East Japan Earthquake, the withholding tax rate has been effectively increased to 15.315% during the period beginning on January 1, 2013 and ending on December 31, 2037.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale of notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the notes in connection with the issue of the notes, nor will such taxes be payable by holders of the notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired notes from another individual as legatee, heir or donee.

U.S. Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the notes. This summary deals only with notes that are held as capital assets by a U.S. holder (as defined below) who acquires the notes upon original issuance at their initial offering price.

A "U.S. holder" means a beneficial owner of the notes that is for U.S. federal income tax purposes any of the following:

- an individual citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings, judicial decisions and the income tax treaty between the United States and Japan (the "Treaty"), all as of the date hereof. Those authorities may be changed, perhaps with retroactive effect, so as to result in U.S. federal income tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income taxes and does not address the effects of the Medicare contribution tax on net investment income, U.S. federal estate or gift taxes or any state, local, non-U.S. or other tax considerations that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws. For example, this summary does not address:

- different tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark to market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for U.S. federal income tax purposes (or investors in such entities), tax-exempt entities, holders holding the notes in connection with a trade or business conducted outside the United States or insurance companies;
- tax consequences to persons holding the notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to holders of the notes whose "functional currency" is not the U.S. dollar;
- tax consequences attributable to persons being required to accelerate the recognition of any item of gross income with respect to the notes for U.S. federal income tax purposes as a result of such income being recognized on an applicable financial statement; or
- alternative minimum tax consequences, if any.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding the notes, you should consult your tax advisors.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of the notes, as well as the consequences to you arising under other U.S. federal tax laws and the laws of any other taxing jurisdiction.

Payments of Interest

It is expected, and this discussion assumes, that the notes will not be issued with original issue discount for U.S. federal income tax purposes.

Interest on the notes (which includes any Japanese tax withheld and any additional amounts paid with respect thereto) will generally be taxable to you as ordinary income at the time it is received or accrued, in accordance with your regular method of accounting for U.S. federal income tax purposes. Subject to certain conditions and limitations (including a minimum holding period requirement), any Japanese withholding taxes on interest may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. For purposes of calculating the foreign tax credit, interest on the notes (including any additional amounts) will be treated as income from sources outside the United States and will generally constitute passive category income. However, any Japanese withholding taxes on interest will not be eligible for a foreign tax credit to the extent that the taxes are refundable under Japanese law or could have been eliminated by providing the Interest Recipient Information or Written Application for Tax Exemption (as described above in "Japanese Taxation"), or by claiming benefits under the Treaty. As discussed above in "Japanese Taxation," interest payments on the notes are currently eligible for an exemption from Japanese withholding tax under the Treaty. Therefore, if you are eligible for the benefits of the Treaty, you generally will not be entitled to a foreign tax credit for any Japanese tax withheld. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the creditability (or alternatively, deductibility) of any Japanese taxes withheld under your particular circumstances.

Sale, Exchange, Retirement or other Disposition of Notes

Upon the sale, exchange, retirement or other disposition of a note, you will generally recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis in the note. Your adjusted tax basis in a note will generally be your cost for that note. Any gain or loss you recognize will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the note for more than one year. Long-term capital gains of non-corporate U.S. holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize upon the sale, exchange, retirement or other disposition of a note will generally be treated as United States source gain or loss.

Information Reporting and Backup Withholding

Generally, information reporting requirements will apply to all payments we make to you and the proceeds from a sale, exchange, retirement or other disposition of a note paid to you, unless you establish that you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number or, in the case of interest payments, fail either to report in full interest and dividend income or to make certain certifications, you may be subject to backup withholding on such amounts.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

You should consult your tax advisor regarding these rules and any other reporting obligations that may apply to the ownership or disposition of a note, including requirements related to the holding of certain "specified foreign financial assets."

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the acquisition and holding of the notes by (a) "employee benefit plans" within the meaning of Section 3(3) of U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that are subject to Title I of ERISA, (b) "plans" within the meaning of Section 4975 of the Code to which the prohibited transaction provisions of Section 4975 of the Code applies, and (c) entities that are deemed to hold the assets of the foregoing described in clauses (a) and (b) (each of the foregoing described in clauses (a)-(c) referred to herein as "Covered Plans"), and on those persons who are fiduciaries with respect to any Covered Plan.

Certain Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Covered Plan and prohibit certain transactions involving the assets of a Covered Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Covered Plan or the management or disposition of the assets of such a Covered Plan, or who renders investment advice for a fee or other compensation to such a Covered Plan, is generally considered to be a fiduciary of the Covered Plan. In considering the acquisition or holding of note with of a portion of the assets of any Covered Plan, a fiduciary should determine whether the investment is in accordance with the applicable provisions of ERISA and the Code, including, but not limited to, the requirement of investment prudence and diversification and the requirement that a Covered Plan's investments be made in accordance with the documents governing the Covered Plan.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Covered Plan and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Covered Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

A prohibited transaction within the meaning of ERISA and the Code could arise if the notes are acquired by a Covered Plan to which we or an initial purchaser or any of our or their respective affiliates is a party in interest or disqualified person and such acquisition is not entitled to an applicable exemption, of which there are many. Any fiduciary which proposes to cause a Covered Plan to purchase or hold the notes should consult with its legal advisors regarding the applicability of the prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Other Plans

U.S. governmental plans, non-U.S. plans and certain church plans (each such plan, a "Plan"), while not subject to the fiduciary responsibility or the prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to other U.S. or non-U.S., federal state or other laws or regulations that are substantially similar to the foregoing provisions of ERISA and/or the Code (collectively "Similar Laws"). Each fiduciary of any such Plan should consult with its counsel before purchasing or holding the notes with the assets of any such Plan to determine the need for, and the availability, if necessary, of any exemptive relief under any such Similar Laws.

Accordingly, in light of the foregoing, by its purchase or holding of any note, the purchaser thereof will be deemed to have represented and warranted that either: (i) such purchaser is not purchasing or holding the notes (or an interest therein) on behalf of or with the assets of a Covered Plan or a Plan or (ii) the purchase and holding of such note or an interest therein by such person will not result in a non-exempt prohibited transaction under Title I of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Law.

Each purchaser or subsequent transferee of any notes (or any interest therein) will be deemed to represent, warrant and agree that if it is, or is acting on behalf of, a Covered Plan, (i) none of the issuers, dealers, or any of their respective affiliates, has provided any investment advice within the meaning of Section 3(21) of ERISA and regulations thereunder to the Covered Plan investor or any fiduciary or other person making a decision to invest the assets of the Covered Plan investor (the "Fiduciary"), and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Covered Plan investor or the Fiduciary in connection with the Covered Plan's investor acquisition of the notes; and (ii) the Fiduciary is exercising its own independent judgment in evaluating the transaction.

Each Covered Plan fiduciary (and each fiduciary for a Plan which is subject to any Similar Law) should consult with its legal advisor concerning the potential consequences under ERISA, the Code or such Similar Laws, as applicable, of an investment in the notes. The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of the rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, fiduciaries, or other persons considering purchasing the notes or holding the notes on behalf of, or with the assets of, any Covered Plan or Plan, should consult with their advisors and/or counsel regarding the matters described in this section. Neither this discussion nor anything provided in this offering memorandum is, or is intended to be, investment advice directed at any potential Covered Plan or other Plan purchasers, or to Covered Plan or Plan purchasers generally, and such purchasers or holders of the notes should consult and rely on their own counsel and advisors as to whether an investment in notes is suitable for the Covered Plan or Plan, as applicable. The sale of notes to any Covered Plan or Plan is in no respect a representation by us, an initial purchaser or any of our or their respective affiliates or representatives that such an investment meets all relevant legal requirement with respect to investments by Covered Plans or Plans generally or any particular Covered Plan or Plan, or that such investment is prudent or appropriate for Covered Plans or Plans generally or any particular Covered Plan or Plan.

TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States except pursuant to an effective registration statement or in a transaction not subject to the registration requirements under the Securities Act or in accordance with an applicable exemption from the registration requirements thereof.

Notes Offered in Reliance on Rule 144A

Each purchaser of the notes offered and sold pursuant to Rule 144A under the Securities Act will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

(1) It is acquiring such notes for its own account or an account or accounts with respect to which it exercises sole investment discretion and that it or each such account is a QIB and is aware that the sale to it is being made in reliance on Rule 144A.

(2) It understands and agrees that such notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that any resale, pledge or transfer of such notes on which the legend set forth below appears, may be made only (i) to Suntory Holdings Limited, (ii) to a person who the seller and any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 904 of Regulation S under the Securities Act, or (iv) pursuant to another exemption from registration under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

(3) It understands and agrees that the initial purchasers will, and each subsequent noteholder is required to, notify any purchaser of such notes from it of the resale restrictions referred to in paragraph (2) above if then applicable.

(4) It understands and agrees that such notes are initially being offered to QIBs in reliance on Rule 144A. It will not, directly or indirectly, engage in any hedging transaction with regard to such notes except as permitted by the Securities Act. It will not resell, pledge or otherwise transfer any such notes except pursuant to the restrictions set forth in the legend in paragraph (5) below.

(5) It understands that such notes will bear a legend to the following effect unless otherwise agreed by Suntory Holdings Limited:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) AND (B) AGREES FOR THE BENEFIT OF SUNTORY HOLDINGS LIMITED THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) TO SUNTORY HOLDINGS LIMITED, (2) PURSUANT TO RULE 144A TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THE REOFFER, RESALE, PLEDGE OR TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (4) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, SUNTORY HOLDINGS LIMITED OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF SUNTORY HOLDINGS LIMITED THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THIS LEGEND WILL ONLY BE REMOVED AT THE OPTION OF SUNTORY HOLDINGS LIMITED.

(6) It acknowledges that Suntory Holdings Limited, the initial purchasers, the trustee and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of notes are no longer accurate, it will promptly notify Suntory Holdings Limited, the initial purchasers and the trustee. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has a sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

For further discussion of the requirements (including the presentation of the transfer certificates) under the indenture to effect exchanges or transfers of interests in global notes, see "Description of the Notes—Book Entry; Delivery and Form."

Notes Offered in Reliance on Regulation S

Terms used in this section have the same meaning as defined in Regulation S under the Securities Act.

Each purchaser of the notes offered and sold in reliance on Regulation S outside the United States will be deemed to have represented and agreed as follows:

(1) The purchaser is not a U.S. person and is acquiring such notes in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act,

(2) The purchaser understands that such notes have not been and will not be registered under the Securities Act and, until 40 days after the closing of the offering, may not be reoffered, resold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions pursuant to an exemption from registration under the Securities Act, and

(3) It understands that such notes will bear a legend to the following effect unless otherwise agreed by Suntory Holdings Limited:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITIES OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. SUNTORY HOLDINGS LIMITED HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

(4) It acknowledges that Suntory Holdings Limited, the initial purchasers, the trustee and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of notes are no longer accurate, it will promptly notify Suntory Holdings Limited, the initial purchasers and the trustee. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has a sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

For further discussion of the requirements (including the presentation of the transfer certificates) under the indenture to effect exchanges or transfers of interests in global notes, see "Description of the Notes—Book Entry; Delivery and Form."

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated June 4, 2024, or the purchase agreement, between us and the initial purchasers named below, for whom Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC are acting as representatives, each of the initial purchasers has agreed, severally and not jointly, to purchase, and we have agreed to sell to the initial purchasers, the respective principal amount of the notes listed opposite their names below.

Initial purchasers	Principal amount of the notes
Morgan Stanley & Co. LLC	$170,000,000
Citigroup Global Markets Inc.	150,000,000
J.P. Morgan Securities LLC	150,000,000
BofA Securities, Inc.	10,000,000
Goldman Sachs & Co. LLC	10,000,000
BNP Paribas	10,000,000
Total	$500,000,000

The initial purchasers have advised us that they propose initially to offer the notes at the offering price listed on the cover page of this offering memorandum. After the initial offering, the price to investors or any other term of the offering may be changed.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated. The initial purchasers are offering the notes subject to their acceptance of the notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the notes are subject to approval of certain legal matters by their counsel and to certain other conditions.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against certain liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The notes are being offered by the initial purchasers or affiliates of certain of the initial purchasers in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act and by initial purchasers or affiliates of certain of the initial purchasers to QIBs in reliance on Rule 144A under the Securities Act.

Price Stabilization

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases in the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase from us in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

No Sales of Similar Securities

During the period commencing on the date hereof and ending the closing date of this offering, we have agreed that we will not, without first obtaining the prior written consent from the representatives of the initial purchasers, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise transfer or dispose of, any other U.S. dollar-denominated senior debt securities of ours.

Settlement

We expect that delivery of the notes will be made to investors on or about June 11, 2024, which will be 5 business days following the date of this offering memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

New Issue of Notes

The notes are a new issue of securities with no established trading market. In addition, the notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions." Approval in-principle has been received for the listing of and quotation for the notes on the Singapore Exchange. For so long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, the notes will be traded on the Singapore Exchange in a minimum board lot size of S$200,000 (or its equivalent in other currencies). We have been advised by certain of the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors. See "Risk Factors—Risk Relating to the Notes—The market for the notes offered by this offering memorandum may have limited liquidity."

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the notes, or possession or distribution of this offering memorandum, any amendment or supplement thereto, or any other offering or publicity material relating to the notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering or publicity material relating to the notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The notes have not been and will not be registered under the Securities Act or any state securities law. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities law, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be QIBs or pursuant to offers and sales to non-U.S. persons within the meaning of Regulation S. In addition, until 40 days after the closing of this offering, an offer or sale of notes within the United States by a dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

Japan

The notes have not been and will not be registered under the FIEA and are subject to the Special Taxation Measures Act. Each of the initial purchasers has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any notes in Japan or to, or for the benefit of, any resident in Japan for the Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan, and (ii) it has not, directly or indirectly, offered or sold and will not, as part of its distribution under the purchase agreement relating to the notes, at any time, directly or indirectly, offer or sell any of the notes to, or for the benefit of, any person other than a beneficial owner that is, (a) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act (excluding an underwriter designated in Article 6, Paragraph (12), item 1 of the Special Taxation Measures Act which purchases unsubscribed portions of the notes from the other underwriters), or (b) a Japanese financial institution or a Japanese financial instruments business operator, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order.

Prohibition of Sales to EEA Retail Investors

The notes have not been and will not be offered, sold or otherwise made available to any retail investor in the EEA.

For the purposes of this provision,

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

Prohibition of Sales to UK Retail Investors

The notes have not been and will not be offered, sold or otherwise made available to any retail investor in the United Kingdom.

For the purposes of this provision,

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK law; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK law; or

(iii) not a qualified investor as defined in the Prospectus Regulation as it forms part of UK law; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or in the initial purchasers' possession for the purposes of this offering or will be issued or in the initial purchasers' possession for the purposes of this offering in Hong Kong or elsewhere other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, may not be circulated or distributed, nor may the notes be offered or sold, or made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018.

Investors should note that there may be restrictions on the secondary sale of the notes under Section 276 of the SFA.

Any reference to the "SFA" is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Stamp Taxes and Other Charges

Purchasers of the notes offered by this offering memorandum may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price on the cover page of this offering memorandum.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, commercial and investment banking and other services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account and for the accounts of their customers, and such investments and securities activities may involve securities, instruments or assets of ours or our affiliates or related to our business. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and/or may publish or express independent research views in respect of such securities or instruments or in respect of assets, currencies or commodities that may be related to our business, and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities, instruments, currencies or commodities.

LEGAL MATTERS

Certain legal matters with respect to the offering will be passed upon for us by Nishimura & Asahi (Gaikokuho Kyodo Jigyo) in respect of Japanese law. Certain legal matters with respect to the offering will be passed upon for us by Simpson Thacher & Bartlett LLP and for the initial purchasers by Gaikokuho Kyodo-Jigyo Horitsu Jimusho Linklaters, in each case in respect of New York state and U.S. federal securities law.

INDEPENDENT AUDITOR

The consolidated financial statements of Suntory Holdings Limited as of and for the years ended December 31, 2022 and 2023, included in this offering memorandum, have been audited by Deloitte Touche Tohmatsu LLC, independent auditor, as stated in its reports appearing herein.

LISTING

Approval in-principle has been received for the listing of and quotation for the notes on the Singapore Exchange. The notes will be traded on the Singapore Exchange in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require.

For so long as the notes are listed on the Singapore Exchange and the rules of the Singapore Exchange so require, in the event that the global note is exchanged for definitive notes, we will appoint and maintain a paying agent in Singapore, where the definitive notes in respect of such notes may be presented or surrendered for payment or redemption. In addition, in the event that the global note is exchanged for definitive notes, an announcement of such exchange will be made by or on our behalf through the Singapore Exchange and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF SUNTORY HOLDINGS LIMITED AND ITS SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Suntory Holdings Limited:

<Audit of Consolidated Financial Statements>

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, 2023, and the consolidated statement of income, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

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, 2023, included goodwill of ¥1,040,674 million and intangible assets with indefinite useful lives of ¥1,586,622 million. These accounted for 17% and 26% of the total assets, respectively, and mainly attributed to Alcoholic beverages segment and Beverages and foods segment. As described in Note 15, goodwill and intangible assets with indefinite useful lives are primarily related to Beam Inc. (currently, Suntory Global Spirits Inc.), which was acquired in 2014. The goodwill of ¥761,640 million was allocated to the spirits business. Trademarks, such as Jim Beam and Maker's Mark, of ¥1,148,993 million 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 and compares the carrying amount of an asset or a cash-generating unit to the recoverable amount. The Group calculates the recoverable amount 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 recoverable amount 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 the growth rate of spirits market and the effect of cost increase including raw materials, 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.	For the key audit matter, we performed the following audit procedures, among others, by instructing the component auditors of the consolidated subsidiaries: (1) Evaluation of internal controls • We tested the design and operating effectiveness of internal controls over the impairment test of goodwill and intangible assets with indefinite useful lives, including internal controls over the selection of the significant assumptions for the forecasts of future cash flows, discount rate, and others. • We tested the design and operating effectiveness of internal controls over internal review and approval process for the calculation result of the recoverable amount. (2) Evaluation of the reasonableness of management's estimate related to the recoverable amount • By comparing the business plan developed in the past with the actual results, we considered 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 business plan. • We determined whether the assumptions of the growth rate of spirits market and the effect of cost increase including raw materials were consistent with the external market information. • We discussed the strategy of primary brands with management and compared the growth rate of the period beyond the term of the business plan with the growth rate of industry. 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 valuation specialists, we evaluated the appropriateness of the valuation methodology and significant assumptions, such as the discount rate, used for the calculation of the recoverable amount. • 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, the terminal growth rate, the 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 IFRS Accounting Standards, 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 IFRS Accounting Standards 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 IFRS Accounting Standards, 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, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended December 31, 2023, which were charged by us and our network firms to Suntory Holdings Limited and its subsidiaries were ¥1,542 million and ¥641 million, respectively.

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

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

/s/ Deloitte Touche Tohmatsu LLC
Osaka, Japan
May 15, 2024

Suntory Holdings Limited and Its Subsidiaries

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

Consolidated statement of financial position
Suntory Holdings Limited and its subsidiaries
As at December 31, 2023

(Millions of yen)

	Notes	December 31, 2022	December 31, 2023
Assets			
Current assets:			
Cash and cash equivalents	8	301,938	318,623
Trade and other receivables	9,36	528,880	599,357
Other financial assets	10,36	18,802	44,663
Inventories	11	656,879	691,503
Other current assets	12	52,864	69,086
Sub-total		1,559,365	1,723,234
Assets held for sale	13	6,144	165,930
Total current assets		1,565,509	1,889,165
Non-current assets:			
Property, plant and equipment	14	825,613	922,804
Right-of-use assets	23	114,596	119,280
Goodwill	15	1,015,862	1,040,674
Intangible assets	15	1,628,232	1,729,688
Investments accounted for using the equity method	16	55,886	67,416
Other financial assets	10,36	196,716	189,145
Deferred tax assets	17	37,199	37,924
Other non-current assets	12	40,773	46,674
Total non-current assets		3,914,880	4,153,608
Total assets		5,480,390	6,042,774

Consolidated statement of financial position
Suntory Holdings Limited and its subsidiaries
As at December 31, 2023 (continued)

(Millions of yen)

	Notes	December 31, 2022	December 31, 2023
Liabilities and equity			
Liabilities			
Current liabilities:			
Bonds and borrowings	18,36	236,137	446,639
Trade and other payables	19	698,360	770,244
Other financial liabilities	20,36	103,130	92,485
Accrued income taxes		24,985	45,153
Provisions	21	9,291	7,138
Other current liabilities	22	95,884	106,338
Sub-total		1,167,789	1,467,999
Liabilities directly associated with assets held for sale	13	3,419	24,816
Total current liabilities		1,171,208	1,492,816
Non-current liabilities:			
Bonds and borrowings	18,36	1,113,588	901,161
Other financial liabilities	20,36	137,741	138,765
Post-employment benefit liabilities	24	37,546	40,370
Provisions	21	11,613	12,129
Deferred tax liabilities	17	366,176	378,769
Other non-current liabilities	22	19,682	20,424
Total non-current liabilities		1,686,349	1,491,620
Total liabilities		2,857,558	2,984,437
Equity			
Share capital	25	70,000	70,000
Share premium	25	127,741	127,741
Retained earnings	25	1,652,296	1,816,187
Treasury shares	25	(938)	(938)
Other components of equity	25	282,461	501,063
Total equity attributable to owners of the Company		2,131,561	2,514,053
Non-controlling interests		491,270	544,283
Total equity		2,622,832	3,058,337
Total liabilities and equity		5,480,390	6,042,774

Consolidated statement of profit or loss
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2023

(Millions of yen)

	Notes	Year ended December 31, 2022	Year ended December 31, 2023
Revenue (including liquor tax)	6,27	2,970,138	3,285,110
Less: liquor tax		(311,357)	(333,015)
Revenue (excluding liquor tax)	6,27	2,658,781	2,952,095
Cost of sales		(1,468,065)	(1,633,777)
Gross profit		1,190,716	1,318,318
Selling, general and administrative expenses	29	(931,564)	(1,018,694)
Share of the profit and loss on investments accounted for using the equity method	16	11,747	18,697
Other income	28	23,354	10,307
Other expenses	30	(17,785)	(11,430)
Operating income	6	276,468	317,198
Finance income	31	3,614	6,783
Finance costs	31	(18,264)	(26,555)
Profit before income taxes		261,818	297,426
Income tax expenses	17	(73,284)	(69,305)
Profit for the year		188,533	228,120
Attributable to:			
Owners of the Company		136,211	172,707
Non-controlling interests		52,321	55,413
Profit for the year		188,533	228,120
Earnings per share (Yen)	33	198.63	251.85

Consolidated statement of comprehensive income
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2023

(Millions of yen)

	Notes	Year ended December 31, 2022	Year ended December 31, 2023
Profit for the year		188,533	228,120
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Changes in the fair value of financial assets	32	8,139	9,044
Remeasurement of defined benefit plans	32	8,996	(2,879)
Changes in comprehensive income of investments accounted for using the equity method	16,32	3	13
Total		17,139	6,178
Items that may be reclassified to profit or loss:			
Translation adjustments of foreign operations	32	300,591	239,483
Changes in the fair value of cash flow hedges	32	(1,322)	1,299
Changes in comprehensive income of investments accounted for using the equity method	16,32	6,235	4,564
Total		305,504	245,347
Other comprehensive income for the year, net of tax		322,643	251,525
Comprehensive income for the year		511,177	479,646
Attributable to:			
Owners of the Company		430,471	391,407
Non-controlling interests		80,706	88,239
Comprehensive income for the year		511,177	479,646

Consolidated statement of changes in equity
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2023

(Millions of yen)

	Notes	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2022		70,000	127,856	1,525,260	(938)	(12,173)	1,710,005	437,387	2,147,392
Profit for the year				136,211			136,211	52,321	188,533
Other comprehensive income						294,259	294,259	28,384	322,643
Total comprehensive income for the year		-	-	136,211	-	294,259	430,471	80,706	511,177
Dividends	26			(8,914)			(8,914)	(26,820)	(35,735)
Transactions with non-controlling interests			(115)	115			(0)	(2)	(2)
Transfer from other components of equity to retained earnings				(375)		375	-		-
Total transactions with owners of the Company		-	(115)	(9,175)	-	375	(8,914)	(26,822)	(35,737)
Balance at December 31, 2022		70,000	127,741	1,652,296	(938)	282,461	2,131,561	491,270	2,622,832
Profit for the year				172,707			172,707	55,413	228,120
Other comprehensive income						218,699	218,699	32,826	251,525
Total comprehensive income for the year		-	-	172,707	-	218,699	391,407	88,239	479,646
Dividends	26			(8,914)			(8,914)	(35,227)	(44,141)
Transactions with non-controlling interests			(0)				(0)	(0)	(0)
Transfer from other components of equity to retained earnings				97		(97)	-		-
Total transactions with owners of the Company		-	(0)	(8,817)	-	(97)	(8,914)	(35,227)	(44,141)
Balance at December 31, 2023		70,000	127,741	1,816,187	(938)	501,063	2,514,053	544,283	3,058,337

Consolidated statement of cash flows
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2023

(Millions of yen)

	Notes	Year ended December 31, 2022	Year ended December 31, 2023
Cash flows from operating activities			
Profit before income taxes		261,818	297,426
Depreciation and amortization		135,215	140,116
Impairment losses (reversal of impairment losses)		3,155	861
Interest and dividend income		(3,448)	(6,755)
Interest expense		15,805	20,981
Gain on investments accounted for using the equity method		(11,747)	(18,697)
Gain on sales of shares of subsidiaries		(16,020)	(4,838)
Increase in inventories		(95,386)	(65,078)
Increase in trade and other receivables		(34,262)	(52,188)
Increase in trade and other payables		38,269	48,564
Other		12,790	(9,322)
Sub-total		306,188	351,069
Interest and dividends received		16,939	19,766
Interest paid		(17,121)	(17,547)
Income taxes paid		(61,569)	(83,286)
Net cash inflow from operating activities		244,436	270,002
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(140,212)	(176,042)
Proceeds from sales of property, plant and equipment and intangible assets		5,199	6,706
Payments for acquisition of investment securities		(4,334)	(1,809)
Payments for acquisition of shares in subsidiaries involving changes in the scope of consolidation		-	(2,879)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	7	18,400	4,626
Purchase of shares of subsidiaries and associates		-	(3,799)
Proceeds from sale of shares of subsidiaries and associates		-	686
Other		(5)	1,934
Net cash outflow from investing activities		(120,952)	(170,576)
Cash flows from financing activities			
Increase in short-term borrowings and commercial papers	35	3,419	9,780
Proceeds from long-term borrowings and bonds	35	156,618	251,999
Repayment of long-term borrowings and bonds	35	(225,859)	(276,597)
Payments of finance lease liabilities	35	(30,147)	(34,519)
Dividends paid to owners of the Company	26	(8,914)	(8,914)
Dividends paid to non-controlling interests		(26,870)	(35,302)
Net cash outflow from financing activities		(131,755)	(93,554)
Net increase (decrease) in cash and cash equivalents		(8,270)	5,871
Cash and cash equivalents at the beginning of the year (Amounts stated in the consolidated statement of financial position)	8	297,717	301,938
Reversal of cash and cash equivalents included in assets held for sale at the beginning of the year	13	-	1,958
Cash and cash equivalents at the beginning of the year		297,717	303,896
Effects of exchange rate changes on cash and cash equivalents		14,450	10,247
Cash and cash equivalents included in assets held for sale	13	(1,958)	(1,391)
Cash and cash equivalents at the end of the year	8	301,938	318,623

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 IFRS Accounting Standards. The Group's consolidated financial statements were authorized for issuance by Takeshi Niinami, Representative Director, President & Chief Executive Officer, and Toru Miyanaga, Managing Executive Officer, on May 15, 2024.

(2) 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. Material accounting policy information

(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 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 income 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 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 to a known amount of 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 25 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. Material accounting policy information (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. Material accounting policy information (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. Material accounting policy information (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: 5 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. Material accounting policy information (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 transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, and affects neither accounting profit nor taxable profit;
- Deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint 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 group tax sharing system.

(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 sale is highly probable within one year, it is available for immediate sale in its present condition, and the appropriate level of management of the Group is committed to a plan to sell the asset or 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.

(Changes in accounting policies)

Since the current fiscal year, the Group has adopted the below standard.

IFRS Accounting Standards		Summary
International Accounting Standards (“IAS”) 12 (Revised)	Income Taxes	A temporary exception to the recognition and information disclosure requirements about deferred tax assets and liabilities related to the International Tax Reform -Pillar Two Model Rules

The Group applies the temporary and mandatory exceptions to the deferred tax requirements of IAS 12 (revised) issued by the IASB in May 2023. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and deferred tax liabilities related to taxes arising from tax regimes related to the Pillar Two model rules (“Pillar Two income taxes”).

The taxation on the Pillar Two model rule became effective in 2023 for certain subsidiaries, however, there is no impact on the consolidated financial statements for the year ended December 31, 2023, as it is applicable for fiscal years beginning on or after January 1, 2024.

The adoption of IAS 12 (revised) will require the disclosure of qualitative and quantitative information related to exposure to Pillar Two income taxes; however, the impact of Pillar Two income taxes has not been disclosed because it is currently considered immaterial.

4. Critical accounting estimates and judgements

During the process of preparation of the consolidated financial statements in accordance with IFRS Accounting Standards, 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. Material accounting policy information (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. Material accounting policy information (11) Post-employment benefit plans," "Note 24. Post-employment benefit plans")
- Judgements and estimates made for the recognition and measurement of provisions ("Note 3. Material accounting policy information (12) Provisions," "Note 21. Provisions")
- Judgements made for assessing the recoverability of deferred tax assets ("Note 3. Material accounting policy information (15) Income taxes," "Note 17. Income taxes")
- Judgements made in determining whether the Group controls another entity ("Note 3. Material accounting policy information (1) Basis of consolidation," "Note 16. Investments accounted for using the equity method")
- Fair value measurement of financial instruments ("Note 3. Material accounting policy information (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. Material accounting policy information (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. Material accounting policy information (2) Business combinations" "Note 7. Acquisition and sale of businesses and purchase of non-controlling interests").

5. New accounting standards and interpretations not yet adopted

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

6. Segment information

(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, and others

Alcoholic beverages — sprits, beer, wine, and other alcoholic beverages

Others — healthy foods, ice cream, restaurants, flowers, operations in China, and other operations

(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. Material accounting policy information." 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, 2022

(Millions of yen)

	Reportable segments					
	Beverages and foods	Alcoholic beverages	Others	Segment total	Reconciliations (Note 2)	Consolidated (Note 1)
Revenue (including liquor tax)	1,444,852	1,245,917	279,369	2,970,138	-	2,970,138
Revenue (excluding liquor tax)						
External customers	1,444,852	935,598	278,331	2,658,781	-	2,658,781
Intersegment	5,545	3,785	13,409	22,740	(22,740)	-
Total revenue	1,450,397	939,383	291,741	2,681,522	(22,740)	2,658,781
Segment profit	162,079	140,627	26,990	329,696	(53,228)	276,468
Finance income						3,614
Finance costs						(18,264)
Profit before income taxes						261,818
Others:						
Depreciation and amortization	(70,791)	(42,358)	(15,112)	(128,262)	(6,952)	(135,215)
Share of the profit and loss on investments accounted for using the equity method	411	9,046	2,290	11,747	-	11,747
Capital expenditure	62,980	83,431	18,691	165,102	359	165,462

(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, 2023

(Millions of yen)

	Reportable segments					
	Beverages and foods	Alcoholic beverages	Others	Segment total	Reconciliations (Note 2)	Consolidated (Note 1)
Revenue (including liquor tax)	1,584,267	1,377,680	323,163	3,285,110	-	3,285,110
Revenue (excluding liquor tax)						
External customers	1,584,267	1,045,739	322,089	2,952,095	-	2,952,095
Intersegment	5,660	4,434	15,679	25,774	(25,774)	-
Total revenue	1,589,927	1,050,174	337,768	2,977,870	(25,774)	2,952,095
Segment profit	165,856	175,605	34,068	375,529	(58,330)	317,198
Finance income						6,783
Finance costs						(26,555)
Profit before income taxes						297,426
Others:						
Depreciation and amortization	(72,966)	(44,962)	(15,395)	(133,324)	(6,792)	(140,116)
Share of the profit and loss on investments accounted for using the equity method	(27)	16,128	2,629	18,730	(32)	18,697
Capital expenditure	98,539	87,519	20,540	206,600	7,556	214,156

(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 liquor tax) from external customers was as follows:

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Year ended December 31, 2022	1,502,750	537,555	415,247	514,585	2,970,138
Year ended December 31, 2023	1,653,088	591,551	465,295	575,176	3,285,110

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

Revenue (excluding liquor tax) from external customers was as follows:

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Year ended December 31, 2022	1,299,481	471,930	387,048	500,321	2,658,781
Year ended December 31, 2023	1,429,721	521,925	439,809	560,639	2,952,095

Revenue (excluding liquor tax) 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, 2022	611,242	2,042,523	748,122	182,415	3,584,304
December 31, 2023	617,457	2,189,704	787,451	217,834	3,812,447

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 liquor tax) 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, 2022

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

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

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

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

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

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

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

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

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

Year ended December 31, 2023

There was no material transaction to disclose for the year ended December 31, 2023

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, 2022	December 31, 2023
Trade receivables	491,720	555,675
Other	39,306	45,851
Loss allowance	(2,146)	(2,168)
Total	528,880	599,357

10. Other financial assets

(1) Other financial assets

Other financial assets were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Financial assets at amortized cost		
Guarantee deposits	17,965	18,353
Other	11,906	10,532
Loss allowance	(259)	(207)
Financial assets designated as hedging instruments		
Derivative assets	30,005	35,350
Financial assets at FVTPL		
Derivative assets	1,787	518
Other	10,079	10,517
Financial assets carried at FVTOCI		
Equity instruments (shares)	143,992	158,705
Other	40	37
Total	215,518	233,808
Current assets	18,802	44,663
Non-current assets	196,716	189,145
Total	215,518	233,808

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, 2022	December 31, 2023
Listed shares	54,093	63,695
Unlisted shares	89,899	95,010

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

(Millions of yen)

Shares	December 31, 2022	December 31, 2023
Palace Hotel Co., Ltd.	8,045	9,048
Hankyu Hanshin Holdings, Inc.	3,115	3,567
Toyo Seikan Group Holdings, Ltd.	1,996	2,815
TOHO Co., Ltd.	2,593	2,434
Mitsubishi UFJ Financial Group, Inc.	1,445	1,969
Sumitomo Mitsui Financial Group, Inc.	1,204	1,565
Konoike Transport Co., Ltd.	1,125	1,365
Tokyo Kaikan Co., Ltd.	945	1,139
The Royal Hotel, Ltd.	1,356	1,064

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, 2022	December 31, 2023
Fair value	54	848
Cumulative gains	32	124

The cumulative gains or losses recognized in other comprehensive income in other components of equity are reclassified to retained earnings when the associated financial asset is sold, or a significant deterioration in fair value is recognized. The cumulative gains or losses (net of tax) reclassified to retained earnings during the years ended December 31, 2022 and 2023 are ¥375 million losses and ¥97 million profits, respectively.

11. Inventories

Inventories were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Merchandise and finished goods	566,557	590,467
Work in progress	20,393	23,796
Raw materials	59,326	65,160
Consumables	10,601	12,079
Total	656,879	691,503

Merchandise and finished goods included ¥419,753 million (¥400,634 million as at December 31, 2022) 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, 2022 and 2023 were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Inventories recognized as an expense	1,247,880	1,398,452
Write-down of inventories to net realizable value	2,797	1,568

12. Other assets

Other assets were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Prepaid expenses	25,748	28,918
Consumption taxes receivable	14,882	16,659
Others	53,007	70,183
Total	93,637	115,761
Current assets	52,864	69,086
Non-current assets	40,773	46,674
Total	93,638	115,761

13. Assets held for sale

Assets held for sale and liabilities directly associated with assets held for sale were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Assets held for sale		
Inventories	50	68,754
Property, plant and equipment	1,022	14,394
Goodwill	-	41,142
Intangible assets	23	34,627
Other	5,048	7,013
Total	6,144	165,930
Liabilities directly associated with assets held for sale		
Trade and other payables	899	10,491
Deferred tax liabilities	84	10,088
Other	2,434	4,237
Total	3,419	24,816

The assets and liabilities classified as held for sale at the end of the current fiscal year consisted of the following two items.

In the Beverages and foods segment, the assets and liabilities classified as held for sale are mainly due to the signing of share purchase agreements to transfer shares of subsidiaries and associates which operate non-alcoholic beverages in Indonesia.

The sales of the shares of subsidiaries were completed on March 31, 2024, and that of an associate is expected to take place during the fiscal year ending December 31, 2024 .

In the alcoholic beverages segment, the assets and liabilities classified as held for sale are due to the signing of an exclusive agreement for the transfer of shares of subsidiaries and associates which manufacture and sale cognac. The agreement for this transfer was signed on February 26, 2024. The transfer was completed on April 30, 2024. The base transfer price was approximately USD 1.20 billion (including related to finished goods), equivalent to approximately ¥ 174 billion (calculated at 1 US dollar = 145 yen), and the amount of the gain or loss on the transfer is under the calculation.

Assets held for sale and liabilities directly associated with assets held for sale as at 2022 were recognized in the Other segment in relation to the share transfer agreement made during 2022 for DAIKICHI SYSTEM LIMITED. and SUNTORY F&B International (HONG KONG) CO., Limited. and one other company. The share transfers were completed on January 4, 2023, and March 8, 2023.

Accumulated other comprehensive income (loss) related to assets held for sale is ¥4,349 million (debit) for the year ended December 31, 2023 (¥282 million (credit) for the year ended December 31, 2022), included in other components of equity in consolidated statement of financial position.

(Change in presentation)

“Cash and cash equivalents”, “Trade and other receivables”, “Right-of-use assets” and “Other financial liabilities”, which were separately presented for the year ended December 31, 2022, have become quantitatively immaterial. Therefore, those account balances were included in “Other” for the year ended December 31, 2023. “Intangible assets” and “Deferred tax liabilities”, which was included in “Other” for the year ended December 31, 2022, has become quantitatively material and was separately presented for the year ended December 31, 2023. In order to reflect this change in presentation, Notes to the consolidated financial statements for the year ended December 31, 2022 have been reclassified.

As a result of this change in presentation, of assets held for sale, the amount of ¥1,958 million of “Cash and cash equivalents”, the amount of ¥523 million of “Trade and other receivables”, the amount of ¥1,797 million of “Right-of-use assets” and the amount of ¥792 million of “Other” in the consolidated financial statements for the year ended December 31, 2022 were reclassified and presented as “Intangible assets” of ¥23 million and “Other” of ¥5,048 million. Of the liabilities directly associated with assets held for sale, the amount of ¥2,186 million of "Other financial liabilities" and the amount of ¥332 million of "Other" in the consolidated financial statements for the year ended December 31, 2022 were reclassified and presented as "Deferred tax liabilities" of ¥84 million and "Other" of ¥2,434 million.

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, 2022	314,362	387,050	39,450	9,916	750,780
Additions	7,978	44,541	78,034	969	131,524
Depreciation	(17,348)	(66,174)	-	(2,550)	(86,074)
Impairment losses	(389)	(764)	-	(30)	(1,184)
Disposals	(505)	(6,323)	(100)	(104)	(7,033)
Reclassifications	29,792	47,106	(78,160)	1,261	(0)
Exchange differences	16,448	23,288	4,011	954	44,702
Decrease in scope of consolidation	(319)	(2,896)	(193)	(548)	(3,958)
Other	(491)	(2,337)	(96)	(216)	(3,142)
Balance at December 31, 2022	349,526	423,488	42,944	9,654	825,613
Additions	12,259	51,715	100,940	1,618	166,533
Acquisition through business combination	106	10	-	-	117
Depreciation	(18,728)	(68,088)	-	(2,617)	(89,434)
Impairment losses	(321)	(657)	(4)	(18)	(1,001)
Reversal of impairment losses	-	86	-	53	139
Disposals	(552)	(7,226)	(108)	(399)	(8,287)
Reclassifications to assets held for sale	(7,409)	(4,679)	(2,304)	-	(14,394)
Reclassifications	17,531	41,122	(61,366)	2,711	(1)
Exchange differences	14,764	22,829	4,065	797	42,457
Other	(871)	1,039	976	(82)	1,061
Balance at December 31, 2023	366,303	459,640	85,141	11,719	922,804

Depreciation costs are 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, 2022	576,783	1,080,123	39,515	27,667	1,724,089
December 31, 2022	629,858	1,176,760	43,016	29,657	1,879,293
December 31, 2023	663,185	1,252,180	85,188	33,895	2,034,450

Accumulated depreciation and impairment losses

(Millions of yen)

	Land, buildings and structures	Machinery and equipment	Assets under construction	Other	Total
January 1, 2022	262,420	693,072	65	17,750	973,308
December 31, 2022	280,331	753,272	72	20,003	1,053,679
December 31, 2023	296,881	792,540	47	22,176	1,111,645

(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, 2022	December 31, 2023
Beverages and foods	(704)	(692)
Alcoholic beverages	(294)	(11)
Others	(184)	(297)
Total	(1,184)	(1,001)

Impairment losses recognized for the years ended December 31, 2022 and 2023 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)

		Intangible assets		
	Goodwill	Trademarks	Other	Total
Balance at January 1, 2022	907,119	1,343,728	124,694	1,468,423
Additions	-	-	11,616	11,616
Amortization	-	(7,610)	(11,400)	(19,011)
Impairment loss	(623)	(1,074)	(503)	(1,578)
Disposals	-	-	(464)	(464)
Exchange differences	109,853	157,744	10,570	168,314
Other	(485)	(107)	1,037	929
Balance at December 31, 2022	1,015,862	1,492,682	135,549	1,628,232
Additions	-	1	14,716	14,718
Amortization	-	(8,334)	(11,982)	(20,316)
Impairment loss	-	-	(0)	(0)
Disposals	-	-	(440)	(440)
Reclassified as assets held for sale	(41,142)	(34,553)	(73)	(34,627)
Exchange differences	65,335	134,189	7,480	141,670
Other	618	(0)	453	452
Balance at December 31, 2023	1,040,674	1,583,985	145,702	1,729,688

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 ¥27,341 million and ¥29,778 million during the years ended December 31, 2022 and 2023, 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, 2022	1,097,320	1,434,818	226,335	1,661,154
December 31, 2022	1,226,462	1,600,233	248,601	1,848,834
December 31, 2023	1,266,318	1,708,646	256,556	1,965,203

Accumulated amortization and impairment losses

(Millions of yen)

	Goodwill	Intangible assets		
		Trademarks	Other	Total
January 1, 2022	190,201	91,090	101,641	192,731
December 31, 2022	210,599	107,551	113,051	220,602
December 31, 2023	225,644	124,661	110,853	235,515

The breakdown of goodwill was as follow:

(Millions of yen)

Reportable segments	December 31, 2022	December 31, 2023
Beverages and foods	264,573	278,231
(Details)		
Japan business	130,680	130,680
Orangina Schweppes Group	94,453	104,902
Alcoholic beverages	751,105	761,640
(Details)		
Spirits business	751,105	761,640
Other	184	802
Total	1,015,862	1,040,674

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 Suntory Global Spirits Inc.).

The recoverable amount 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 5.9%–17.8% (4.8%–17.2% for the year ended December 31, 2022) of the cash-generating units or cash-generating groups. The future cash flows are calculated considering assumptions based on external information, such as the growth rate of market and effect of cost increases including raw materials, 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 recoverable amount of the cash-generating units or groups of cash-generating units sufficiently exceeds the carrying amount for the current year. The Group assessed that the recoverable amount 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, 2022	December 31, 2023
Beverages and foods	393,961	437,629
(Details)		
(Trademarks) Lucozade and Ribena	164,992	186,317
(Trademarks) Schweppes	84,924	94,334
Alcoholic beverages	1,094,483	1,148,993
(Details)		
(Trademarks) Jim Beam	350,898	375,041
(Trademarks) Maker's Mark	347,076	370,956
Other	-	-
Total	1,488,445	1,586,622

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 Suntory Global Spirits 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 recoverable amount 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 7.5%–10.0% (6.6%–12.5% for the year ended December 31, 2022) 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 the growth rate of market and effect of cost increases including raw materials, 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 recoverable amount of intangible assets with indefinite useful lives sufficiently exceeds the carrying amount of all of the cash-generating units or cash-generating groups for the current year. The Group assesses that the recoverable amount would exceed the carrying amount even though the discount rate and the growth rate may fluctuate at a reasonably assumable level.

Impairments tests are performed on a regular basis. Impairment losses of ¥2,201 million for goodwill and intangible assets were recognized during the year ended December 31, 2022 in Beverages and foods segment, and no significant impairment losses for goodwill and intangible assets were recognized during the year ended December 31, 2023.

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

Due to the Group's decision to dispose of certain goodwill and intangible assets, impairment losses were recognized for the years ended December 31, 2022 and 2023, reflecting the reduction of carrying amounts of assets to their recoverable amounts. The recoverable amounts are primarily calculated as fair value less costs of disposal. Fair value less costs of disposal is based on disposal prices or nil if disposal is not possible. These assets are classified as Level 3 in the fair value hierarchy.

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, 2022	December 31, 2023
Carrying amount		
Associates	41,191	50,718
Joint ventures	14,695	16,697
Total	55,886	67,416

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

(Millions of yen)

	December 31, 2022	December 31, 2023
Profit for the year		
Associates	9,080	15,616
Joint ventures	2,667	3,080
Total	11,747	18,697
Other comprehensive income		
Associates	4,545	3,221
Joint ventures	1,693	1,357
Total	6,239	4,578
Comprehensive income for the year		
Associates	13,626	18,837
Joint ventures	4,360	4,437
Total	17,986	23,275

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, 2022

(Millions of yen)

	January 1, 2022	Recognized in profit or loss	Recognized in OCI	Other (Note)	December 31, 2022
Deferred tax assets					
Tax loss carryforwards	22,378	(4,378)	-	1,376	19,377
Post-employment benefit liabilities	10,736	(305)	(1,107)	690	10,014
Inventories	5,580	1,202	-	20	6,803
Accrued expenses	17,039	(829)	-	1,316	17,526
Translation differences on foreign operations	15,818	-	1,487	-	17,305
Lease liabilities	25,588	(1,027)	-	834	25,395
Other	36,198	2,475	1,350	1,085	41,110
Total	133,341	(2,862)	1,730	5,325	137,533
Deferred tax liabilities					
Intangible assets	(315,262)	(2,214)	-	(38,553)	(356,030)
Temporary differences associated with investments in subsidiaries	(9,099)	(222)	14	(1,398)	(10,706)
Property, plant and equipment	(26,011)	(2,827)	-	(1,933)	(30,772)
Changes in the fair value of financial assets	(12,686)	-	(2,567)	139	(15,114)
Right-of-use assets	(24,979)	1,018	-	(253)	(24,213)
Other	(25,934)	306	(2,335)	(1,707)	(29,671)
Total	(413,975)	(3,938)	(4,889)	(43,706)	(466,510)

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

Year ended December 31, 2023

(Millions of yen)

	January 1, 2023	Recognized in profit or loss	Recognized in OCI	Other (Note)	December 31, 2023
Deferred tax assets					
Tax loss carryforwards	19,377	8,302	-	2,329	30,009
Post-employment benefit liabilities	10,014	(192)	685	986	11,494
Inventories	6,803	538	-	92	7,434
Accrued expenses	17,526	2,202	-	388	20,117
Translation differences on foreign operations	17,305	-	231	-	17,537
Lease liabilities	25,395	(1,117)	-	581	24,859
Other	41,110	3,037	(928)	297	43,517
Total	137,533	12,770	(10)	4,676	154,970
Deferred tax liabilities					
Intangible assets	(356,030)	(314)	-	(21,935)	(378,280)
Temporary differences associated with investments in subsidiaries	(10,706)	(86)	-	(722)	(11,515)
Property, plant and equipment	(30,772)	(184)	-	(446)	(31,402)
Changes in the fair value of financial assets	(15,114)	-	(4,251)	-	(19,366)
Right-of-use assets	(24,213)	993	-	(458)	(23,678)
Other	(29,671)	(1,546)	861	(1,213)	(31,571)
Total	(466,510)	(1,138)	(3,390)	(24,777)	(495,815)

(Note) “Other” in the schedule above primarily comprise foreign exchange movement and reclassifications to assets held for sale and liabilities directly associated with assets held for sale.

(Changes in accounting policies)

The Group has applied IAS 12 “Income taxes” (revised on May, 2021) from the current fiscal year. This amendment clarified that companies are required to recognize deferred tax liabilities and deferred tax assets for transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, such as leases and decommissioning obligations—transactions for which companies recognize both an asset and a liability. The Group has applied the amendment retrospectively, but the impact on the consolidated financial statements for the previous fiscal year was not material. The breakdown and movement of deferred tax assets and deferred tax liabilities by nature for the previous fiscal year are reclassified retrospectively.

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

(Millions of yen)

	December 31, 2022	December 31, 2023
Tax loss carryforwards	17,144	18,384
Unused tax credits	13,327	10,122
Deductible temporary differences	56,372	66,733
Total	86,843	95,240

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, 2022	December 31, 2023
Expires within 1 year	388	313
Expires between 1 and 2 years	204	3,373
Expires between 2 and 3 years	4,466	318
Expires between 3 and 4 years	341	655
Expire after 4 years	11,744	13,723
Total	17,144	18,384

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

(Millions of yen)

Deferred tax credits	December 31, 2022	December 31, 2023
Expires within 1 year	36	21
Expires between 1 and 2 years	227	3,913
Expires between 2 and 3 years	3,777	4,270
Expires between 3 and 4 years	3,920	249
Expire after 4 years	5,365	1,667
Total	13,327	10,122

Taxable temporary differences (tax basis) associated with investments in subsidiaries for which deferred tax liabilities are not recognized as at December 31, 2022 and 2023 were ¥118,354 million and ¥188,908 million, 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, 2022	December 31, 2023
Current tax expense	66,483	80,937
Deferred tax expense	6,801	(11,632)
Total	73,284	69,305

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

	December 31, 2022	December 31, 2023
	(%)	(%)
Effective statutory tax rate	30.6	30.6
Differences in overseas tax rates	(4.8)	(4.7)
Share of the profit and loss on investments accounted for using the equity method	(1.4)	(1.9)
Other	3.6	(0.7)
Average effective tax rate	28.0	23.3

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, 2023 (30.6% for the year ended December 31, 2022). Foreign subsidiaries are subject to income tax expenses in the tax jurisdiction in which they are located.

(Change in presentation)

"Accumulated earnings taxes", which were separately presented for the year ended December 31, 2022, have become quantitatively immaterial. Therefore, those account balances were included in "Other" for the year ended December 31, 2023.

"Share of the profit and loss on investments accounted for using the equity method" which was included in "Other" for the year ended December 31, 2022, has become quantitatively material and was separately presented for the year ended December 31, 2023. In order to reflect this change in presentation, Notes to the consolidated financial statements for the year ended December 31, 2022 have been reclassified.

As a result of this change in presentation, "Accumulated earnings taxes" by 2.0% and "Other" by 0.2% in the consolidated financial statements for the year ended December 31, 2022 were reclassified to and presented as "Share of the profit and loss on investments accounted for using the equity method" by (1.4) % and "Other" by 3.6% for the year ended December 31, 2023.

18. Bonds and borrowings

(1) Bonds and borrowings

Bonds and borrowings were as follows:

	December 31, 2022	December 31, 2023	Average interest rate (Note 1)	Maturity date
	(Millions of yen)		(%)	
Short-term borrowings	29,787	40,965	6.28	–
Current portion of long-term borrowings	83,241	299,867	1.58	–
Current portion of bonds (Note 2)	123,109	105,806	1.61	–
Long-term borrowings	718,318	586,511	0.43	2025 – 2083
Bonds (Note 2)	395,269	314,649	1.40	2025 – 2083
Total	1,349,725	1,347,800		
Current liabilities	236,137	446,639		
Non-current liabilities	1,113,588	901,161		
Total	1,349,725	1,347,800		

(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, 2022	December 31, 2023	Interest rate	Collateral	Maturity date
			(Millions of yen)	(Millions of yen)	(%)		
Suntory Holdings Limited	Publicly offered corporate bonds	June 2, 2016 — November 24, 2023	164,661 (59,979)	174,505	0.18 ~ 0.80	None	June 5, 2025 — May 24, 2033
Suntory Holdings Limited	U.S. dollar bonds	October 16, 2019	66,129 [500,000 thousand U.S. dollars]	70,822 [500,000 thousand U.S. dollars] (70,822)	2.25	None	October 15, 2024
Suntory Holdings Limited	Interest deferrable and early redeemable subordinated bonds	April 25, 2018	71,976	—	0.68	None	April 25, 2078
Suntory Holdings Limited	Interest deferrable and early redeemable subordinated bonds	August 2, 2019	27,939	27,977	0.39	None	August 2, 2079
Suntory Holdings Limited	Interest deferrable and early redeemable subordinated bonds	December 28, 2021	41,776	41,835	0.50	None	December 26, 2081
Suntory Holdings Limited	Interest deferrable and early redeemable subordinated bonds	March 22, 2023	—	19,487	1.17	None	March 22, 2083
Suntory Beverage & Food Limited	Publicly offered corporate bonds	June 26, 2014 — July 8, 2021	49,945 (14,992)	34,983 (34,983)	0.00 ~ 0.70	None	June 26, 2024 — July 8, 2024
Beam Suntory Inc. (Note 3)	Publicly offered corporate U.S. dollar bonds	June 30, 1998 — June 10, 2013	95,948 [723,049 thousand U.S. dollars] (48,137)	50,843 [358,483 thousand U.S. dollars]	5.88 ~ 6.63	None	July 15, 2028 — January 15, 2036
Total	-	-	518,378 (123,109)	420,456 (105,806)	-	-	-

Amounts enclosed in( ) in the table above represent current portion of long-term bonds.
(Note 3) Beam Suntory Inc. changed its name to Suntory Global Spirits Inc. on April 30, 2024.

(2) Assets pledged as collateral

Assets pledged as collateral for loans, etc., of the Company's investees from financial institutions were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Other financial assets	320	320

19. Trade and other payables

Trade and other payables were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Trade payables	279,737	302,315
Accrued expenses	418,623	467,928
Total	698,360	770,244

20. Other financial liabilities

Other financial liabilities were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Financial liabilities measured at amortized cost		
Lease liabilities	118,696	119,933
Deposits received	104,474	97,836
Other	3,862	6,139
Financial liabilities designated as hedging instruments		
Derivative liabilities	13,170	5,729
Financial liabilities measured at FVTPL		
Derivative liabilities	667	1,611
Total	240,872	231,250
Current liabilities	103,130	92,485
Non-current liabilities	137,741	138,765
Total	240,872	231,250

21. Provisions

Changes of provisions were as follows:

(Millions of yen)

	Asset retirement obligations	Other	Total
Balance at January 1, 2022	7,540	11,664	19,205
Additional provisions recognized	905	5,525	6,430
Interest expense	25	-	25
Utilized during the period	(190)	(2,799)	(2,989)
Reversed during the period	(188)	(3,002)	(3,191)
Other	82	1,342	1,424
Balance at December 31, 2022	8,175	12,729	20,905
Additional provisions recognized	275	2,999	3,274
Interest expense	36	-	36
Utilized during the period	(233)	(3,017)	(3,251)
Reversed during the period	(36)	(2,844)	(2,881)
Other	155	1,028	1,184
Balance at December 31, 2023	8,373	10,894	19,268

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, 2022	December 31, 2023
Current liabilities	9,291	7,138
Non-current liabilities	11,613	12,129
Total	20,905	19,268

22. Other liabilities

Other liabilities were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Accrued liquor tax	57,833	61,847
Consumption taxes payable	19,342	23,940
Other	38,390	40,974
Total	115,566	126,762
Current liabilities	95,884	106,338
Non-current liabilities	19,682	20,424
Total	115,566	126,762

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, 2022	December 31, 2023
Depreciation of right-of-use assets		
Land, buildings and structures	23,424	25,129
Machinery and equipment	2,377	2,136
Others	3,285	3,163
Total	29,087	30,429
Variable lease payments not included in measurement of lease liabilities	2,257	2,657
Others (Note)	20,055	23,513

(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, 2022	December 31, 2023
Land, buildings and structures	102,184	107,303
Machinery and equipment	6,621	5,561
Others	5,789	6,415
Total	114,596	119,280

The amount of increase in right-of-use assets for the year ended December 31, 2023 is ¥33,011 million (¥21,328 million for the fiscal year ended December 31, 2022).

The total amount of lease cash outflow for the year ended December 31, 2023 is ¥62,248 million (¥53,960 million for the fiscal year ended December 31, 2022).

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.

Some of the lease payments of real estate in which the Group is variable based on revenue amounts at stores in the contracts.

The rate variable based on revenue amounts differs at each store within 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, 2022	2,321	532	296	220	212	185	873
December 31, 2023	2,626	555	418	398	380	183	690

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.

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

[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, 2022	December 31, 2023
Present value of funded defined benefit obligations	157,504	157,028
Fair value of plan assets	(165,827)	(166,328)
	(8,322)	(9,299)
Present value of unfunded defined benefit obligation	33,544	35,881
Effect of asset ceiling	4,141	11,058
Net defined benefit liability	29,363	37,640
Balance in consolidated statement of financial position		
Post-employment benefit liabilities	37,546	40,370
Post-employment benefit assets	(8,183)	(2,729)
Net of liabilities and assets	29,363	37,640

[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, 2022	December 31, 2023
Balance at beginning of the year	225,873	191,048
Current service cost	8,234	7,358
Interest expense	2,952	4,561
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	19	(198)
Actuarial gains and losses arising from changes in financial assumptions	(37,799)	(534)
Past service cost	(147)	33
Benefits paid	(10,208)	(9,923)
Plan amendment	-	(2,935)
Exchange differences	7,782	4,701
Other	(5,657)	(1,200)
Balance at end of the year	191,048	192,910

Remeasurements include adjustments due to actual results.

The weighted-average duration of the defined benefit obligation as at December 31, 2022 and 2023 was 14.0 years and 13.8 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, 2022	December 31, 2023
Balance at beginning of the year	190,255	165,827
Interest income	2,360	4,008
Remeasurements:		
Return on plan assets (other than interest income)	(21,641)	2,221
Employer contributions	3,148	2,660
Employee contributions	1	1
Benefits paid	(8,809)	(8,135)
Plan amendment	-	(3,147)
Exchange differences	5,994	2,925
Other	(5,481)	(33)
Balance at end of the year	165,827	166,328

The contribution by the Group to defined benefit plans is expected to be ¥4,189 million 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, 2022			December 31, 2023		
	Quoted market price	Unquoted market price	Total	Quoted market price	Unquoted market price	Total
Cash and cash equivalents	3,204	-	3,204	2,527	-	2,527
Equity instruments	-	28,530	28,530	-	24,814	24,814
Domestic	-	4,494	4,494	-	5,910	5,910
Overseas	-	24,035	24,035	-	18,903	18,903
Debt instruments	81	55,478	55,559	111	53,893	54,005
Domestic	-	16,170	16,170	-	8,456	8,456
Overseas	81	39,307	39,389	111	45,436	45,548
Life insurance-General accounts	-	21,376	21,376	-	21,672	21,672
Other	-	57,155	57,155	-	63,309	63,309
Total	3,286	162,540	165,827	2,638	163,689	166,328

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] Asset ceiling

Asset ceiling was as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Balance at beginning of the year	-	4,141
Remeasurement		
Changes in effect of asset ceiling	4,141	6,916
Balance at end of the year	4,141	11,058

[6] Significant actuarial assumptions

Significant actuarial assumptions were as follows:

	December 31, 2022	December 31, 2023
Discount rate	1.0%~9.3%	0.6%~9.3%

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, 2022	December 31, 2023
Discount rate	Increase by 0.5%	(11,323)	(11,568)
	Decrease by 0.5%	11,644	10,984

[7] Defined benefit cost

Defined benefit costs were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Current service cost	8,234	7,358
Interest expense	2,952	4,561
Interest income	(2,360)	(4,008)
Past service cost	(147)	33
Loss on plan amendment	-	212
Total	8,679	8,156

The Group's contribution to the plans for the years ended December 31, 2022 and 2023 were ¥20,456 million and ¥22,968 million, respectively, and those are not included in the defined benefit costs analyzed above.

(2) Employee benefit expenses

Employee benefit expenses for the years ended December 31, 2022 and 2023 were ¥386,968 million and ¥453,592 million, 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, 2022	1,305,600,000	687,136,196
Increase (decrease)	-	-
Balance at December 31, 2022	1,305,600,000	687,136,196
Increase (decrease)	-	-
Balance at December 31, 2023	1,305,600,000	687,136,196

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

(2) Share premium

Share premium is the remaining of the proceeds from issuance of equity instruments less the amount recognized as share capital. The Companies Act of Japan (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. Equity transactions designated by IFRS 10, "Consolidated Financial Statements," as to charge to equity are recorded in share premium as well.

(3) Retained earnings

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

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, 2022	1,380,000	938
Increase (decrease)	-	-
Balance at December 31, 2022	1,380,000	938
Increase (decrease)	-	-
Balance at December 31, 2023	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, 2022	(29,639)	(1,384)	28,939	(10,088)	(12,173)
Other comprehensive income	279,200	(1,165)	7,986	8,238	294,259
Total comprehensive income for the period	279,200	(1,165)	7,986	8,238	294,259
Transfer from other components of equity to retained earnings	-	-	375	-	375
Total transactions with owners of the parent	-	-	375	-	375
Balance at December 31, 2022	249,561	(2,550)	37,300	(1,850)	282,461
Other comprehensive income	210,899	1,134	9,052	(2,386)	218,699
Total comprehensive income for the period	210,899	1,134	9,052	(2,386)	218,699
Transfer from other components of equity to retained earnings	-	-	(29)	(68)	(97)
Total transactions with owners of the parent	-	-	(29)	(68)	(97)
Balance at December 31, 2023	460,461	(1,416)	46,323	(4,304)	501,063

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, 2022 Annual General Meeting of Shareholders held on March 23, 2022	8,914	13	December 31, 2021	March 24, 2022
Year ended December 31, 2023 Annual General Meeting of Shareholders held on March 23, 2023	8,914	13	December 31, 2022	March 24, 2023

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, 2022 Annual General Meeting of Shareholders held on March 23, 2023	8,914	13	December 31, 2022	March 24, 2023
Year ended December 31, 2023 Annual General Meeting of Shareholders held on March 26, 2024	8,914	13	December 31, 2023	March 27, 2024

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 liquor tax from external customers

Year ended December 31, 2022

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Beverages and foods	648,105	145,473	298,531	352,741	1,444,852
Alcoholic beverages	643,328	387,048	116,715	98,824	1,245,917
Others	211,316	5,033	-	63,019	279,369
	1,502,750	537,555	415,247	514,585	2,970,138

Year ended December 31, 2023

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Beverages and foods	702,481	172,871	339,274	369,639	1,584,267
Alcoholic beverages	718,954	412,005	126,020	\120,699	1,377,680
Others	231,652	6,674	-	84,836	323,163
	1,653,088	591,551	465,295	575,176	3,285,110

(2) Revenue excluding liquor tax from external customers

Year ended December 31, 2022

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Beverages and foods	648,105	145,473	298,531	352,741	1,444,852
Alcoholic beverages	440,457	321,423	88,516	85,200	935,598
Others	210,918	5,033	-	62,379	278,331
	1,299,481	471,930	387,048	500,321	2,658,781

Year ended December 31, 2023

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Beverages and foods	702,481	172,871	339,274	369,639	1,584,267
Alcoholic beverages	496,028	342,379	100,534	106,796	1,045,739
Others	231,211	6,674	-	84,203	322,089
	1,429,721	521,925	439,809	560,639	2,952,095

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 that 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, 2022 and 2023. The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less, as allowed as practical expedients.

28. Other income

Other income was as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Gain on sale of investments in subsidiaries and associates	16,020	4,838
Other	7,333	5,469
Total	23,354	10,307

29. Selling, general and administrative expenses

Selling, general and administrative expenses were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Advertising and sales promotion expenses	414,763	440,827
Employee benefits expenses	306,065	337,584
Depreciation and amortization	59,377	62,249
Other	151,358	178,032
Total	931,564	1,018,694

30. Other expenses

Other expenses were as follows:

(Millions of yen)

	December 31, 2022	December 31, 2023
Loss on disposal of property, plant and equipment and intangible assets	3,617	3,815
Impairment losses	3,386	1,001
Restructuring charges	5,625	2,180
Other	5,154	4,433
Total	17,785	11,430

Restructuring charges were expenses mainly for professional advisory fees related to restructuring activities of business integration, 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, 2022	December 31, 2023
Interest received		
From financial assets measured at amortized cost	1,824	4,969
Fair value gains		
From financial assets measured at FVTPL	160	26
Dividends received		
From financial assets measured at FVTOCI		
From financial liabilities derecognized during the year	1	4
From financial assets held at the end of the year	1,623	1,781
Other	3	2
Total	3,614	6,783

(Millions of yen)

Finance costs	December 31, 2022	December 31, 2023
Interest paid		
From financial liabilities measured at amortized cost	15,805	20,981
Fair value losses		
From financial assets and liabilities measured at FVTPL	1,182	914
Other	1,275	4,660
Total	18,264	26,555

Financial costs of lease liabilities were ¥1,499 million and ¥1,557 million for the years ended December 31, 2022 and 2023, respectively, are included in the interest paid from financial liabilities measured at amortized cost in the table above.

32. Other comprehensive income

Year ended December 31, 2022

(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	10,574	-	10,574	(2,435)	8,139
Remeasurement of defined benefit plans	11,997	-	11,997	(3,001)	8,996
Changes in comprehensive income of investments accounted for using the equity method	3	-	3	-	3
Total	22,575	-	22,575	(5,436)	17,139
Items that may be reclassified to profit or loss:					
Translation adjustments of foreign operations	297,506	1,597	299,104	1,487	300,591
Changes in the fair value of cash flow hedges	25,693	(27,805)	(2,112)	789	(1,322)
Changes in comprehensive income of investments accounted for using the equity method	6,235	-	6,235	-	6,235
Total	329,435	(26,207)	303,227	2,276	305,504
Grand total	352,011	(26,207)	325,803	(3,159)	322,643

Year ended December 31, 2023

(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	13,096	-	13,096	(4,052)	9,044
Remeasurement of defined benefit plans	(3,961)	-	(3,961)	1,081	(2,879)
Changes in comprehensive income of investments accounted for using the equity method	13	-	13	-	13
Total	9,149	-	9,149	(2,970)	6,178
Items that may be reclassified to profit or loss:					
Translation adjustments of foreign operations	239,251	-	239,251	231	239,483
Changes in the fair value of cash flow hedges	9,918	(7,957)	1,961	(661)	1,299
Changes in comprehensive income of investments accounted for using the equity method	4,564	-	4,564	-	4,564
Total	253,734	(7,957)	245,777	(429)	245,347
Grand total	262,883	(7,957)	254,926	(3,400)	251,525

33. Earnings per share

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

	December 31, 2022	December 31, 2023
Profit for the year attributable to owners of the Company (Millions of yen)	136,211	172,707
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)	136,211	172,707
Weighted-average number of ordinary shares (share)	685,756,196	685,756,196
Earnings per share (Yen)	198.63	251.85

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, 2022	Cash flows	Non-cash movements				Other changes	Balance at December 31, 2022
			Foreign exchange adjustments	Fair value movement	Amortized cost movement	New finance leases etc.		
Bonds and borrowings	1,380,991	(87,715)	54,912	-	1,537	-	-	1,349,725
Derivatives	(13,884)	21,894	-	(38,541)	-	-	3,933	(26,598)
Lease liabilities	125,111	(30,147)	1,912	-	-	21,821	-	118,696

(Note 1) Cash flows from financing activities associated to bonds and borrowings and derivatives presented above reconciles with the net amount of increase in short-term borrowings and commercial papers, proceeds from long-term borrowings and bonds and repayment of long-term borrowings and bonds 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, 2023	Cash flows	Non-cash movements				Other changes	Balance at December 31, 2023
			Foreign exchange adjustments	Fair value movement	Amortized cost movement	New finance leases etc.		
Bonds and borrowings	1,349,725	(9,193)	4,946	-	618	-	1,704	1,347,800
Derivatives	(26,598)	(5,622)	-	(6,548)	-	-	5,707	(33,062)
Lease liabilities	118,696	(34,519)	2,177	-	-	33,579	-	119,933

(Note 1) Cash flows from financing activities associated to bonds and borrowings and derivatives presented above reconciles with the net amount of increase in short-term borrowings and commercial papers, proceeds from long-term borrowings and bonds and repayment of long-term borrowings and bonds presented in the consolidated statement of cash flows.
(Note 2) "Other changes" presented above includes interest paid and received and reclassifications to liabilities directly associated with assets held for sale 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, 2022	December 31, 2023
Interest-bearing liabilities	1,349,725	1,347,800
Net valuation loss arising from derivative transactions	(29,653)	(34,868)
Interest-bearing liabilities (adjusted)	1,320,072	1,312,932
Cash and cash equivalents	(301,938)	(318,623)
Lease liabilities	118,696	119,933
Adjustment for equity credit for hybrid bonds and subordinated loans	(199,000)	(199,000)
Interest-bearing liabilities (adjusted for hybrid bonds and subordinated loans)	937,830	915,241
Total equity	2,622,832	3,058,337
Adjustment for equity credit for hybrid bonds and subordinated loans	199,000	199,000
Total equity (adjusted for hybrid bonds and subordinated loans)	2,821,832	3,257,337
Net debt-to-equity ratio	0.33	0.28

Adjustment for 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, 2022	61,342	39	449,523
Balance at December 31, 2022	69,139	34	491,720
Balance at December 31, 2023	74,686	45	555,675

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, 2022	231	39	2,161
Increased (decreased) due to financial assets incurred or collected	(12)	(4)	(311)
Write off	-	-	(47)
Exchange differences	5	-	344
Balance at December 31, 2022	224	34	2,146
Increased (decreased) due to financial assets incurred or collected	(48)	57	243
Write off	-	(47)	(208)
Exchange differences	(13)	-	(13)
Balance at December 31, 2023	162	45	2,168

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.

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 (negative amounts represent net receivables).

As at December 31, 2022

(Millions of yen)

	Carrying amount	Contractual amount	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative financial liabilities								
Trade and other payables	698,360	698,360	698,360	-	-	-	-	-
Borrowings	831,347	913,828	120,566	299,774	91,724	24,792	12,165	364,805
Bonds	518,378	550,945	129,579	106,444	23,413	23,373	46,076	222,059
Lease liabilities	118,696	124,831	28,705	24,452	16,968	12,597	9,781	32,324
Derivative financial liabilities								
Currency derivatives	(3,209)	(6,454)	7,354	(13,991)	193	(11)	-	-
Interest rate swaps	(16,742)	(21,760)	(7,348)	(14,412)	-	-	-	-
Commodity derivatives	786	786	786	-	-	-	-	-
Total	2,147,617	2,260,537	978,004	402,267	132,299	60,751	68,023	619,189

As at December 31, 2023

(Millions of yen)

	Carrying amount	Contractual amount	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative financial liabilities								
Trade and other payables	770,244	770,244	770,244	-	-	-	-	-
Borrowings	927,344	941,686	349,028	92,532	45,511	52,868	661	401,084
Bonds	420,456	452,964	111,993	24,306	24,266	46,969	64,038	181,389
Lease liabilities	119,933	127,592	31,232	23,923	16,817	13,100	9,940	32,578
Derivative financial liabilities								
Currency derivatives	(12,126)	(10,835)	(12,821)	1,612	373	-	-	-
Interest rate swaps	(16,203)	(17,100)	(17,471)	106	106	105	52	-
Commodity derivatives	(199)	(199)	(199)	-	-	-	-	-
Total	2,209,449	2,264,353	1,232,005	142,480	87,075	113,044	74,693	615,052

[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

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. The Group is exposed to the risk of changes in the risk-free rate (i.e., SOFR). The exposure arises from non-derivative financial instruments (i.e., borrowings). To mitigate future interest rate risk, fix interest expenses and reduce changes in fair value, the Group uses interest-rate swaps, interest-rate currency swaps, and interest rate options (interest-rate caps and swaptions) as 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, 2022	December 31, 2023
Floating rate bonds and borrowings	1,136	-

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, 2022	December 31, 2023
Profit before income taxes	11	-

[5] Management of market price fluctuation risks

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

The Group is exposed to risks of changes in market prices arising on equity financial instruments (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. Some of the Group's cash flow hedges were affected by the interest rate benchmark reform, but the base rate of all the impacted hedge items and hedge instruments have been shifted to the risk-free rate. The hedge documentation has been amended accordingly.

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, 2022

(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	38,104	-	129	1,963
Short position				
Yen and U.S. dollar	16,413	-	1,176	1
Currency swap contracts				
Payment in U.S. dollar (hedged currency)	53,555	53,555	9,730	-
Receipt in yen				
Payment in yen	38,400	-	615	5,040
Receipt in British pound sterling (hedged currency)				
Payment in yen	23,342	-	339	3,361
Receipt in euro (hedged currency)				
Payment in yen	4,478	4,478	206	25
Receipt in Australian dollar (hedged currency)				
Interest rate risks				
Interest rate swap transactions				
Receiving on a floating interest and paying on a fixed interest	174,194	160,924	574	1,046
Interest rate currency swap transactions				
Receiving on a floating interest and paying on a fixed interest	78,022	57,661	16,868	-
Payment in U.S. dollar (hedged currency)				
Receipt in yen				

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, 2023

(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	34,028	722	629	405
Short position				
Yen and U.S. dollar	16,997	-	915	10
Currency swap contracts				
Payment in U.S. dollar (hedged currency) Receipt in yen	53,555	-	15,574	-
Payment in yen Receipt in U.S. dollar (hedged currency)	42,549	-	37	1,969
Payment in yen Receipt in British pound sterling (hedged currency)	21,681	21,681	-	1,048
Payment in yen Receipt in euro (hedged currency)	18,854	-	12	626
Payment in yen Receipt in Australian dollar (hedged currency)	4,847	4,847	-	174
Interest rate risks				
Interest rate swap transactions				
Receiving on a floating interest and paying on a fixed interest	214,419	52,400	116	1,081
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	57,661	-	17,488	-
Receiving on a floating interest and paying on a fixed interest Payment in yen Receipt in U.S. dollar (hedged currency)	36,592	-	-	306

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, 2022	1,879	(2,772)	29	(864)
Other comprehensive income				
Incurred for the period (Note 1)	5,472	21,028	(808)	25,693
Reclassified (Note 2)	(9,968)	(17,837)	-	(27,805)
Tax effects	1,380	(827)	236	789
Balance at December 31, 2022	(1,235)	(408)	(542)	(2,186)
Other comprehensive income				
Incurred for the period (Note 1)	740	8,214	964	9,919
Reclassified (Note 2)	520	(8,477)	-	(7,957)
Tax effects	(458)	91	(294)	(661)
Balance at December 31, 2023	(432)	(579)	126	(885)

(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 income 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, 2022

(Millions of yen)

	Contractual amount	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Borrowings denominated in U.S. dollars	USD 220 mil.	USD 120 mil.	-	29,194

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, 2023

(Millions of yen)

	Contractual amount	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Borrowings denominated in U.S. dollars	USD 120 mil.	-	-	17,019

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, 2022 (Note 2)	55,494
Other comprehensive income	
Incurred during the period (Note 1)	(4,800)
Tax effects	1,487
Balance at December 31, 2022 (Note 2)	52,181
Other comprehensive income	
Incurred during the period (Note 1)	(759)
Tax effects	231
Balance at December 31, 2023 (Note 2)	51,654

(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 ¥16,073 million of exchange losses as at December 31, 2023 from hedging instruments with discontinued hedging relationships (¥14,882 million of exchange losses as at December 31, 2022).

[3] Fair value hedges

There were no fair value hedges as at December 31, 2022 and December 31, 2023.

(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 method 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 multiples in the comparative multiple valuation, which was from 9 to 22 for the year ended December 31, 2022 and from 9 to 16 for the year ended December 31, 2023. The illiquidity discount rate employed was 15%. The Company does 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:

<u>As at December 31, 2022</u>

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets designated as hedging instruments				
Derivative assets	-	30,005	-	30,005
Financial assets measured at FVTPL				
Derivative assets	-	1,787	-	1,787
Other	3,409	1,620	5,049	10,079
Financial assets measured at FVTOCI				
Equity instruments	54,093	-	89,899	143,992
Other	-	-	40	40
Liabilities:				
Financial liabilities designated as hedging instruments				
Derivative liabilities	-	13,170	-	13,170
Financial liabilities measured at FVTPL				
Derivative liabilities	-	667	-	667

As at December 31, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets designated as hedging instruments				
Derivative assets	-	35,350	-	35,350
Financial assets measured at FVTPL				
Derivative assets	-	518	-	518
Other	3,763	1,525	5,228	10,517
Financial assets measured at FVTOCI				
Equity instruments	63,695	-	95,010	158,705
Other	-	-	37	37
Liabilities:				
Financial liabilities designated as hedging instruments				
Derivative liabilities	-	5,729	-	5,729
Financial liabilities measured at FVTPL				
Derivative liabilities	-	1,611	-	1,611

[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, 2022

(Millions of yen)

	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at January 1, 2022	4,035	77,278
Total gains and losses	(575)	12,813
Profit or loss (Note 1)	(575)	-
Other comprehensive income (Note 2)	-	12,813
Purchased	1,325	122
Sold	(2)	-
Other	266	(274)
Balance at December 31, 2022	5,049	89,940

Year ended December 31, 2023

(Millions of yen)

	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at January 1, 2023	5,049	89,940
Total gains and losses	(789)	5,654
Profit or loss (Note 1)	(789)	-
Other comprehensive income (Note 2)	-	5,654
Purchased	954	-
Sold	(6)	(547)
Other	20	-
Balance at December 31, 2023	5,228	95,047

(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 income 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 carrying amounts reasonably approximate fair value and those that 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 and borrowings 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, 2022

(Millions of yen)

	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities measured at amortized cost					
Bonds	518,378	-	517,404	-	517,404
Borrowings	831,347	-	835,080	-	835,080

Year ended December 31, 2023

(Millions of yen)

	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities measured at amortized cost					
Bonds	420,456	-	421,080	-	421,080
Borrowings	927,344	-	928,510	-	928,510

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, 2022	December 31, 2023
Suntory Beverage & Food Limited	Japan	59.4	59.4
Suntory Foods Limited	Japan	100.0	100.0
Suntory Beverage Solution Limited	Japan	100.0	100.0
Japan Beverage Holdings Inc.	Japan	82.7	82.7
Suntory Products Limited	Japan	100.0	100.0
Suntory Beverage & Food Asia Pte. Ltd.	Singapore	100.0	100.0
Suntory Beverage & Food International (Thailand) Co., Ltd.	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
FRUCOR SUNTORY AUSTRALIA PTY. LIMITED	Australia	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. (Note 2)	United States	100.0	100.0
Suntory Spirits Limited	Japan	100.0	100.0
Suntory Wellness Limited	Japan	100.0	100.0
DYNAC HOLDINGS CORPORATION (Note 1)	Japan	100.0	100.0
Suntory Flowers Ltd.	Japan	100.0	100.0
Suntory (China) Holding Co., LTD.	China	100.0	100.0
Suntory Business Systems Limited	Japan	100.0	100.0
Suntory System Technology Limited	Japan	100.0	100.0
Suntory Global Innovation Center Limited	Japan	100.0	100.0

(Note 1) As of January 1, 2024, through a merger in which DYNAC HOLDINGS CORPORATION served as the surviving corporation, and DYNAC CORPORATION and DYNAC Partners Corporation each served as the absorbed corporations that ceased to exist, the company inherited the businesses of both companies. Following the merger, the Company changed its trade name to DYNAC CORPORATION.

(Note 2) Beam Suntory Inc. changed its name to Suntory Global Spirits Inc. on April 30, 2024.

(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, 2022	December 31, 2023
Proportion of ownership interests held by non-controlling interests (%)	40.5	40.5
Accumulated non-controlling interests	485,971	538,237

(Millions of yen)

	December 31, 2022	December 31, 2023
Profit allocated to non-controlling interests of the subsidiary	52,135	55,262
Dividends paid to non-controlling interests of the subsidiary	26,807	35,242

[2] Summarized consolidated financial information

(Millions of yen)

	December 31, 2022	December 31, 2023
Current assets	606,370	638,907
Non-current assets	1,176,978	1,273,507
Current liabilities	504,160	535,730
Non-current liabilities	219,083	191,657
Equity	1,060,104	1,185,027

(Millions of yen)

	December 31, 2022	December 31, 2023
Revenue	1,450,397	1,591,722
Profit for the year	101,099	104,480
Comprehensive income for the year	157,246	174,847

(Millions of yen)

	December 31, 2022	December 31, 2023
Cash flows generated by operating activities	150,509	158,292
Cash flows used in investing activities	(42,395)	(77,798)
Cash flows used in financing activities	(92,207)	(115,404)
Net increase (decrease) in cash and cash equivalents	15,907	(34,910)

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, 2022	December 31, 2023
Basic remuneration and bonus	1,515	1,827

39. Commitments

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

(Millions of yen)

	December 31, 2022	December 31, 2023
Acquisition of property, plant and equipment	87,632	77,692
Acquisition of intangible assets	-	5,947
Total	87,632	83,639

In addition to the commitment represented above, the Group entered into contracts for a lease of a fixed-term building and a prospect warehouse for the year ended December 31, 2023. The lease periods of these contracts will not begin until the following fiscal year, and therefore, no right-of-use asset or lease liability was recorded as at December 31, 2023. The estimated total payments for this lease contract amount to ¥11,082 million (¥4,046 million at December 31, 2022).

40. Subsequent event

(Acquisition of supplements and skin care business in Thailand)

As at January 9, 2024, a subsidiary of the Group, Suntory Wellness Limited entered into an agreement to acquire NBD Healthcare Co. Ltd in Thailand, from Lakeshore Capital Group and founder of NBD Healthcare Co. Ltd, aiming to build a strong business foundation in Southeast Asia.

After acquiring the shares, the Company's voting rights are 100%, and the acquisition price was USD 160 million (approximately ¥23.2 billion (Note)).

The consideration for this acquisition was cash only, and the funds were raised through borrowings from the Company.

The stock acquisition has been completed in March 2024.

(Note) Calculated at 1 US dollar = 145 yen

NBD Healthcare Co. Ltd's summary is as follows:

Name	NBD Healthcare Company Limited
Location	898 Soi Nuachan 56, Nuanchan Sub-District, Bueng Kum District, Bangkok, Thailand 10230
Business content	Manufacturing and saling of supplements and skin care products
Share capital	345 million Thai baht (as of the end of December 2023)

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, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

Key Audit Matter

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

Valuation of goodwill and intangible assets with indefinite useful lives	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group's consolidated financial statements as of December 31, 2022, included goodwill of ¥1,015,862 million and intangible assets with indefinite useful lives of ¥1,488,445 million. These accounted for 18% and 27% of the total assets, respectively, and mainly attributed to Alcoholic beverages segment and Beverages and foods segment. As described in Note 15, goodwill and intangible assets with indefinite useful lives are primarily related to Beam Inc. (currently, Suntory Global Spirits Inc.), which was acquired in 2014. The goodwill of ¥751,105 million was allocated to the spirits business. Trademarks, such as Jim Beam and Maker's Mark, of ¥1,094,483 million 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 and compares the recoverable amount to the carrying amount of a cash-generating unit. The Group calculates the recoverable amount 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 recoverable amount 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 the growth rate of spirits market and the effect of cost increase including raw materials, 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.	Regarding the key audit matter, we performed the following procedures, among others, by instructing the component auditors of the consolidated subsidiaries: (1) Evaluation of internal controls • We tested the design and operating effectiveness of internal controls over the appropriateness of each assumption used in the calculation of the recoverable amount. In addition, we tested the design and operating effectiveness of internal controls over accuracy and completeness of the significant 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 recoverable amount. (2) Evaluation of the reasonableness of management's estimate related to the recoverable amount • 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 business plan. • We determined whether the assumptions of the growth rate of spirits market and the effect of cost increase including raw materials were consistent with the external market information. • We discussed the strategy of primary brands with management and compared the growth rate of the period beyond the term of the business plan with the growth rate of industry. 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 valuation specialists, we evaluated the appropriateness of the valuation methodology and significant assumptions, such as the discount rate, used for the calculation of the recoverable amount. • 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, the terminal growth rate, the 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 IFRS Accounting Standards, 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 IFRS Accounting Standards 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 IFRS Accounting Standards, 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.

/s/Deloitte Touche Tohmatsu LLC
Osaka, Japan
May 15, 2024

Suntory Holdings Limited and Its Subsidiaries

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

Consolidated statement of financial position
Suntory Holdings Limited and its subsidiaries
As at December 31, 2022

(Millions of yen)

	Notes	December 31, 2021	December 31, 2022
Assets			
Current assets:			
Cash and cash equivalents	8	297,717	301,938
Trade and other receivables	9,36	478,517	528,880
Other financial assets	10,36	17,236	18,802
Inventories	11	529,105	656,879
Other current assets	12	60,263	52,864
Sub-total		1,382,839	1,559,365
Assets held for sale	13	-	6,144
Total current assets		1,382,839	1,565,509
Non-current assets:			
Property, plant and equipment	14	750,780	825,613
Right-of-use assets	23	122,657	114,596
Goodwill	15	907,119	1,015,862
Intangible assets	15	1,468,423	1,628,232
Investments accounted for using the equity method	16	52,756	55,886
Other financial assets	10,36	168,513	196,716
Deferred tax assets	17	48,332	37,199
Other non-current assets	12	32,586	40,773
Total non-current assets		3,551,170	3,914,880
Total assets		4,934,010	5,480,390

Consolidated statement of financial position
Suntory Holdings Limited and its subsidiaries
As at December 31, 2022 (continued)

(Millions of yen)

	Notes	December 31, 2021	December 31, 2022
Liabilities and equity			
Liabilities			
Current liabilities:			
Bonds and borrowings	18,36	249,255	236,137
Trade and other payables	19	635,625	698,360
Other financial liabilities	20,36	100,340	103,130
Accrued income taxes		20,255	24,985
Provisions	21	9,020	9,291
Other current liabilities	22	91,119	95,884
Sub-total		1,105,616	1,167,789
Liabilities directly associated with assets held for sale	13	-	3,419
Total current liabilities		1,105,616	1,171,208
Non-current liabilities:			
Bonds and borrowings	18,36	1,131,736	1,113,588
Other financial liabilities	20,36	153,735	137,741
Post-employment benefit liabilities	24	40,488	37,546
Provisions	21	10,184	11,613
Deferred tax liabilities	17	328,966	366,176
Other non-current liabilities	22	15,888	19,682
Total non-current liabilities		1,681,001	1,686,349
Total liabilities		2,786,617	2,857,558
Equity			
Share capital	25	70,000	70,000
Share premium	25	127,856	127,741
Retained earnings	25	1,525,260	1,652,296
Treasury shares	25	(938)	(938)
Other components of equity	25	(12,173)	282,461
Total equity attributable to owners of the Company		1,710,005	2,131,561
Non-controlling interests		437,387	491,270
Total equity		2,147,392	2,622,832
Total liabilities and equity		4,934,010	5,480,390

Consolidated statement of profit or loss
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2022

(Millions of yen)

	Notes	Year ended December 31, 2021	Year ended December 31, 2022
Revenue (including liquor tax)	6,27	2,559,223	2,970,138
Less: liquor tax		(273,546)	(311,357)
Revenue (excluding liquor tax)	6,27	2,285,676	2,658,781
Cost of sales		(1,215,302)	(1,468,065)
Gross profit		1,070,374	1,190,716
Selling, general and administrative expenses	29	(830,173)	(931,564)
Share of the profit and loss on investments accounted for using the equity method	16	9,704	11,747
Other income	28	15,308	23,354
Other expenses	30	(17,735)	(17,785)
Operating income	6	247,479	276,468
Finance income	31	6,754	3,614
Finance costs	31	(16,785)	(18,264)
Profit before income taxes		237,447	261,818
Income tax benefit (expenses)	17	(82,049)	(73,284)
Profit for the year		155,398	188,533
Attributable to:			
Owners of the Company		113,965	136,211
Non-controlling interests		41,433	52,321
Profit for the year		155,398	188,533
Earnings per share (Yen)	33	166.19	198.63

Consolidated statement of comprehensive income
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2022

(Millions of yen)

	Notes	Year ended December 31, 2021	Year ended December 31, 2022
Profit for the year		155,398	188,533
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Changes in the fair value of financial assets	32	1,961	8,139
Remeasurement of defined benefit plans	32	6,795	8,996
Changes in comprehensive income of investments accounted for using the equity method	16,32	(1)	3
Total		8,756	17,139
Items that may be reclassified to profit or loss:			
Translation adjustments of foreign operations	32	203,962	300,591
Changes in the fair value of cash flow hedges	32	2,498	(1,322)
Changes in comprehensive income of investments accounted for using the equity method	16,32	(993)	6,235
Total		205,466	305,504
Other comprehensive income (loss) for the year, net of tax		214,223	322,643
Comprehensive income for the year		369,621	511,177
Attributable to:			
Owners of the Company		308,854	430,471
Non-controlling interests		60,766	80,706
Comprehensive income for the year		369,621	511,177

Consolidated statement of changes in equity
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2022

(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, 2021		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
Profit for the year				136,211			136,211	52,321	188,533
Other comprehensive income						294,259	294,259	28,384	322,643
Total comprehensive income for the year		-	-	136,211	-	294,259	430,471	80,706	511,177
Dividends	26			(8,914)			(8,914)	(26,820)	(35,735)
Transactions with non-controlling interests			(115)	115			(0)	(2)	(2)
Transfer from other components of equity to retained earnings				(375)		375	-		-
Total transactions with owners of the Company		-	(115)	(9,175)	-	375	(8,914)	(26,822)	(35,737)
Balance at December 31, 2022		70,000	127,741	1,652,296	(938)	282,461	2,131,561	491,270	2,622,832

Consolidated statement of cash flows
Suntory Holdings Limited and its subsidiaries
For the year ended December 31, 2022

(Millions of yen)

	Notes	Year ended December 31, 2021	Year ended December 31, 2022
Cash flows from operating activities			
Profit before income taxes		237,447	261,818
Depreciation and amortization		125,754	135,215
Impairment losses (reversal of impairment losses)		3,716	3,155
Interest and dividend income		(1,643)	(3,448)
Interest expense		16,287	15,805
Gain on investments accounted for using the equity method		(9,704)	(11,747)
Loss (gain) on sales of shares of subsidiaries		-	(16,020)
Increase in inventories		(38,727)	(95,386)
Decrease (increase) in trade and other receivables		(53,698)	(34,262)
(Decrease) increase in trade and other payables		66,619	38,269
Other		5,265	12,790
Sub-total		351,317	306,188
Interest and dividends received		7,917	16,939
Interest paid		(18,420)	(17,121)
Income taxes paid		(60,034)	(61,569)
Net cash flow provided by operating activities		280,779	244,436
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(132,509)	(140,212)
Proceeds from sales of property, plant and equipment and intangible assets		4,151	5,199
Payments for acquisition of investment securities		(24,055)	(4,334)
Payments for acquisition of shares in subsidiaries involving changes in the scope of consolidation		(3,785)	-
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	7	-	18,400
Proceeds from sale of businesses		4,932	-
Other		(1,253)	(5)
Net cash flow used in investing activities		(152,519)	(120,952)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings and commercial papers	35	(36,672)	3,419
Proceeds from long-term borrowings	35	134,192	156,618
Repayment of long-term borrowings	35	(206,264)	(225,859)
Payments of finance lease liabilities	35	(33,035)	(30,147)
Dividends paid to owners of the Company	26	(8,914)	(8,914)
Dividends paid to non-controlling interests		(24,003)	(26,870)
Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(3,688)	-
Other		0	-
Net cash flow used in financing activities		(178,385)	(131,755)
Net increase (decrease) in cash and cash equivalents		(50,125)	(8,270)
Cash and cash equivalents at the beginning of the year	8	338,259	297,717
Effects of exchange rate changes on cash and cash equivalents		9,582	14,450
Cash and cash equivalents included in assets held for sale	13	-	(1,958)
Cash and cash equivalents at the end of the year	8	297,717	301,938

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 IFRS Accounting Standards. The Group's consolidated financial statements were authorized for issuance by Takeshi Niinami, Representative Director, President & Chief Executive Officer, and Toru Miyanaga, Managing Executive Officer, on May 15, 2024.

(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 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 IFRS Accounting Standards, 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").

5. New accounting standards and interpretations not yet adopted

As of the date of approval of the consolidated financial statements, major new accounting standards and new interpretation guidance that have been issued or revised but have not been early applied by the Group are as follows.

IFRS Accounting Standards		Mandatory adoption date (year beginning on)	The Group's adoption date	Summary
International Accounting Standards ("IAS") 12	Income Taxes	January 1 2023	Fiscal year ending December 31 2023	Clarification of accounting treatment for deferred tax related to leases and decommissioning obligations

The impact of the above application on the consolidated financial statements is under assessment.

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

(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, 2021

(Millions of yen)

	Reportable segments					
	Beverages and foods	Alcoholic beverages	Others	Segment total	Reconciliations (Note 2)	Consolidated (Note 1)
Revenue (including liquor tax)	1,263,810	1,057,602	237,810	2,559,223	-	2,559,223
Revenue (excluding liquor tax)						
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.

Year ended December 31, 2022

(Millions of yen)

	Reportable segments					
	Beverages and foods	Alcoholic beverages	Others	Segment total	Reconciliations (Note 2)	Consolidated (Note 1)
Revenue (including liquor tax)	1,444,852	1,245,917	279,369	2,970,138	-	2,970,138
Revenue (excluding liquor tax)						
External customers	1,444,852	935,598	278,331	2,658,781	-	2,658,781
Intersegment	5,545	3,785	13,409	22,740	(22,740)	-
Total revenue	1,450,397	939,383	291,741	2,681,522	(22,740)	2,658,781
Segment profit	162,079	140,627	26,990	329,696	(53,228)	276,468
Finance income						3,614
Finance costs						(18,264)
Profit before income taxes						261,818
Others:						
Depreciation and amortization	(70,791)	(42,358)	(15,112)	(128,262)	(6,952)	(135,215)
Share of the profit and loss on investments accounted for using the equity method	411	9,046	2,290	11,747	-	11,747
Capital expenditure	62,980	83,431	18,691	165,102	359	165,462

(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 liquor tax) from external customers was as follows:

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Year ended December 31, 2021	1,399,963	420,063	332,789	406,406	2,559,223
Year ended December 31, 2022	1,502,750	537,555	415,247	514,585	2,970,138

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

Revenue (excluding liquor tax) from external customers was as follows:

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Year ended December 31, 2021	1,210,205	362,745	316,236	396,489	2,285,676
Year ended December 31, 2022	1,299,481	471,930	387,048	500,321	2,658,781

Revenue (excluding liquor tax) 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, 2021	612,356	1,755,190	707,747	173,685	3,248,979
December 31, 2022	611,242	2,042,523	748,122	182,415	3,584,304

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 liquor tax) 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, 2021

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

Year ended December 31, 2022

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

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

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

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

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

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

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

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

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

8. 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, 2021	December 31, 2022
Trade receivables	449,523	491,720
Other	31,155	39,306
Loss allowance	(2,161)	(2,146)
Total	478,517	528,880

10. Other financial assets

(1) Other financial assets

Other financial assets were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Financial assets at amortized cost		
Guarantee deposits	18,965	17,965
Other	11,266	11,906
Loss allowance	(270)	(259)
Financial assets designated as hedging instruments		
Derivative assets	16,364	30,005
Financial assets at FVTPL		
Derivative assets	433	1,787
Other	9,303	10,079
Financial assets carried at FVTOCI		
Equity instruments (shares)	129,644	143,992
Other	42	40
Total	185,749	215,518
Current assets	17,236	18,802
Non-current assets	168,513	196,716
Total	185,749	215,518

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, 2021	December 31, 2022
Listed shares	52,407	54,093
Unlisted shares	77,236	89,899

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

(Millions of yen)

Shares	December 31, 2021	December 31, 2022
Palace Hotel Co., Ltd.	5,078	8,045
Hankyu Hanshin Holdings, Inc.	2,594	3,115
TOHO Co., Ltd.	2,514	2,593
Toyo Seikan Group Holdings, Ltd.	1,690	1,996
Mitsubishi UFJ Financial Group, Inc.	1,015	1,445
The Royal Hotel, Ltd.	1,201	1,356
Sumitomo Mitsui Financial Group, Inc.	896	1,204
Konoike Transport Co., Ltd.	862	1,125

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, 2021	December 31, 2022
Fair value	803	54
Cumulative gains	176	32

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, 2021 was 275 million yen, and cumulative loss (net of tax) recognized in other comprehensive income in other components of equity during the year ended December 31, 2022 was 375 million yen.

11. Inventories

Inventories were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Merchandise and finished goods	459,387	566,557
Work in progress	17,312	20,393
Raw materials	43,557	59,326
Consumables	8,847	10,601
Total	529,105	656,879

Merchandise and finished goods included 400,634 million yen (325,904 million yen as at December 31, 2021) 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, 2021 and 2022 were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Inventories recognized as an expense	1,025,307	1,247,880
Write-down of inventories to net realizable value	1,908	2,797
Reversal of write-down	-	-

12. Other assets

Other assets were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Prepaid expenses	34,982	25,748
Consumption taxes receivable	12,778	14,882
Others	45,090	53,007
Total	92,850	93,638
Current assets	60,263	52,864
Non-current assets	32,586	40,773
Total	92,850	93,638

13. Assets held for sale

Assets held for sale and liabilities directly associated with assets held for sale were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Assets held for sale		
Cash and cash equivalents	-	1,958
Trade and other receivables	-	523
Inventories	-	50
Property, plant and equipment	-	1,022
Right-of-use assets	-	1,797
Other	-	792
Total	-	6,144
Liabilities directly associated with assets held for sale:		
Trade and other payables	-	899
Other financial liabilities	-	2,186
Other	-	332
Total	-	3,419

Assets held for sale and liabilities directly associated with assets held for sale as at 2022 were recognized in the Other segment in relation to the share transfer agreement made during 2022 for DAIKICHI SYSTEM LIMITED. and SUNTORY F&B International (HONG KONG) CO., Limited. and one other company. The share transfers were completed on January 4, 2023, and March 8, 2023.

Accumulated other comprehensive income (loss) related to assets held for sale is 282 million yen (credit), included in other components of equity in consolidated statement of financial position.

The breakdown of other comprehensive income (loss) for the year, net of tax related to assets held for sale were as follows:

(Millions of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Other comprehensive income (loss) for the year, net of tax Translation adjustments of foreign operations	-	282
Total	-	282

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, 2021	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)
Impairment losses	(1,850)	(1,662)	(3)	(57)	(3,574)
Disposals	(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
Additions	7,978	44,541	78,034	969	131,524
Depreciation	(17,348)	(66,174)	-	(2,550)	(86,074)
Impairment losses	(389)	(764)	-	(30)	(1,184)
Disposals	(505)	(6,323)	(100)	(104)	(7,033)
Reclassifications	29,792	47,106	(78,160)	1,261	(0)
Exchange differences	16,448	23,288	4,011	954	44,702
Decrease in scope of consolidation	(319)	(2,896)	(193)	(548)	(3,958)
Other	(491)	(2,337)	(96)	(216)	(3,142)
Balance at December 31, 2022	349,526	423,488	42,944	9,654	825,613

Depreciation costs are 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, 2021	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
December 31, 2022	629,858	1,176,760	43,016	29,657	1,879,293

Accumulated depreciation and impairment losses

(Millions of yen)

	Land, buildings and structures	Machinery and equipment	Assets under construction	Other	Total
January 1, 2021	247,521	645,145	54	15,690	908,411
December 31, 2021	262,420	693,072	65	17,750	973,308
December 31, 2022	280,331	753,272	72	20,003	1,053,679

(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, 2021	December 31, 2022
Beverages and foods	(1,501)	(704)
Alcoholic beverages	(204)	(294)
Others	(1,868)	(184)
Total	(3,574)	(1,184)

Impairment losses recognized for the years ended December 31, 2021 and 2022 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)

		Intangible assets		
	Goodwill	Trademarks	Other	Total
Balance at January 1, 2021	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)
Impairment loss	-	-	(163)	(163)
Disposals	(1,072)	(1,192)	(353)	(1,546)
Reclassified as assets held for sale	69,890	118,437	6,155	124,592
Other	-	13	491	505
Balance at December 31, 2021	907,119	1,343,728	124,694	1,468,423
Additions	-	-	11,616	11,616
Amortization	-	(7,610)	(11,400)	(19,011)
Impairment loss	(623)	(1,074)	(503)	(1,578)
Disposals	-	-	(464)	(464)
Exchange differences	109,853	157,744	10,570	168,314
Other	(485)	(107)	1,037	929
Balance at December 31, 2022	1,015,862	1,492,682	135,549	1,628,232

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 24,703 million yen and 27,341 million yen during the years ended December 31, 2021 and 2022, 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.

(Change in presentation)
“Impairment loss” which was included in “Other” for the year ended December 31, 2021, is separately presented for the year ended December 31, 2022, as it has become quantitatively material. As a result of this change in presentation, the notes to the consolidated financial statements for the fiscal year ended December 31, 2021 were reclassified.

Cost

(Millions of yen)

	Goodwill	Intangible assets		
		Trademarks	Other	Total
January 1, 2021	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
December 31, 2022	1,226,462	1,600,233	248,601	1,848,834

Accumulated amortization and impairment losses

(Millions of yen)

	Goodwill	Intangible assets		
		Trademarks	Other	Total
January 1, 2021	180,699	81,374	83,396	164,770
December 31, 2021	190,201	91,090	101,641	192,731
December 31, 2022	210,599	107,551	113,051	220,602

The breakdown of goodwill was as follow:

(Millions of yen)

Reportable segments	December 31, 2021	December 31, 2022
Beverages and foods	255,599	264,573
(Details)		
Japan business	130,680	130,680
Orangina Schweppes Group	86,880	94,453
Alcoholic beverages	651,335	751,105
(Details)		
Spirits business	651,335	751,105
Other	184	184
Total	907,119	1,015,862

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 Suntory Global Spirits Inc.).

The recoverable amount 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 4.8%–17.2% (5.0%–13.5% for the year ended December 31, 2021) of the cash-generating units or cash-generating groups. The future cash flows are calculated considering assumptions based on external information, such as the growth rate of market and effect of cost increases including raw materials, 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.

Except for goodwill for which impairment losses were recognized, the recoverable amount of the cash-generating units or groups of cash-generating units sufficiently exceeds the carrying amount for the current year. The Group assessed that the recoverable amount 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, 2021	December 31, 2022
Beverages and foods	369,190	393,961
(Details)		
(Trademarks) Lucozade and Ribena	160,083	164,992
(Trademarks) Schweppes	78,345	84,924
Alcoholic beverages	962,501	1,094,483
(Details)		
(Trademarks) Jim Beam	304,147	350,898
(Trademarks) Maker's Mark	300,834	347,076
Other	-	-
Total	1,331,692	1,488,445

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 Suntory Global Spirits 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 recoverable amount 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 6.6%–12.5% (5.2%–9.2% for the year ended December 31, 2021) 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 the growth rate of market and effect of cost increases including raw materials, 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 recoverable amount of intangible assets with indefinite useful lives sufficiently exceeds the carrying amount of all of the cash-generating units or cash-generating groups for the current year. The Group assesses that the recoverable amount would exceed the carrying amount even though the discount rate and the growth rate may fluctuate at a reasonably assumable level.

Impairments tests are performed annually. Impairment losses for intangible assets were recognized for 2,201 million yen and 163 million yen during the years ended December 31, 2021 and 2022, respectively, in Beverages and foods segment.

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

Due to the Group's decision to dispose of certain goodwill and intangible assets, impairment losses were recognized for the years ended December 31, 2021 and 2022, reflecting the reduction of carrying amounts of assets to their recoverable amounts. The recoverable amounts are primarily calculated as fair value less costs of disposal. Fair value less costs of disposal is based on disposal prices or nil if disposal is not possible. These assets are classified as Level 3 in the fair value hierarchy.

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, 2021	December 31, 2022
Carrying amount		
Associates	36,643	41,191
Joint ventures	16,113	14,695
Total	52,756	55,886

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

(Millions of yen)

	December 31, 2021	December 31, 2022
Profit for the year		
Associates	5,652	9,080
Joint ventures	4,052	2,667
Total	9,704	11,747
Other comprehensive income		
Associates	(1,765)	4,545
Joint ventures	770	1,693
Total	(994)	6,239
Comprehensive income for the year		
Associates	3,886	13,626
Joint ventures	4,823	4,360
Total	8,709	17,986

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, 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.

Year ended December 31, 2022

(Millions of yen)

	January 1, 2022	Recognized in profit or loss	Recognized in OCI	Other (Note)	December 31, 2022
Deferred tax assets					
Tax loss carryforwards	22,378	(4,378)	-	1,376	19,377
Post-employment benefit liabilities	10,736	(305)	(1,107)	690	10,014
Inventories	5,580	1,202	-	20	6,803
Accrued expenses	17,039	(829)	-	1,316	17,526
Translation differences on foreign operations	15,818	-	1,487	-	17,305
Other	36,959	3,176	1,350	926	42,412
Total	108,513	(1,134)	1,730	4,331	113,440
Deferred tax liabilities					
Intangible assets	(315,262)	(2,214)	-	(38,553)	(356,030)
Temporary differences associated with investments in subsidiaries	(9,099)	(222)	14	(1,398)	(10,706)
Property, plant and equipment	(26,011)	(2,827)	-	(1,933)	(30,772)
Changes in the fair value of financial assets	(12,686)	-	(2,567)	139	(15,114)
Other	(26,086)	(403)	(2,335)	(966)	(29,791)
Total	(389,147)	(5,667)	(4,889)	(42,712)	(442,416)

(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, 2021	December 31, 2022
Tax loss carryforwards	16,836	17,144
Unused tax credits	11,950	13,327
Deductible temporary differences	84,135	56,372
Total	112,922	86,843

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, 2021	December 31, 2022
Expires within 1 year	340	388
Expires between 1 and 2 years	489	204
Expires between 2 and 3 years	196	4,466
Expires between 3 and 4 years	153	341
Expire after 4 years	15,655	11,744
Total	16,836	17,144

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

(Millions of yen)

Deferred tax credits	December 31, 2021	December 31, 2022
Expires within 1 year	-	36
Expires between 1 and 2 years	340	227
Expires between 2 and 3 years	-	3,777
Expires between 3 and 4 years	4,192	3,920
Expire after 4 years	7,417	5,365
Total	11,950	13,327

Taxable temporary differences (tax basis) associated with investments in subsidiaries for which deferred tax liabilities are not recognized as at December 31, 2021 and 2022 were 45,357 million yen and 118,354 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, 2021	December 31, 2022
Current tax expense	56,137	66,483
Deferred tax expense	25,911	6,801
Total	82,049	73,284

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

	December 31, 2021	December 31, 2022
	(%)	(%)
Effective statutory tax rate	30.6	30.6
Accumulated earnings taxes	1.6	2.0
Differences in overseas tax rates	(4.8)	(4.8)
Other	7.2	0.2
Average effective tax rate	34.6	28.0

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, 2022 (30.6% for the year ended December 31, 2021). Foreign subsidiaries are subject to income tax expenses in the tax jurisdiction in which they are located.

(Change in presentation)

“Tax rate change”, “Unrecognized deferred tax assets” and “Permanent differences (e.g. non-taxable dividends received)”, which were separately presented for the year ended December 31, 2021, have become quantitatively immaterial. Therefore, those account balances were included in “Other” for the year ended December 31, 2022.

As a result of this change in presentation, “Tax rate change” by 6.2% “Unrecognized deferred tax assets” by 1.7% and “Permanent differences (e.g. non-taxable dividends received)” by (1.1)% and “Other” by 0.4% in the consolidated financial statements for the year ended December 31, 2021 were reclassified to and presented as “Other” by 7.2% for the year ended December 31, 2022.

18. Bonds and borrowings

(1) Bonds and borrowings

Bonds and borrowings were as follows:

	December 31, 2021	December 31, 2022	Average interest rate (Note 1)	Maturity date
	(Millions of yen)		(%)	
Short-term borrowings	25,568	29,787	3.64	-
Current portion of long-term borrowings	120,275	83,241	1.08	-
Current portion of bonds (Note 2)	103,411	123,109	1.87	-
Long-term borrowings	719,305	718,318	0.66	2023 - 2081
Bonds (Note 2)	412,431	395,269	1.42	2023 -2081
Total	1,380,991	1,349,725		
Current liabilities	249,255	236,137		
Non-current liabilities	1,131,736	1,113,588		
Total	1,380,991	1,349,725		

(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, 2021	December 31, 2022	Interest rate	Collateral	Maturity date
			(Millions of yen)	(Millions of yen)	(%)		
Suntory Holdings Limited	Publicly offered corporate bonds	June 2, 2016 - June 8, 2022	79,888	164,661 (59,979)	0.00 ~ 0.52	None	June 2, 2023 - June 7, 2032
Suntory Holdings Limited	U.S. dollar bonds	June 28, 2017	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	57,164 [500,000 thousand U.S. dollars]	66,129 [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	71,884	71,976	0.68	None	April 25, 2078
Suntory Holdings Limited	Interest deferrable and early redeemable subordinated bonds	August 2, 2019	27,901	27,939	0.39	None	August 2, 2079
Suntory Holdings Limited	Interest deferrable and early redeemable subordinated bonds	December 28, 2021	41,720	41,776	0.50	None	December 26, 2081
Suntory Beverage & Food Limited	Publicly offered corporate bonds	June 26, 2014 - July 8, 2021	49,901 -	49,945 (14,992)	0.00 ~ 0.70	None	July 26, 2023 - July 8, 2024
Beam Suntory Inc. (Note 3)	Publicly offered corporate U.S. dollar bonds	January 15, 1993 - June 10, 2013	118,432 [1,029,669 thousand U.S. dollars] (34,461)	95,948 [723,049 thousand U.S. dollars] (48,137)	3.25 ~ 7.88	None	January 15, 2023 - January 15, 2036
Total	-	-	515,842 (103,411)	518,378 (123,109)		-	-

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

(Note 3) Beam Suntory Inc. changed its name to Suntory Global Spirits Inc. on April 30, 2024.

(2) Assets pledged as collateral

Assets pledged as collateral for loans, etc., of the Company's investees from financial institutions were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Other financial assets	320	320

19. Trade and other payables

Trade and other payables were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Trade payables	242,564	279,737
Accrued expenses	393,061	418,623
Total	635,625	698,360

20. Other financial liabilities

Other financial liabilities were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Financial liabilities measured at amortized cost		
Lease liabilities	125,111	118,696
Deposits received	112,997	104,474
Other	3,971	3,862
Financial liabilities designated as hedging instruments		
Derivative liabilities	11,279	13,170
Financial liabilities measured at FVTPL		
Derivative liabilities	716	667
Total	254,076	240,872
Current liabilities	100,340	103,130
Non-current liabilities	153,735	137,741
Total	254,076	240,872

21. Provisions

Changes of provisions were as follows:

(Millions of yen)

	Asset retirement obligations	Other	Total
Balance at January 1, 2021	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
Additional provisions recognized	905	5,525	6,430
Interest expense	25	-	25
Utilized during the period	(190)	(2,799)	(2,989)
Reversed during the period	(188)	(3,002)	(3,191)
Other	82	1,342	1,424
Balance at December 31, 2022	8,175	12,729	20,905

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, 2021	December 31, 2022
Current liabilities	9,020	9,291
Non-current liabilities	10,184	11,613
Total	19,205	20,905

22. Other liabilities

Other liabilities were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Accrued liquor tax	57,276	57,833
Consumption taxes payable	18,756	19,342
Other	30,974	38,390
Total	107,007	115,566
Current liabilities	91,119	95,884
Non-current liabilities	15,888	19,682
Total	107,007	115,566

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, 2021	December 31, 2022
Depreciation of right-of-use assets		
Land, buildings and structures	22,439	23,424
Machinery and equipment	2,746	2,377
Others	3,727	3,285
Total	28,914	29,087
Variable lease payments not included in measurement of lease liabilities	1,858	2,257
Others (Note)	17,533	20,055

(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, 2021	December 31, 2022
Land, buildings and structures	108,338	102,184
Machinery and equipment	6,237	6,621
Others	8,080	5,789
Total	122,657	114,596

The amount of increase in right-of-use assets for the year ended December 31, 2022 is 21,328 million yen (51,216 million yen for the fiscal year ended December 31, 2021).

The total amount of lease cash outflow for the year ended December 31, 2022 is 53,960 million yen (53,863 million yen for the fiscal year ended December 31, 2021).

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 variable based on revenue amounts differs at each store within 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, 2021	2,724	497	337	206	202	195	1,285
December 31, 2022	2,321	532	296	220	212	185	873

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, 2021	December 31, 2022
Present value of funded defined benefit obligations	190,123	157,504
Fair value of plan assets	(190,255)	(165,827)
	(131)	(8,322)
Present value of unfunded defined benefit obligation	35,749	33,544
Effect of asset ceiling	-	4,141
Net defined benefit liability	35,618	29,363
Balance in consolidated statement of financial position		
Post-employment benefit liabilities	40,488	37,546
Post-employment benefit assets	(4,870)	(8,183)
Net of liabilities and assets	35,618	29,363

[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, 2021	December 31, 2022
Balance at beginning of the year	222,243	225,873
Current service cost	8,224	8,234
Interest expense	2,444	2,952
Remeasurements:		
Actuarial gains and losses arising from changes in demographic assumptions	908	19
Actuarial gains and losses arising from changes in financial assumptions	(3,303)	(37,799)
Past service cost	(453)	(147)
Benefits paid	(9,534)	(10,208)
Exchange differences	5,245	7,782
Other	98	(5,657)
Balance at end of the year	225,873	191,048

Remeasurements include adjustments due to actual results.

The weighted-average duration of the defined benefit obligation as at December 31, 2021 and 2022 was 15.7 years and 14.0 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, 2021	December 31, 2022
Balance at beginning of the year	182,699	190,255
Interest income	1,987	2,360
Remeasurements:		
Return on plan assets (other than interest income)	6,169	(21,641)
Employer contributions	2,510	3,148
Employee contributions	6	1
Benefits paid	(7,857)	(8,809)
Exchange differences	4,738	5,994
Other	-	(5,481)
Balance at end of the year	190,255	165,827

The contribution by the Group to defined benefit plans is expected to be 5,164 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, 2021			December 31, 2022		
	Quoted market price	Unquoted market price	Total	Quoted market price	Unquoted market price	Total
Cash and cash equivalents	2,294	-	2,294	3,204	-	3,204
Equity instruments	-	37,283	37,283	-	28,530	28,530
Domestic	-	4,926	4,926	-	4,494	4,494
Overseas	-	32,357	32,357	-	24,035	24,035
Debt instruments	69	76,403	76,472	81	55,478	55,559
Domestic	-	11,823	11,823	-	16,170	16,170
Overseas	69	64,580	64,649	81	39,307	39,389
Life insurance–General accounts	-	22,512	22,512	-	21,376	21,376
Other	-	51,691	51,691	-	57,155	57,155
Total	2,363	187,891	190,255	3,286	162,540	165,827

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] Asset ceiling

Asset ceiling was as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Balance at beginning of the year	-	-
Remeasurement		
Changes in effect of asset ceiling	-	4,141
Balance at end of the year	-	4,141

[6] Significant actuarial assumptions

Significant actuarial assumptions were as follows:

	December 31, 2021	December 31, 2022
Discount rate	0.5%~8.1%	1.0%~9.3%

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, 2021	December 31, 2022
Discount rate	Increase by 0.5%	(15,119)	(11,323)
	Decrease by 0.5%	16,309	11,644

[7] Defined benefit cost

Defined benefit costs were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Current service cost	8,224	8,234
Interest expense	2,444	2,952
Interest income	(1,987)	(2,360)
Past service cost	(453)	(147)
Total	8,228	8,679

The Group's contribution to the plans for the years ended December 31, 2021 and 2022 were 20,740 million yen and 20,456 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, 2021 and 2022 were 354,397 million yen and 386,968 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)	Shares issued (Shares)
Balance at January 1, 2021	1,305,600,000	687,136,196
Increase (decrease)	-	-
Balance at December 31, 2021	1,305,600,000	687,136,196
Increase (decrease)	-	-
Balance at December 31, 2022	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 (Shares)	Amounts (Millions of yen)
Balance at January 1, 2021	1,380,000	938
Increase (decrease)	-	-
Balance at December 31, 2021	1,380,000	938
Increase (decrease)	-	-
Balance at December 31, 2022	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, 2021	(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)
Other comprehensive income	279,200	(1,165)	7,986	8,238	294,259
Total comprehensive income for the period	279,200	(1,165)	7,986	8,238	294,259
Transfer from other components of equity to retained earnings	-	-	375	-	375
Total transactions with owners of the parent	-	-	375	-	375
Balance at December 31, 2022	249,561	(2,550)	37,300	(1,850)	282,461

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, 2021 Annual General Meeting of Shareholders held on March 24, 2021	8,914	13	December 31, 2020	March 25, 2021
Year ended December 31, 2022 Annual General Meeting of Shareholders held on March 23, 2022	8,914	13	December 31, 2021	March 24, 2022

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, 2021 Annual General Meeting of Shareholders held on March 23, 2022	8,914	13	December 31, 2021	March 24, 2022
Year ended December 31, 2022 Annual General Meeting of Shareholders held on March 23, 2023	8,914	13	December 31, 2022	March 24, 2023

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 liquor tax from external customers

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

Year ended December 31, 2022

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Beverages and foods	648,105	145,473	298,531	352,741	1,444,852
Alcoholic beverages	643,328	387,048	116,715	98,824	1,245,917
Others	211,316	5,033	-	63,019	279,369
	1,502,750	537,555	415,247	514,585	2,970,138

(2) Revenue excluding liquor tax from external customers

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

Year ended December 31, 2022

(Millions of yen)

	Japan	Americas	Europe	Asia and Oceania	Total
Beverages and foods	648,105	145,473	298,531	352,741	1,444,852
Alcoholic beverages	440,457	321,423	88,516	85,200	935,598
Others	210,918	5,033	-	62,379	278,331
	1,299,481	471,930	387,048	500,321	2,658,781

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 that 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, 2021 and 2022. The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less, as allowed as practical expedients.

28. Other income

Other income was as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Gain on sale of investments in subsidiaries and associates	-	16,020
Gain on transfer of business	2,417	-
Other	12,890	7,333
Total	15,308	23,354

(Change in presentation)

“Subsidy income” which was separately presented for the year ended December 31, 2021, are included in “Other” for the year ended December 31, 2022, as those have become quantitatively immaterial.

As a result of this change in presentation, the amount of 7,642 million yen of “Subsidy income” and 5,248 million yen of “Other” in the consolidated financial statements for the fiscal year ended December 31, 2021 were reclassified and presented as “Other” of 12,890 million yen.

29. Selling, general and administrative expenses

Selling, general and administrative expenses were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Advertising and sales promotion expenses	378,682	414,763
Employee benefits expenses	268,917	306,065
Depreciation and amortization	56,167	59,377
Other	126,405	151,358
Total	830,173	931,564

30. Other expenses

Other expenses were as follows:

(Millions of yen)

	December 31, 2021	December 31, 2022
Loss on disposal of property, plant and equipment and intangible assets	4,948	3,617
Impairment losses	2,981	3,386
Restructuring charges	5,013	5,625
Other	4,791	5,154
Total	17,735	17,785

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, 2021	December 31, 2022
Interest received		
From financial assets measured at amortized cost	574	1,824
Fair value gains		
From financial assets measured at FVTPL	4,980	160
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	1,069	1,623
Other	128	3
Total	6,754	3,614

(Millions of yen)

Finance costs	December 31, 2021	December 31, 2022
Interest paid		
From financial liabilities measured at amortized cost	16,287	15,805
Fair value losses		
From financial assets and liabilities measured at FVTPL	73	1,182
Other	423	1,275
Total	16,785	18,264

Financial costs of lease liabilities were 1,435 million yen and 1,499 million yen for the years ended December 31, 2021 and 2022, respectively, are included in the interest paid from financial liabilities measured at amortized cost in the table above.

32. Other comprehensive income

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

Year ended December 31, 2022

(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	10,574	-	10,574	(2,435)	8,139
Remeasurement of defined benefit plans	11,997	-	11,997	(3,001)	8,996
Changes in comprehensive income of investments accounted for using the equity method	3	-	3	-	3
Total	22,575	-	22,575	(5,436)	17,139
Items that may be reclassified to profit or loss:					
Translation adjustments of foreign operations	297,506	1,597	299,104	1,487	300,591
Changes in the fair value of cash flow hedges	25,693	(27,805)	(2,112)	789	(1,322)
Changes in comprehensive income of investments accounted for using the equity method	6,235	-	6,235	-	6,235
Total	329,435	(26,207)	303,227	2,276	305,504
Grand total	352,011	(26,207)	325,803	(3,159)	322,643

33. Earnings per share

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

	December 31, 2021	December 31, 2022
Profit for the year attributable to owners of the Company (Millions of yen)	113,965	136,211
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)	113,965	136,211
Weighted-average number of ordinary shares (share)	685,756,196	685,756,196
Earnings per share (Yen)	166.19	198.63

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, 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.

(Millions of yen)

	Balance at January 1, 2022	Cash flows	Non-cash movements				Other changes	Balance at December 31, 2022
			Foreign exchange adjustments	Fair value movement	Amortized cost movement	New finance leases etc.		
Bonds and borrowings	1,380,991	(87,715)	54,912	-	1,537	-	-	1,349,725
Derivatives	(13,884)	21,894	-	(38,541)	-	-	3,933	(26,598)
Lease liabilities	125,111	(30,147)	1,912	-	-	21,821	-	118,696

(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, 2021	December 31, 2022
Interest-bearing liabilities	1,380,991	1,349,725
Net valuation loss arising from derivative transactions	(12,401)	(29,653)
Interest-bearing liabilities (adjusted)	1,368,590	1,320,072
Cash and cash equivalents	(297,717)	(301,938)
Lease liabilities	125,111	118,696
Equity credit for hybrid bonds and subordinated loans	(199,000)	(199,000)
Interest-bearing liabilities (adjusted for hybrid bonds and subordinated loans)	996,984	937,830
Total equity	2,147,392	2,622,832
Equity credit for hybrid bonds and subordinated loans	199,000	199,000
Total equity (adjusted for hybrid bonds and subordinated loans)	2,346,392	2,821,832
Net debt-to-equity ratio	0.42	0.33

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, 2021	56,409	37	374,000
Balance at December 31, 2021	61,342	39	449,523
Balance at December 31, 2022	69,139	34	491,720

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, 2021	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
Increased (decreased) due to financial assets incurred or collected	(12)	(4)	(311)
Write off	-	-	(47)
Exchange differences	5	-	344
Balance at December 31, 2022	224	34	2,146

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, 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

As at December 31, 2022

(Millions of yen)

	Carrying amount	Contractual amount	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative financial liabilities								
Trade and other payables	698,360	698,360	698,360	-	-	-	-	-
Borrowings	831,347	913,828	120,566	299,774	91,724	24,792	12,165	364,805
Bonds	518,378	550,945	129,579	106,444	23,413	23,373	46,076	222,059
Lease liabilities	118,696	124,831	28,705	24,452	16,968	12,597	9,781	32,324
Derivative financial liabilities								
Currency derivatives	(3,209)	(6,454)	7,354	(13,991)	193	(11)	-	-
Interest rate swaps	(16,742)	(21,760)	(7,348)	(14,412)	-	-	-	-
Commodity derivatives	786	786	786	-	-	-	-	-
Total	2,147,617	2,260,537	978,004	402,267	132,299	60,751	68,023	619,189

[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, 2021	December 31, 2022
Floating rate bonds and borrowings	2,247	1,136

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, 2021	December 31, 2022
Profit before income taxes	22	11

[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

The Group has adopted 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", and the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, and IFRS 7.

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 has started the negotiations with its banks to modify the contracts referring to U.S. dollar LIBOR and is targeting to complete the conclusion the fallback provisions to them by end of June 2023.

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 by end of June 2023
6-month U.S. dollar LIBOR debt	2024	530 million U.S. dollar	Designated in cash flow hedge (see below)	Expected to transition by end of June 2023

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 by end of June 2023
Cash flow hedge	Interest rate swap Receiving on a 6-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 by end of June 2023

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, 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)	103,607	53,555	7,204	-
Receipt in yen				
Payment in yen	37,257	37,257	190	3,897
Receipt in British pound sterling (hedged currency)				
Payment in yen	21,534	21,534	-	1,638
Receipt in euro (hedged currency)				
Payment in yen	3,086	-	-	597
Receipt in Australian dollar (hedged currency)				
Payment in yen	1,573	-	-	294
Receipt in N.Z. dollar (hedged currency)				
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	132,382	78,022	7,330	-
Payment in U.S. dollar (hedged currency)				
Receipt in yen				
Receiving on a floating interest and paying on a fixed interest	12,129	-	-	650
Payment in U.S. dollar (hedged currency)				
Receipt in euro				

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

December 31, 2022

(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	38,104	-	129	1,963
Short position				
Yen and U.S. dollar	16,413	-	1,176	1
Currency swap contracts				
Payment in U.S. dollar (hedged currency) Receipt in yen	53,555	53,555	9,730	-
Payment in yen Receipt in British pound sterling (hedged currency)	38,400	-	615	5,040
Payment in yen Receipt in euro (hedged currency)	23,342	-	339	3,361
Payment in yen Receipt in Australian dollar (hedged currency)	4,478	4,478	206	25
Interest rate risks				
Interest rate swap transactions				
Receiving on a floating interest and paying on a fixed interest	174,194	160,924	574	1,046
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	78,022	57,661	16,868	-

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, 2021	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)
Other comprehensive income				
Incurred for the period (Note 1)	5,472	21,028	(808)	25,693
Reclassified (Note 2)	(9,968)	(17,837)	-	(27,805)
Tax effects	1,380	(827)	236	789
Balance at December 31, 2022	(1,235)	(408)	(542)	(2,186)

(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, 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.

December 31, 2022

(Millions of yen)

	Contractual amount	Receivable/ payable after one year	Carrying amount	
			Assets	Liabilities
Borrowings denominated in U.S. dollars	USD 220 mil.	USD 120 mil.	-	29,194

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, 2021 (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
Other comprehensive income	
Incurred during the period (Note 1)	(4,800)
Tax effects	1,487
Balance at December 31, 2022 (Note 2)	52,181

(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 14,882 million yen of exchange losses as at December 31, 2022 from hedging instruments with discontinued hedging relationships (13,643 million yen of exchange losses as at December 31, 2021).

[3] Fair value hedges

Details of hedging instruments designated as fair value hedges

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.

December 31, 2022

(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, 2022.

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, 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.

December 31, 2022

(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, 2022.

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, 2021

(Millions of yen)

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

December 31, 2022

(Millions of yen)

Risk	Change in the value of hedged items	Change in the value of hedging instruments
Interest rate risks	-	-

The amount of the ineffective hedge portions recognized in profit or loss was immaterial for the years ended December 31, 2021 and 2022.

(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 method 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 8 to 30 times for the year ended December 31, 2021 and from 9 to 22 times for the year ended December 31, 2022. 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, 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

As at December 31, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets designated as hedging instruments				
Derivative assets	-	30,005	-	30,005
Financial assets measured at FVTPL				
Derivative assets	-	1,787	-	1,787
Other	3,409	1,620	5,049	10,079
Financial assets measured at FVTOCI				
Equity instruments	54,093	-	89,899	143,992
Other	-	-	40	40
Liabilities:				
Financial liabilities designated as hedging instruments				
Derivative liabilities	-	13,170	-	13,170
Financial liabilities measured at FVTPL				
Derivative liabilities	-	667	-	667

[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, 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

Year ended December 31, 2022

(Millions of yen)

	Financial assets measured at FVTPL	Financial assets measured at FVTOCI
Balance at January 1, 2022	4,035	77,278
Total gains and losses	(575)	12,813
Profit or loss (Note 1)	(575)	-
Other comprehensive income (Note 2)	-	12,813
Purchased	1,325	122
Sold	(2)	-
Other	266	(274)
Balance at December 31, 2022	5,049	89,940

(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 carrying amounts reasonably approximate fair value and those that 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, 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

Year ended December 31, 2022

(Millions of yen)

	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities:					
Financial liabilities measured at amortized cost					
Bonds	518,378	-	517,404	-	517,404
Borrowings	831,347	-	835,080	-	835,080

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, 2021	December 31, 2022
Suntory Beverage & Food Limited	Japan	59.4	59.4
Suntory Foods Limited	Japan	100.0	100.0
Suntory Beverage Solution Limited	Japan	100.0	100.0
Japan Beverage Holdings Inc.	Japan	82.7	82.7
Suntory Products Limited	Japan	100.0	100.0
Suntory Beverage & Food Asia Pte. Ltd.	Singapore	100.0	100.0
Suntory Beverage & Food International (Thailand) 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
FRUCOR SUNTORY AUSTRALIA PTY. LIMITED	Australia	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. (Note 2)	United States	100.0	100.0
Suntory Spirits Limited (Note 3)	Japan	100.0	100.0
Suntory Wellness Limited	Japan	100.0	100.0
DYNAC HOLDINGS CORPORATION (Note 4)	Japan	100.0	100.0
Suntory Flowers Ltd.	Japan	100.0	100.0
Suntory (China) Holding Co., LTD.	China	100.0	100.0
Suntory Business Systems Limited	Japan	100.0	100.0
Suntory System Technology Limited	Japan	100.0	100.0
Suntory Global Innovation Center Limited	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) Beam Suntory Inc. changed its name to Suntory Global Spirits Inc. on April 30, 2024.

(Note 3) Suntory Beer, Wine & Spirits Japan Limited, Suntory Beer Limited, Suntory Wine International Limited and Suntory Liquors Limited were merged into the Suntory Spirits Limited on July 1,2022

(Note 4) As of January 1, 2024, through a merger in which DYNAC HOLDINGS CORPORATION served as the surviving corporation, and DYNAC CORPORATION and DYNAC Partners Corporation each served as the absorbed corporations that ceased to exist, the company inherited the businesses of both companies. Following the merger, the Company changed its trade name to DYNAC CORPORATION.

(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, 2021	December 31, 2022
Proportion of ownership interests held by non-controlling interests (%)	40.5	40.5
Accumulated non-controlling interests	432,053	485,971

(Millions of yen)

	December 31, 2021	December 31, 2022
Profit allocated to non-controlling interests of the subsidiary	42,179	52,135
Dividends paid to non-controlling interests of the subsidiary	23,962	26,807

[2] Summarized consolidated financial information

(Millions of yen)

	December 31, 2021	December 31, 2022
Current assets	530,253	606,370
Non-current assets	1,146,673	1,176,978
Current liabilities	463,565	504,160
Non-current liabilities	269,409	219,083
Equity	943,952	1,060,104

(Millions of yen)

	December 31, 2021	December 31, 2022
Revenue	1,268,917	1,450,397
Profit for the year	83,029	101,099
Comprehensive income for the year	122,638	157,246

(Millions of yen)

	December 31, 2021	December 31, 2022
Cash flows generated by operating activities	158,180	150,509
Cash flows used in investing activities	(56,867)	(42,395)
Cash flows used in financing activities	(96,109)	(92,207)
Net increase (decrease) in cash and cash equivalents	5,203	15,907

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, 2021	December 31, 2022
Basic remuneration and bonus	1,477	1,515

39. Commitments

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

(Millions of yen)

	December 31, 2021	December 31, 2022
Acquisition of property, plant and equipment	29,520	87,632

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, 2022. The commencement date of the contract is in the following fiscal year, and therefore, no right-of-use asset or lease liability was recorded. The estimated total lease payments amount to 4,046 million yen at December 31, 2022 (8,995 million yen at December 31, 2021).

40. Subsequent event

There were no subsequent events.

REGISTERED HEAD OFFICE

1-40, Dojimahama 2-chome
Kita-ku, Osaka 530-8203
Japan

LEGAL ADVISORS TO SUNTORY HOLDINGS LIMITED

as to Japanese law

Nishimura & Asahi
(Gaikokuho Kyodo Jigyo)
Otemon Tower
1-2, Otemachi 1-chome
Chiyoda-ku, Tokyo 100-8124
Japan

as to United States law

Simpson Thacher & Bartlett LLP
Ark Hills Sengokuyama Mori Tower
9-10, Roppongi 1-chome
Minato-ku, Tokyo 106-0032
Japan

LEGAL ADVISORS TO THE INITIAL PURCHASERS

as to United States law

Gaikokuho Kyodo-Jigyo Horitsu Jimusho Linklaters
Meiji Yasuda Building 10F
1-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-0005
Japan

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

TRUSTEE, PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon
240 Greenwich Street
New York, NY 10286
United States of America

SUNTORY