English Translation

SUNTORY
SUNTORY BEVERAGE & FOOD

February 15, 2018

Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2017 <under IFRS> (UNAUDITED)

Company name: **Suntory Beverage & Food Limited**
Shares listed: First Section, Tokyo Stock Exchange
Securities code: 2587
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Scheduled date of ordinary general meeting of shareholders: March 29, 2018
Scheduled date to file securities report: March 30, 2018
Scheduled date to commence dividend payments: March 30, 2018
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting (for institutional investors and analysts): Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended December 31, 2017 (from January 1, 2017 to December 31, 2017)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax		Profit for the year	
Fiscal year ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
December 31, 2017	1,234,008	2.1	117,955	5.4	114,442	6.2	86,175	9.7
December 31, 2016	1,209,149	–	111,865	–	107,804	–	78,549	–

	Profit for the year attributable to owners of the Company		Comprehensive income for the year	
Fiscal year ended	(Millions of yen)	(%)	(Millions of yen)	(%)
December 31, 2017	78,112	9.2	112,812	313.1
December 31, 2016	71,501	–	27,311	–

	Basic earnings per share	Diluted earnings per share	Ratio of profit for the year to equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating income to revenue
Fiscal year ended	(Yen)	(Yen)	(%)	(%)	(%)
December 31, 2017	252.79	–	12.0	7.8	9.6
December 31, 2016	231.40	–	11.7	7.3	9.3

Reference: Gain on investments accounted for using the equity method
For the fiscal year ended December 31, 2017: ¥447 million

For the fiscal year ended December 31, 2016: ¥665 million

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity attributable to owners of the Company per share
As of	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(Yen)
December 31, 2017	1,522,029	746,201	690,437	45.4	2,234.43
December 31, 2016	1,421,398	662,815	608,784	42.8	1,970.18

(3) Consolidated cash flows

	Net cash inflow (outflow) from operating activities	Net cash inflow (outflow) from investing activities	Net cash inflow (outflow) from financing activities	Cash and cash equivalents at the end of the year
Fiscal year ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
December 31, 2017	149,513	(52,958)	(63,593)	113,883
December 31, 2016	163,083	(57,461)	(117,126)	84,096

2. Dividends

	Annual cash dividends					Total cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the Company (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
Fiscal year ended December 31, 2016	–	34.00	–	39.00	73.00	22,557	31.5	3.7
Fiscal year ended December 31, 2017	–	37.00	–	38.00	75.00	23,175	29.7	3.6
Fiscal year ending December 31, 2018 (Forecast)	–	39.00	–	39.00	78.00		30.1	

3. Consolidated earnings forecast for the fiscal year ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax		Profit for the year		Profit for the year attributable to owners of the Company		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Fiscal year ending December 31, 2018	1,293,000	4.8	127,000	7.7	123,500	7.9	89,100	3.4	80,000	2.4	258.90

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

a.	Changes in accounting policies required by IFRS:	None
b.	Changes in accounting policies due to other reasons:	None
c.	Changes in accounting estimates:	None

(3) Number of issued shares (ordinary shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2017	309,000,000 shares
As of December 31, 2016	309,000,000 shares

b. Number of treasury shares at the end of the period

As of December 31, 2017	– shares
As of December 31, 2016	– shares

c. Average number of outstanding shares during the period

Fiscal year ended December 31, 2017	309,000,000 shares
Fiscal year ended December 31, 2016	309,000,000 shares

*** Financial results reports are not required to be audited.**

*** Proper use of earnings forecast, and other special matters**

The earnings forecast contained in these materials are based on our judgment attributable to information available to the Company and the Group as of the date of announcement of these materials, and include certain risks and uncertainties. These statements are not intended as a promise by the Company to achieve such results. Actual business results may differ substantially due to various factors such as economic situation surrounding the Company and the Group, market trend, exchange rates and other factors.

The Group has applied the International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2017. Financial figures for the fiscal year ended December 31, 2016 are also presented in accordance with IFRS. Please see "5. Consolidated Financial Statements and Significant Notes Thereto (Unaudited) (6) Notes to consolidated financial statements (First-time adoption)" on page 28 for the difference between the financial figures under IFRS and Japanese GAAP.

Attached Materials

Index

1. Overview of Operating Results....2
(1) Overview of operating results for the fiscal year under review....2
(2) Overview of financial position for the fiscal year under review....4
(3) Overview of cash flows for the fiscal year under review....4
(4) Future outlook....4
(5) Basic policy on profit distribution and dividends for the 2017 and 2018 fiscal years....4
2. State of the Group....6
3. Management Policies....7
(1) Basic corporate management policy....7
(2) Long-term strategy and medium-term plan....7
(3) Issues to address....7
4. Basic Concept Regarding Selection of Accounting Standard....8
5. Consolidated Financial Statements and Significant Notes Thereto (Unaudited)....9
(1) Consolidated statement of financial position....9
(2) Consolidated statement of profit or loss....11
(3) Consolidated statement of comprehensive income....12
(4) Consolidated statement of changes in equity....13
(5) Consolidated statement of cash flows....14
(6) Notes to consolidated financial statements....15
(Going concern)....15
(Reporting entity)....15
(Basis of preparation)....15
(Significant accounting policies)....15
(Early adoption of new accounting standards)....22
(Segment information)....25
(Per share information)....26
(Subsequent events)....26
(Supplemental information)....26
(First-time adoption)....28

1. Overview of Operating Results

(1) Overview of operating results for the fiscal year under review

Suntory Beverage & Food Limited Group (the Group) put efforts into brand reinforcement and new demand creation under its philosophy of proposing premium and unique products that match the tastes and needs of consumers, and enriching consumers' lives. By utilizing the expertise of each company, the Group also worked to strengthen earning capacity through cost reductions and to improve quality of products throughout the group. Furthermore, with the aim of achieving sustainable future growth, the Group concentrated on strengthening its business foundation and redeveloping its business portfolio in each area.

As a result of the above, for the fiscal year under review, the Group reported consolidated revenue of ¥1,234.0 billion, up 2.1% year on year, consolidated operating income of ¥118.0 billion, up 5.4% and profit for the year attributable to owners of the Company of ¥78.1 billion, up 9.2%.
The Company has applied the International Financial Reporting Standards (IFRS) beginning from the fiscal year under review. To present comparisons with the previous corresponding periods, the figures of the previous fiscal year have been restated according to IFRS.

Results by segment are described below.
In order to strengthen global management and to accelerate growth further, the Company implemented organizational changes on April 1, 2017. In accordance with this, starting from the first six months of the fiscal year ending December 31, 2017, the previous reportable segments of "Japan business" and "Overseas business" have been changed to "Japan business," "Europe business," "Asia business," "Oceania business" and "Americas business." Also, in order to more appropriately evaluate and manage the performance of each reportable segment, we have changed the method for calculating the profit or loss of each reportable segment.

< Japan business >
In Japan, the Group worked on creating new demand by proposing products that bring new value, as well as strengthening core brands. As the result, sales volume increased year on year.
For the *Suntory Tennensui* brand, the Group promoted the brand's unique value by emphasizing its qualities of "clear & tasty" and "natural & healthy," and sales for the core product *Suntory Tennensui* mineral water remained strong. With the contribution of new product, *Suntory Tennensui PREMIUM MORNING TEA*, sales volume for the brand as a whole considerably exceeded that of the same period of the previous year.
For the *Boss* coffee brand, the Group continued to focus on core products: *Premium Boss*, *Rainbow Mountain Blend*, *Zeitaku Bito*, *Muto Black* and *Café au Lait*. In addition, the Group launched *Pride of Boss* in September to celebrate the 25th anniversary of the launch of the *Boss* brand, with the aim of invigorating the 185g canned coffee market. Furthermore, *Craft Boss* recorded strong sales since its launch by offering a new style of drinking coffee−from a PET bottle. As a result of these activities, sales volume for the *Boss* brand grew strongly, despite the market for RTD coffee showing a general sluggishness, particularly in the 185g canned coffee.
For the *Iyemon* brand, both the flavor and packaging were renewed in March in order to provide a PET bottle green tea product with the color, scent and taste of "freshly-brewed high-quality tea" desired by consumers. Active marketing operations were also effective to increase sales volume over previous year.
For the *Suntory Oolong Tea* brand, the Group promoted the unique value and taste of oolong tea by the factor that both the flavor and packaging were renewed in May, leading to a year-on-year increase in sales volume.
Sales volumes of FOSHU drink products declined year on year. The Group made efforts to capture new users, through measures including the launch of *Suntory Tokucha Jasmine* in June and continued active marketing operations.
In the vending machine business, the Group promoted initiatives to enhance the attractiveness of the vending machine channel such as by launching canned and PET bottle products exclusive to vending machines, and carrying out original, region-specific campaigns. The Group also focused its efforts on sales to corporate customers and strove to capture beverage demand in the office environment.

Furthermore, despite continuing to focus on efforts to improve profitability such as by aiming for efficient expenditure of sales promotion and advertising costs, production costs rose temporarily as a result of deterioration in the raw materials market and an increase in outsourcing production costs, negatively affecting profits.
As a result of these activities, the Japan business reported revenue of ¥689.2 billion, up 0.2% year on year and segment profit of ¥57.3 billion, up 5.1%.

< Europe business >
In Europe, aggressive marketing activities were conducted with a focus on core brands.
In France, the Group focused on small-size format products, which helped sales volume of the carbonated fruit drink *Orangina* and the fruit juice *Oasis* to increase year on year. In addition, sales of the premium low-sugar iced tea *MayTea*, launched in May 2016, continued to gain new customers and generate additional sales. On the other hand, due to strong demand to our core brands and decline in our supplying capabilities caused by temporary suspension of our production line, supply chain costs including outsourcing production costs increased.
In the UK, while sales of the energy drink *Lucozade Energy*, which has been renewed into a low-sugar product since April, was challenging, the sports drink *Lucozade Sport* delivered strong growth due to proactive marketing activities. As a result, sales volume of the *Lucozade* brand products decreased year on year. Sales volume of the fruit juice *Ribena* also decreased year on year.
In Spain, the Group continued to concentrate on on-premise channels, and sales of *Schweppes* grew steadily, with a highlight on tonic water.
In Africa, the Group strove to reinforce the business foundation with a focus on Nigeria.
As a result of these activities, the Europe business reported revenue of ¥238.9 billion, up 4.2% year on year and segment profit of ¥34.6 billion, up 2.9%.

< Asia business >
In Asia, in addition to reinforcing core brands, the Group worked on strengthening the sales and distribution structures in each country.
Regarding the beverage business, in Vietnam, sales increased year on year contributed by proactive marketing activities for the energy drink *Sting* and the RTD tea *TEA+*. In Indonesia, the Group undertook initiatives to reinforce the sales and distribution structures with measures such as improving distributor management capabilities centering Java area. These efforts led to strong sales of the mainstay cup jelly drink *Okky*.
Regarding the health supplement business, sales of *BRAND'S Essence of Chicken* grew in the core market Thailand, due to factors such as improved route-to-market capabilities achieved by changing the distribution structure. From May onward, Cerebos Pacific Limited and its subsidiaries began business under the name of BRAND'S SUNTORY to further strengthen and grow the *BRAND'S* brand. In addition, the major functions of the business, such as marketing, were relocated from Singapore to Thailand in June to grasp consumers' needs more swiftly and appropriately.
As a result of these activities, the Asia business reported revenue of ¥177.1 billion, up 7.6% year on year and segment profit of ¥23.2 billion, up 34.5%.

< Oceania business >
In Oceania, the Group worked to expand sales by conducting aggressive marketing activities surrounding its core brands.
In New Zealand, under an unfavorable business environment, the Group introduced new flavors and new packaging supported by aggressive marketing activities, primarily for the energy drink *V* and the fruit juice brands *Just Juice* and *Simply Squeezed*.
In Australia, the Group worked on initiatives to expand sales by proceeding with the flavor expansion of the *V* brand, as well as bolstering storefront activities of the sports drink *Maximus*.
On the other hand, earnings were affected from the increase in sales promotion costs in response to intensified competition.
As a result of these activities, the Oceania business reported revenue of ¥42.8 billion, up 3.8% year on year and segment profit of ¥5.0 billion, down 13.8%.
Furthermore, in order to accelerate the Group's strategy, from June onward, subsidiaries in New Zealand and Australia began business under the name of FRUCOR SUNTORY.

< Americas business >
In the Americas, the Group strove to further support PepsiCo brand products in North Carolina, while focusing on the growing non-carbonated beverage category, which included water and RTD coffee. On the other hand, earnings were affected by a decrease in sales of carbonated beverage category as a result of intensified competition and higher raw material costs.
As a result of these activities, the Americas business reported revenue of ¥86.0 billion, down 0.2% year on year and segment profit of ¥9.3 billion, down 17.9%.

(2) Overview of financial position for the fiscal year under review

Total assets as of December 31, 2017 were ¥1,522.0 billion, an increase of ¥100.6 billion compared to December 31, 2016. The main factors were increases in intangible assets and other assets due to the effect of foreign currency translation in overseas subsidiaries.
Total liabilities stood at ¥775.8 billion, an increase of ¥17.2 billion compared to December 31, 2016. This was due in part increases in trade and other payables, despite other factors including a decrease in interest-bearing debt.
Total equity stood at ¥746.2 billion, an increase of ¥83.4 billion compared to December 31, 2016 due in part to an increase in retained earnings resulting from the recording of profit for the year attributable to owners of the Company and an increase in translation adjustments of foreign operations, despite other factors including a decrease in retained earnings resulting from dividends paid. As a result of the above, ratio of equity attributable to owners of the Company to total assets was 45.4% and equity attributable to owners of the Company per share was ¥2,234.43.

(3) Overview of cash flows for the fiscal year under review

Cash flow positions in the fiscal year under review are as follows.
Cash and cash equivalents as of December 31, 2017 amounted to ¥113.9 billion, an increase of ¥29.8 billion compared to December 31, 2016.
Net cash inflow from operating activities was ¥149.5 billion, a decrease of ¥13.6 billion compared to the previous fiscal year. This was the result of an increase in inventories of ¥7.9 billion, despite profit before tax of ¥114.4 billion and depreciation and amortization of ¥63.9 billion and others.
Net cash outflow from investing activities was ¥53.0 billion, a decrease of ¥4.5 billion compared to the previous fiscal year. This was mainly the result of the absence of payments for business acquisition of ¥8.1 billion that occurred in the previous fiscal year, despite payments for property, plant and equipment and intangible assets of ¥55.3 billion and others.
Net cash outflow from financing activities was ¥63.6 billion, compared to ¥117.1 billion of net cash outflow from financing activities in the previous fiscal year. This was mainly the result of repayments of long-term borrowings of ¥61.9 billion and others.

(4) Future outlook

Based on the long-term strategy and the medium-term plan that have been newly formulated, the Group will work to further improve profitability and build its business foundation in order to further strengthen the strategies it has applied hitherto.
Please see 3. Management Policies for further details on the newly formulated long-term strategy and medium-term plan, and on initiatives for 2018.
In the 2018 fiscal year, the Group expects consolidated revenue of ¥1,293.0 billion, up 4.8% year on year, consolidated operating income of ¥127.0 billion, up 7.7%.

The main foreign exchange rates underlying the outlook for the next fiscal year are ¥131 against the euro and ¥110 against the U.S. dollar.

(5) Basic policy on profit distribution and dividends for the 2017 and 2018 fiscal years

The Company believes its prioritization of strategic investments as well as capital expenditures for sustainable revenue growth and increasing the value of its business will benefit its shareholders. In addition, the Company views an appropriate shareholder return as one of its core management principles. While giving due consideration to providing a stable return and maintaining robust internal reserves for the future, the Company intends to pursue a comprehensive shareholder return policy that also takes into account its business results and future funding needs. Specifically, the Company aims to stably increase dividends on the basis of profit growth with a targeted consolidated payout ratio of 30%

or more of profit for the year attributable to owners of the Company (Note). Looking to the medium- and long-term, the Company will also consider increasing the payout ratio depending on such factors as its need for funds and progress in profit growth.

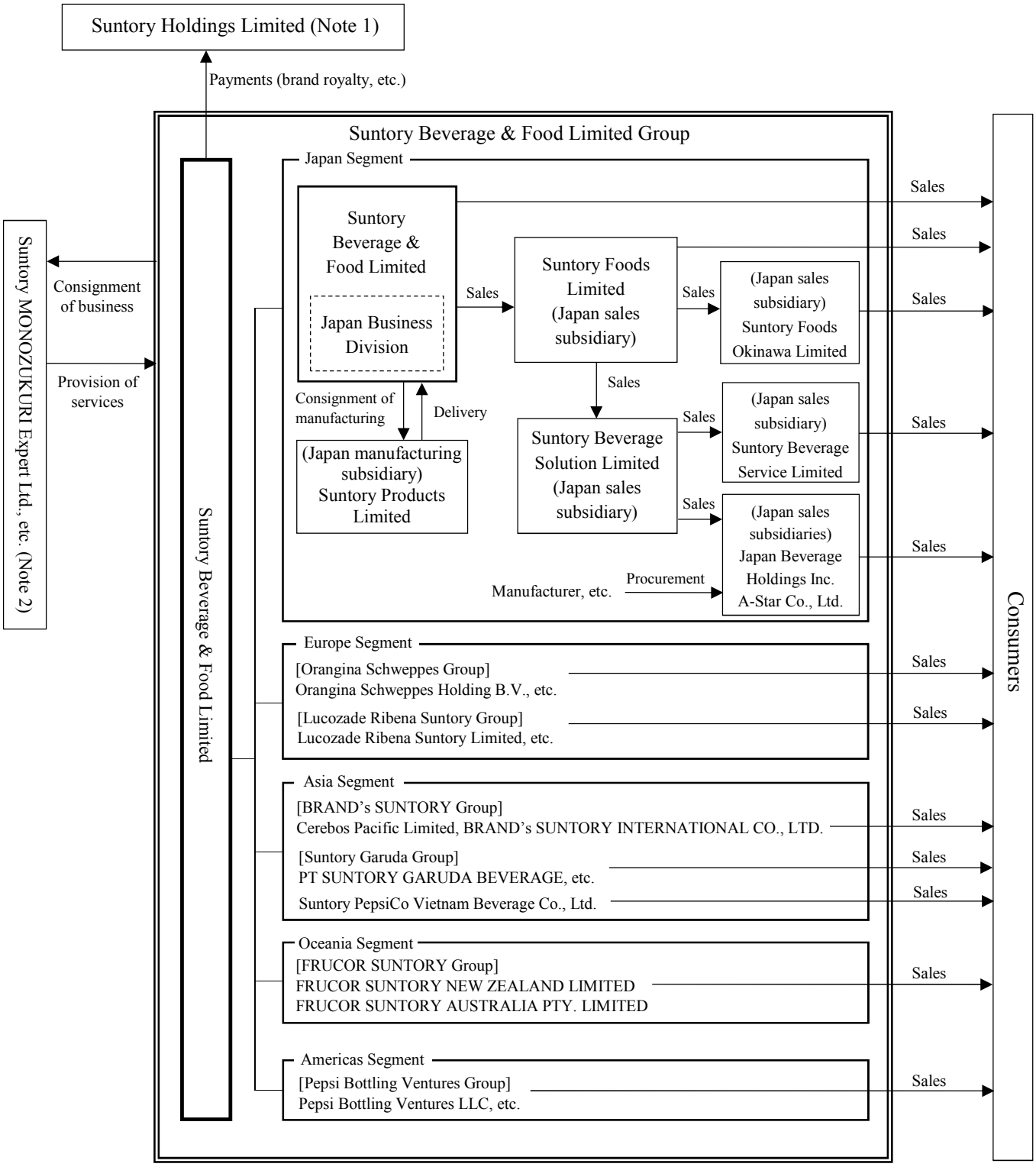
(Note) The payout ratio used for the year-end dividend for fiscal years until the fiscal year ended December 31, 2017, was a payout ratio based on net income attributable to owners of the parent before amortization of goodwill (sum of net income attributable to owners of the parent and amortization of goodwill based on Japanese GAAP).

For the fiscal year under review, in accordance with the basic policy described above and a consideration of business results and environment, the Company plans to pay a fiscal year-end dividend of ¥38 per share. As a result, the planned annual dividend for the fiscal year under review is ¥75 per share, together with an interim dividend of ¥37 already paid. For the fiscal year ending December 31, 2018, the Company plans to pay an annual dividend of ¥78 per share, comprised of an interim dividend of ¥39 and a fiscal year-end dividend of ¥39.

2. State of the Group

The Suntory Beverage & Food Limited Group is comprised of the Company, 102 subsidiaries and 9 affiliates.
The major companies are mentioned below.

The following shows a business schematic diagram of the Group.



Notes: 1. Suntory Holdings Limited is the parent company.
2. Suntory MONOZUKURI Expert Ltd., etc. are sister companies.
3. Companies inside the double-lined box are consolidated subsidiaries.

3. Management Policies

(1) Basic corporate management policy

We promise and declare to society that we make our living with water, which we call *Mizu to Ikiru*. We embrace nature, enrich our society and encourage our people to take on new challenges.
In addition, in the light of recent changes in the business environment, such as shifts in social conditions and rising health-focus among consumer needs, we have set our new vision to "Enrich our drinking-experiences to be more natural, healthy, convenient, and fulfilling, by leading the next drinks revolution."

(2) Long-term strategy and medium-term plan

Based on this new vision, we aim to realize our aspiration "To Be the Third Force" in the global beverage industry, and "2.5 trillion yen sales by 2030." In order to achieve these, we have drawn up a long-term strategy and medium-term plan as follows.

1. Long-term strategy

The Group will proactively develop business activities focused on the following seven growth pillars.

(i) Evolve portfolio by satisfying the needs of local consumers
(ii) Enhance availability by exploiting changing trade channels and technologies
(iii) Innovate MONOZUKURI to generate competitiveness
(iv) Expand areas by focusing on growth markets
(v) Develop Beyond RTD Next-generation business model
(vi) Accelerate sustainability management and contribution to local societies
(vii) Strengthen unique global management system of Genba Heroes

2. Medium-term plan (2018-2020)

Based on the long-term strategy, our targets to 2020 are as follows.
(in comparison to 2017 figures and on a currency-neutral basis)

Sales: Organic growth ahead of market and incremental growth through new investments
Profit: Grow operating income at a CAGR (Compound Annual Growth Rate) mid single-digit or above

(3) Issues to address

In the 2018 fiscal year, the Group will continuously work to strengthen business foundations in each reportable segment, and aim for sales and profit growth.

< Japan business >

In Japan, the Group expects to see continuing changes in the consumer environment brought about by rising health-focus among consumers and increasingly diverse lifestyles. By capturing needs of consumers through strengthening core brands and future core categories, and through offering new value, the Group aims to grow sales at a rate higher than that of the market.
Within this, the Group will position water, tea and coffee as core categories, and the Group will strengthen initiatives in *Suntory Tennensui* brand, the *Boss* coffee brand, and the sugar-free tea category that includes the *Iyemon* brand and the *Suntory Oolong Tea* brand, as the three pillars of these activities.
For the *Suntory Tennensui* brand, the Group will further enhance its unique "clear & tasty" and "natural & healthy" brand value by implementing branding activities that put the focus on the source of the water while working in conjunction with the Group's environmental conservation and recycling initiatives under the Group's promise "Mizu-to-Ikiru." In addition, the Group will strive to win new demand through the introduction of products with new added value.
For the *Boss* coffee brand, in addition to continuing to focus on marketing activities aimed at existing core users of canned coffee, the Group will strive for further growth in the *Craft Boss* with its the PET bottle packaging, which proposes a new way for customers to enjoy their coffee since its launch in 2017.
For the sugar-free tea category, in addition to maintaining efforts to strengthen the *Iyemon* and *Suntory Oolong Tea* brands, which were renewed in 2017, the Group will conduct initiatives for proactive marketing activities to establish a strong position with the *Green DAKARA Yasashii Mugicha* in the expanding barley tea market. The Group will also continue to focus on the FOSHU drink *Tokucha*.
In the vending machine channel, the Group will aim to capture demand in offices and factories by introducing unique, quality products exclusive to vending machines and implement vending machine campaigns.

In addition to such activities that will have emphasize on improving profitability, the Group will continue cost reduction activities, including enhancing production efficiency, and on efficient expenditure of sales promotion and advertising costs.

< Europe business >
In Europe, in the major countries the Group will broaden the product portfolio through reinforcing low-sugar products, and promote the expansion of consumer contact points through bolstering storefront activities. In France, in addition to further strengthening core brands such as *Orangina* and the low-sugar product *MayTea*, the Group will work to improve supply chain management. In the UK, where a sugar tax will be introduced in April, the Group will actively roll out low-sugar products, strongly supported by promotional activities to consumers with a focus on the core products *Lucozade Energy* and *Ribena*. In Spain, the Group will reinforce marketing activities of *Schweppes* and sales activities in on-premise channels, while at the same time introducing the low-sugar product *MayTea* to broaden the portfolio. Also, in Africa, the Group continues to reinforce the business foundation to capture growing demand.

< Asia business >
In Asia, the Group will focus on the core brands in key regions and form a joint venture with PepsiCo, Inc. in Thailand, with the aim of achieving further growth and expanding the business in this rapidly growing market.
In the health supplement business, the Group will work to expand sales of core product *BRAND'S Essence of Chicken*, while at the same time strengthening initiatives for growth markets such as Myanmar. In the beverage business, in Vietnam the Group will strive to accelerate growth of core brands such as the energy drink *Sting* and the RTD tea *TEA+*, and bolster sales activities in the rural areas as well as in urban areas. Meanwhile in Indonesia, the Group will strive to capture market growth by further reinforcing the core brands as well as the sales and distribution structures.

< Oceania business >
In Oceania, as well as working to reinforce core brands such as the energy drink *V* and the sports drink *Maximus*, the Group will introduce new health-focused products to broaden the portfolio and expand route-to-market. The Group will pursue its growth strategy by shifting the fresh coffee business unit to Oceania business from 2018, which was originally positioned within the Asia business.

< Americas business >
In the Americas, the Group will strive to regain growth in the carbonated beverage category, while also focusing on the expanding non-carbonated beverage category. In addition, in view of the rising health-focus among consumers, the Group will pursue initiatives in relation to invest in new business.

4. Basic Concept Regarding Selection of Accounting Standard

Considering the ongoing globalization of the business activities of the Group, the Group has applied the International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2017, to improve the quality of the Group's business management through unified accounting standards and to increase international comparability of its financial information in the capital markets.

5. Consolidated Financial Statements and Significant Notes Thereto (Unaudited)

(1) Consolidated statement of financial position

	Millions of yen		
	Transition date (January 1, 2016)	As at December 31, 2016	As at December 31, 2017
Assets			
Current assets:			
Cash and cash equivalents	97,718	84,096	113,883
Trade and other receivables	174,535	176,781	176,653
Other financial assets	629	376	11,793
Inventories	81,642	73,985	81,015
Other current assets	21,161	23,818	25,487
Subtotal	375,687	359,057	408,832
Assets held for sale	96	–	22,081
Total current assets	375,783	359,057	430,914
Non-current assets:			
Property, plant and equipment	374,435	362,342	354,216
Goodwill	253,142	245,481	254,025
Intangible assets	469,404	411,356	432,814
Investments accounted for using the equity method	3,721	3,745	1,233
Other financial assets	12,820	13,531	20,460
Deferred tax assets	10,202	12,206	12,701
Other non-current assets	17,053	13,677	15,663
Total non-current assets	1,140,781	1,062,340	1,091,115
Total assets	1,516,565	1,421,398	1,522,029

	Millions of yen		
	Transition date (January 1, 2016)	As at December 31, 2016	As at December 31, 2017
Liabilities and equity			
Liabilities			
Current liabilities:			
Bonds and borrowings	113,649	72,239	95,654
Trade and other payables	276,515	281,545	289,521
Other financial liabilities	28,720	31,802	32,678
Accrued income taxes	13,138	15,849	18,773
Provisions	2,542	2,147	1,385
Other current liabilities	7,330	9,886	8,860
Subtotal	441,896	413,470	446,873
Liabilities directly associated with assets held for sale	–	–	6,215
Total current liabilities	441,896	413,470	453,088
Non-current liabilities:			
Bonds and borrowings	298,743	239,283	211,375
Other financial liabilities	30,349	23,677	25,306
Post-employment benefit liabilities	8,920	11,214	11,888
Provisions	3,191	2,954	2,913
Deferred tax liabilities	62,519	62,688	66,001
Other non-current liabilities	6,298	5,294	5,253
Total non-current liabilities	410,023	345,112	322,738
Total liabilities	851,919	758,583	775,827
Equity			
Share capital	168,384	168,384	168,384
Share premium	191,233	182,326	182,404
Retained earnings	259,401	309,582	364,274
Other components of equity	(1,365)	(51,507)	(24,625)
Total equity attributable to owners of the Company	617,653	608,784	690,437
Non-controlling interests	46,991	54,030	55,763
Total equity	664,645	662,815	746,201
Total liabilities and equity	1,516,565	1,421,398	1,522,029

(2) Consolidated statement of profit or loss

	Millions of yen	
	Year ended December 31, 2016	Year ended December 31, 2017
Revenue	1,209,149	1,234,008
Cost of sales	(677,365)	(697,789)
Gross profit	531,783	536,219
Selling, general and administrative expenses	(412,210)	(412,444)
Gain on investments accounted for using the equity method	665	447
Other income	3,959	5,862
Other expenses	(12,332)	(12,129)
Operating income	111,865	117,955
Finance income	559	871
Finance costs	(4,619)	(4,384)
Profit before tax	107,804	114,442
Income tax expense	(29,254)	(28,267)
Profit for the year	78,549	86,175
Attributable to:		
Owners of the Company	71,501	78,112
Non-controlling interests	7,048	8,062
Profit for the year	78,549	86,175
Earnings per share (Yen)	231.40	252.79

(3) Consolidated statement of comprehensive income

	Millions of yen	
	Year ended December 31, 2016	Year ended December 31, 2017
Profit for the year	78,549	86,175
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets	–	388
Remeasurement of post-employment benefit plans	(1,735)	755
Total	(1,735)	1,144
Items that may be reclassified to profit or loss:		
Translation adjustments of foreign operations	(49,224)	24,913
Net gain (loss) on revaluation of cash flow hedges	(200)	512
Changes in the fair value of available-for-sale securities	123	–
Changes in comprehensive income of investments accounted for using the equity method	(200)	66
Total	(49,501)	25,492
Other comprehensive income for the year, net of tax	(51,237)	26,637
Comprehensive income for the year	27,311	112,812
Attributable to:		
Owners of the Company	21,359	105,776
Non-controlling interests	5,952	7,036
Comprehensive income for the year	27,311	112,812

(4) Consolidated statement of changes in equity

	Millions of yen						
	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Other compo-nents of equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2016	168,384	191,233	259,401	(1,365)	617,653	46,991	664,645
Profit for the year			71,501		71,501	7,048	78,549
Other comprehensive income				(50,142)	(50,142)	(1,095)	(51,237)
Total comprehensive income for the year	–	–	71,501	(50,142)	21,359	5,952	27,311
Dividends			(21,321)		(21,321)	(3,858)	(25,179)
Transactions with non-controlling interests		(8,907)			(8,907)	4,944	(3,963)
Total transactions with owners of the Company	–	(8,907)	(21,321)	–	(30,228)	1,085	(29,142)
Balance at December 31, 2016	168,384	182,326	309,582	(51,507)	608,784	54,030	662,815
Cumulative effect of adopting new accounting standards				(716)	(716)	(0)	(716)
Balance at January 1, 2017	168,384	182,326	309,582	(52,224)	608,068	54,030	662,098
Profit for the year			78,112		78,112	8,062	86,175
Other comprehensive income				27,663	27,663	(1,026)	26,637
Total comprehensive income for the year	–	–	78,112	27,663	105,776	7,036	112,812
Dividends			(23,484)		(23,484)	(5,397)	(28,881)
Transactions with non-controlling interests		77			77	95	172
Reclassification to retained earnings			64	(64)	–		–
Total transactions with owners of the Company	–	77	(23,419)	(64)	(23,406)	(5,302)	(28,708)
Balance at December 31, 2017	168,384	182,404	364,274	(24,625)	690,437	55,763	746,201

(5) Consolidated statement of cash flows

	Millions of yen	
	Year ended December 31, 2016	Year ended December 31, 2017
Cash flows from operating activities		
Profit before tax	107,804	114,442
Depreciation and amortization	62,347	63,934
Impairment losses (reversal of impairment losses)	537	184
Interest and dividends income	(499)	(871)
Interest expense	4,380	2,724
Gain on investments accounted for using the equity method	(665)	(447)
(Increase) decrease in inventories	5,373	(7,887)
(Increase) decrease in trade and other receivables	(10,674)	(1,425)
Increase (decrease) in trade and other payables	10,125	6,453
Other	13,410	3,446
Subtotal	192,141	180,554
Interest and dividends received	500	833
Interest paid	(4,833)	(2,813)
Income tax paid	(24,724)	(29,061)
Net cash inflow from operating activities	163,083	149,513
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(51,793)	(55,339)
Proceeds on sale of property, plant and equipment and intangible assets	2,651	787
Payments for business acquisition	(8,088)	—
Other	(232)	1,593
Net cash (outflow) from investing activities	(57,461)	(52,958)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,291)	8,751
Proceeds from long-term borrowings	27,790	26,642
Repayments of long-term borrowings	(105,128)	(61,905)
Payments of finance lease liabilities	(9,509)	(8,404)
Dividends paid to owners of the Company	(21,321)	(23,484)
Dividends paid to non-controlling interests	(3,858)	(5,397)
Payments for shares of subsidiaries	(3,808)	(171)
Other	–	374
Net cash (outflow) from financing activities	(117,126)	(63,593)
Net increase (decrease) in cash and cash equivalents	(11,505)	32,961
Cash and cash equivalents at the beginning of the year	97,718	84,096
Effects of exchange rate changes on cash and cash equivalents	(2,117)	265
Cash and cash equivalents included in assets held for sale	–	(3,439)
Cash and cash equivalents at the end of the year	84,096	113,883

(6) Notes to consolidated financial statements

(Going concern)

The consolidated financial statements are prepared on going concern basis.

(Reporting entity)

Suntory Beverage & Food Limited (the "Company") is a company incorporated in Japan and listed in the first section of the Tokyo Stock Exchange. The Company is a 59.48% owned subsidiary of Suntory Holdings Limited (the "Parent"), a non-listed pure holding company that was established on February 16, 2009, through a stock transfer from Suntory Limited (currently, Suntory Spirits Limited), a company founded in Japan in 1899. The Parent and its subsidiaries (together, the "Suntory Group") produce and distribute various popular brands of beverages in various alcoholic and nonalcoholic beverage and food categories. Kotobuki Real Estate Co., Ltd is the ultimate parent company of Suntory Group. The Company was established on January 23, 2009, and commenced the nonalcoholic beverage and food business among the Suntory Group on April 1, 2009. Such business was transferred to the Company by way of corporate split with Suntory Limited in connection with the reorganization of Suntory Group, which adopted the holdings company structure mentioned above.
The addresses of its registered office and location of principal offices are disclosed on our website (URL http://www.suntory.co.jp/softdrink/). The Company and its subsidiaries (the "Group") operate the beverage and food segment of the Suntory Group by manufacturing and distribution of the products. Principal activities of the Group are described in the note (Segment information).

(Basis of preparation)

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to the provisions set forth in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No.28 of 1976), since the Group meets the requirements for a "Specified Company Complying with Designated International Accounting Standards" prescribed in Article 1-2 of the ordinance.
The Group has adopted IFRSs from the year ended December 31, 2017, and the consolidated financial statements for the year ended December 31, 2017 are the first consolidated financial statements prepared in accordance with IFRSs. The date of transition to IFRSs is January 1, 2016. The effect of the transition to IFRSs on the Group's financial position, profit or loss, and cash flows on the transition date and as at December 31, 2016 is described in the note (First-time adoption).
The Group's accounting policies have complied with IFRSs effective on December 31, 2017, except for IFRSs that have not been early adopted by the Group and for the exemptions allowed by the provisions of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The exemptions used by the Group are described in the note (First-time adoption).
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 the note (Significant accounting policies).

(Significant accounting policies)

(1) Basis of consolidation

The Group's consolidated financial statements with the fiscal closing date at December 31 are composed of the Company and its 102 subsidiaries (101 as at December 31, 2016) together with the Group's attributable share of the results of 9 associates (12 as at December 31, 2016) and 0 joint ventures (2 as at December 31, 2016).
A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group's subsidiaries are included in the scope of consolidation, which begins when it obtains control over a subsidiary and ceases when it loses control of the subsidiary.
Disposal of the Group's ownership interests in a subsidiary that does not result in the Group losing control over the subsidiaries is accounted for as an equity transaction. Any difference between the amount of an adjustment to the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is attributed to owners of the Company. Non-controlling interests of the subsidiaries are identified separately from ownership interests attributable to the Group. Comprehensive income of subsidiaries is attributed to owners of the Company and non-controlling interests, even when comprehensive income attributed to non-controlling interests results in a negative balance.

An associate is an entity over which the Group has significant influence over the financial and operating policy of the associate, but does not have control. Investments in an associate are initially recognized at cost

upon the acquisition and are subsequently accounted for using the equity method. Investments in an associate include goodwill recognized upon the acquisition, net of accumulated impairment losses.
A joint venture is an entity jointly controlled by two or more parties including the Group under the contractually agreed sharing of control of an arrangement over economic activities of the joint venture, which exists only when decisions for strategic financial and operating decisions related to relevant activities require unanimous consent of the parties sharing control. A joint venture of the Group is accounted for using the equity method.

(2) Business combination

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

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

Transaction costs that are directly attributable to a business combination, such as agent, legal, and due diligence fees are expensed as incurred.

(3) Foreign currencies

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). In preparing the separate financial statements of each entity, a transaction denominated in a currency other than the entity's functional currency is translated into its functional currency using the exchange rate that approximates the exchange rate prevailing at the date of the transaction. The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. Amounts presented in the consolidated financial statements are rounded down to the nearest million yen.
Assets and liabilities of the Group's foreign operations are translated into Japanese yen using exchange rates prevailing at the reporting date. 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 difference arising from translation of the financial statements of the Group's foreign operations is recognized in other comprehensive income. Any exchange difference arising from translation of the Group's foreign operation disposed is recognized in profit or loss for the reporting period in which that foreign operation is disposed of.
At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at the reporting date.
Any exchange difference arising from translation or settlement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. However, exchange differences arising from translation or settlement of financial assets measured at fair value through other comprehensive income (FVTOCI) and cash flow hedges are recognized in other comprehensive income.

The exchange rates between principal foreign currencies and the Japanese yen that were used for the transition date and the years ended December 31, 2016 and 2017 were as follows:

		Transition date (January 1, 2016)	Year ended December 31, 2016	Year ended December 31, 2017
U.S. Dollar	Average rates	–	108.8	112.2
	Closing rates	120.6	116.5	113.0
Euro	Average rates	–	120.2	126.7
	Closing rates	131.8	122.7	134.9
Pound Sterling	Average rates	–	147.5	144.5
	Closing rates	178.8	143.0	152.0
Singapore Dollar	Average rates	–	78.7	81.3
	Closing rates	85.4	80.6	84.5
Thai Baht	Average rates	–	3.1	3.3
	Closing rates	3.3	3.2	3.5
Viet Nam Dong	Average rates	–	0.0049	0.0049
	Closing rates	0.0054	0.0051	0.0050
New Zealand Dollar	Average rates	–	75.7	79.7
	Closing rates	82.9	81.2	80.2
Australian Dollar	Average rates	–	80.8	86.0
	Closing rates	87.9	84.4	88.2

(4) Financial instruments

a. Financial assets

(i) Initial recognition and measurement

Financial assets are classified into the following specific categories; financial assets measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI) and financial assets measured at amortized cost. The classification is determined at the time of 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.

(ii) Subsequent measurement

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, for which such designation is continuously applied.

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. Any gain or loss on financial assets measured at fair value is recognized in profit or loss. However, changes in the fair value of equity instruments designated as measured at FVTOCI are recognized in other comprehensive income and the changes are reclassified to retained earnings when equity instruments are derecognized and when there is a significant decline in their fair value. Dividends from such financial

assets are recognized as part of finance income in profit or loss for the year.

(iii) Impairment

For impairment of financial assets measured at amortized cost, the Group recognizes a loss allowance against expected credit losses on such financial assets. At each reporting date, financial assets are assessed whether there has been a significant increase in credit risk of the financial asset since initial recognition.

If the credit risk on financial assets has not increased significantly since initial recognition, a loss allowance is measured at an amount equal to 12-months of expected credit losses. On the other hand, if the credit risk on financial assets has increased significantly since initial recognition, a loss allowance is measured at an amount equal to the lifetime expected credit losses. However, a loss allowance for trade and other receivables is always measured at an amount equal to the lifetime expected credit losses. Expected credit losses on financial assets are assessed based on objective evidence which reflects changes in credit information, and past due information of receivables. An impairment loss is recognized in profit or loss. If any event resulting in a decrease of impairment losses occurs after the recognition of impairment losses, impairment gains are recognized through profit or loss. The carrying amount of financial assets, net of any cumulative impairment losses, presented in the consolidated financial statements represents the maximum exposure to credit risks of the Group's financial assets, without considering value of associated collaterals obtained.

(iv) Derecognition

The Group derecognizes financial assets when the contractual rights to the cash flows from the assets expire, or when it substantially transfers all the risks and rewards of ownership of the assets to another party. If the Group continues to control the transferred assets, the Group continues to recognize the asset and related liabilities to the extent of its continuing involvement.

b. Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified into either subsequently measured at FVTPL or at amortized cost. The classifications are determined at the time of initial recognition. All of the financial liabilities are initially measured at fair value and any directly attributable transaction costs are further deducted from the fair value of financial liabilities measured at amortized cost.

(ii) Subsequent measurement

Financial liabilities measured at FVTPL include those held for trading purposes and those designated as measured at FVTPL upon initial recognition. Such financial liabilities measured at FVTPL are subsequently measured at fair value, with changes recognized in profit or loss for the reporting period. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

(iii) Derecognition

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

c. Presentation of financial assets and liabilities

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

d. Derivatives and hedge accounting

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

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which it applies hedge accounting and its risk management objective and strategy for undertaking the hedge. That documentation includes identification of a specific hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will test the effectiveness of changes

in fair value of the hedging instrument in offsetting the exposure to fair value or cash flow changes of the hedged item attributable to the hedged risks. These hedges are presumed to be very effective in offsetting fair value or cash flow changes. Further, continuing assessments are made as to whether the hedges are very effective over all the reporting periods of such designation.

If the hedging relationship 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 that the risk management objective remains unchanged, the hedge ratio will be adjusted to meet the hedge effectiveness requirement. If the hedging relationship no longer meets the hedge effectiveness requirement in spite of the hedge ratio adjustment, hedge accounting is discontinued for the portion of the hedge relationship that no longer meets the requirement.

The hedges that meet the hedge accounting criteria are classified and are accounted for under IFRS 9 as follows.

(i) Fair value hedges

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

(ii) Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income in the consolidated statement of comprehensive income. The portion of the gain or loss on the hedging instrument that is hedge ineffective is immediately recognized in profit or loss in the consolidated statement of profit or loss. The amount of the hedging instrument recognized in other comprehensive income is reclassified to profit or loss at the point a hedged future transaction affects profit or loss. If the hedged item gives rise to the recognition of a non-financial asset or liability, the amount recognized in other comprehensive income is removed to adjust the original carrying amount of the non-financial asset or liability.

If a forecast hedge transaction or firm commitment is not expected to arise, the cumulative gains and losses previously recognized in equity through other comprehensive income are reclassified to profit or loss. If hedged future cash flows are still expected to arise, the cumulative gains and losses previously recognized in equity through other comprehensive income remain in equity until such future cash flows arise.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks that can be withdrawn at any time, and short-term investments with a maturity of three months or less from the acquisition date, which are readily convertible into cash and are exposed to insignificant risk in changes in value.

(6) Inventories

Inventories are stated at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale. The cost of inventories is principally determined using 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 on an item of property, plant and equipment, other than land and construction in progress, are recognized on a straight-line basis over its estimated useful life. The range of estimated useful lives by major asset item are as follows:

- Buildings and structures: 5 to 50 years

- Machinery and equipment and Vehicles: 2 to 17 years
- Tools, furniture and fixtures: 2 to 15 years

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

(8) Intangible assets

Intangible assets are measured at cost at initial recognition. Upon initial recognition, intangible assets, exclusive of intangible assets with indefinite useful lives, are amortized on a straight-line basis over its estimated useful life, and is stated at its carrying amount, i.e., at cost less accumulated amortization and any accumulated impairment losses. The estimated useful lives of principal intangible assets with definite useful lives are as follows:

- Trademarks: 20 years
- Computer software: 2 to 10 years

The estimated useful lives, residual values and amortization methods are reviewed at the end of each reporting period. Any change is treated as a change in accounting estimates and is accounted for prospectively. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment each reporting period, or whenever there is any indication of impairment.

Goodwill is measured as at the acquisition date as the excess of the aggregate of the consideration transferred, the value of any non-controlling interests and the fair value of any previously held equity interest in the subsidiary acquired over the fair value of the identifiable net assets (net of identifiable assets acquired and the liabilities assumed) acquired. Goodwill is not amortized, but is tested for impairment each reporting period, or whenever there is any indication of impairment.

(9) Leases

Where the Group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease.
Assets held under a finance lease are initially recognized at the lower of the fair value of leased assets and the present value of minimum lease payments, which are determined at the inception of the lease.
Subsequent to the initial recognition, leased assets are depreciated over the shorter of its estimated useful life and its lease term based on the applicable accounting policies for the asset.
Lease payments under finance lease are allocated to finance costs and the repayment of the lease obligations based on the interest method. Finance costs are expensed in the consolidated statement of profit or loss.
Other leases are treated as operating leases. Lease payments for an operating lease transaction are recognized as an expense on a straight-line basis over the lease term in the consolidated statement of profit or loss.

(10) Impairment of non-financial assets

The carrying amount of a non-financial asset of the Group, exclusive of inventories and deferred tax assets, is assessed at each reporting date to test whether there is any indication that the asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Further, the recoverable amount is estimated annually at the same time every year for goodwill and intangible assets with indefinite useful lives and intangible assets that are not yet available for use.
The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. In determining the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the asset. Non-financial assets not tested for impairment on an individual basis are grouped into the smallest cash-generating unit that generates cash inflows from the 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 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 (or group of units), and then, to the other assets of the unit (or group of units) pro rata on the basis of the carrying amount of each asset in the unit (or group of units).

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 of 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-retirement benefit plans

The Company and certain subsidiaries established post-retirement 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. Net defined benefit liability (asset) is determined as the present value of defined benefit obligation less the fair value of plan assets (if any). Remeasurements of the net defined benefit liability (asset) are recognized collectively in other comprehensive income for the period in which they are incurred.

The past service cost is accounted for as profit or loss for the period in which it is incurred.

Expenses related to defined contribution retirement benefits are recognized when related services are rendered.

(12) Provisions

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

(13) Revenue

The Group is engaged in manufacturing and sale of soft drinks and foods. Revenue from the sale of such goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing involvement nor effective control over the goods, it is probable the economic benefits associated with the transaction will flow to the Group and the economic benefits and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received less any trade discounts, rebates and taxes collected on behalf of third parties, such as consumption tax or value added tax. Interest income is recognized using the effective interest method.

(14) Government grant

The Group measure and recognize 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 is deducted from the carrying amount of the asset.

(15) Corporate income tax

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

Current tax is measured at the amount expected to be paid to (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 affects neither accounting profit nor taxable profit;
- Deductible temporary differences associated with investments in subsidiaries, associates and interests

in joint arrangement, to the extent it is probable that the temporary difference will not reverse in the foreseeable future; and

- Taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangement, to the extent 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 are reviewed each period and are adjusted to the extent it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are also reviewed 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 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.

(16)Earnings per share

Earnings per share is calculated by the profit or loss for the year attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares issued.

(17)Assets held for sale

The Group classifies an asset or asset group that will be recovered principally through a sales transaction rather than through continuing use as assets held for sale, only when its sale must be highly probable within one year, the asset or asset group is available for immediate sale in its present condition and the appropriate level of management of the Group is committed to a plan to sell the asset or asset group. The assets held for sale are not depreciated or amortized, and are measured at the lower of its carrying amount and the fair value less costs to sell.

(Early adoption of new accounting standards)

The Group has early adopted IFRS 9 *Financial Instruments* (as revised in July 2014; hereafter "IFRS 9") from January 1, 2017. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") upon its effective date.
The Group has applied the exemption provisions under IFRS 1 for IFRS 7 *Financial Instruments: Disclosures* (hereafter "IFRS 7") and IFRS 9. Therefore, the previous accounting standard (Japanese GAAP) has been applied to the Group's opening IFRSs statement of financial position and to the comparative period.
Principal changes in requirements are summarized as follows. Please see note (Significant accounting policies), (4) Financial instruments for the Group's detailed policy under IFRS 9.

(1) Under generally accepted accounting principles in Japan ("Japanese GAAP"), the nature of the instruments or the aim of the investment determines the selection of the measurement approach for financial assets and liabilities. Either market value, amortized cost or historical cost is applied. As a result of adoption of IFRS 9, financial instruments are reclassified and remeasured in line with the classification requirements (amortized cost or fair value) based on the condition of those instruments.

(2) Under Japanese GAAP, hedge transactions that qualify for hedge accounting are generally measured at fair value at the balance sheet date and a net unrealized gain (loss) is deferred until their maturity. Transactions utilized to hedge foreign currency exposures are translated at the contracted rates if they qualify for hedge accounting. Interest income and expenses associated to transactions utilized to hedge interest rate exposures are presented on net basis if they qualify for hedge accounting. As a result of adoption of IFRS 9, hedge qualification requirements (for hedged items and hedging instruments) and the hedge effectiveness requirements have been revised.

(3) Under Japanese GAAP, the allowance for doubtful accounts is measured based on the historical credit loss experience and an evaluation of potential losses for the overdue or doubtful receivables. As a result of adoption of IFRS 9, impairment model on the expected credit loss has been implemented and measurement approach of impairment has been revised.

The impact of early adoption of IFRS 9 as at January 1, 2017 to the Groups financial statement was as follows:

	Millions of yen			
	Before adoption	Effect of IFRS 9	After adoption	Notes
Assets				
Current assets				
Cash and cash equivalents	84,096	–	84,096	
Trade and other receivables	176,781	–	176,781	(3)
Other financial assets	376	5,107	5,483	(2),(3)
Inventories	73,985	0	73,986	(2)
Other current assets	23,818	–	23,818	
Total current assets	359,057	5,108	364,166	
Non-current assets				
Property, plant and equipment	362,342	–	362,342	
Goodwill	245,481	–	245,481	
Intangible assets	411,356	–	411,356	
Investments accounted for using the equity method	3,745	–	3,745	
Other financial assets	13,531	21,832	35,364	(1),(2),(3)
Deferred tax assets	12,206	600	12,807	(1),(2)
Other non-current assets	13,677	(103)	13,574	(1)
Total non-current assets	1,062,340	22,330	1,084,670	
Total assets	1,421,398	27,438	1,448,837	

Numbers shown in “Notes” correspond to above-described principal changes in requirements.

	Millions of yen			
	Before adoption	Effect of IFRS 9	After adoption	Notes
Liabilities and equity				
Liabilities				
Current liabilities				
Bonds and borrowings	72,239	5,099	77,338	(2)
Trade and other payables	281,545	64	281,610	(2)
Other financial liabilities	31,802	33	31,835	(2)
Accrued income taxes	15,849	–	15,849	
Provisions	2,147	–	2,147	
Other current liabilities	9,886	–	9,886	
Total current liabilities	413,470	5,197	418,667	
Non-current liabilities				
Bonds and borrowings	239,283	20,719	260,003	(1),(2)
Other financial liabilities	23,677	1,956	25,634	(2)
Post-employment benefit liabilities	11,214	–	11,214	
Provisions	2,954	–	2,954	
Deferred tax liabilities	62,688	281	62,970	(1)
Other non-current liabilities	5,294	–	5,294	
Total non-current liabilities	345,112	22,958	368,071	
Total liabilities	758,583	28,155	786,738	
Equity				
Share capital	168,384	–	168,384	
Share premium	182,326	–	182,326	
Retained earnings	309,582	–	309,582	
Other components of equity	(51,507)	(716)	(52,224)	(1),(2)
Total equity attributable to owners of the Company	608,784	(716)	608,068	
Non-controlling interests	54,030	(0)	54,030	
Total equity	662,815	(716)	662,098	
Total liabilities and equity	1,421,398	27,438	1,448,837	

Numbers shown in “Notes” correspond to above-described principal changes in requirements.

(Segment information)

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

The Group manufactures and distributes soft drinks and foods, including mineral water, coffee drinks, tea drinks, carbonated drinks, sports drinks and food for specified health uses (FOSHU). The Company, together with its manufacturing and sales subsidiaries, operates in the domestic market, and its regional subsidiaries operate in overseas markets. Therefore, the Group comprises of five reportable segments: "Japan business," "Europe business," "Asia business," "Oceania business" and "Americas business". The accounting policies of the reportable segments are the same as the Group's accounting policies described in the note (Significant accounting policies), and segment profit is reconciles to operating income in the consolidated statement of profit and loss. The intersegment transactions are considered on an arm's length basis.

The Group operates a single business, the manufacturing and distribution of soft drinks and foods, therefore financial information by product and service is not prepared.

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

Year ended December 31, 2016

Millions of yen

	Reportable segment					Segment		
	Japan	Europe	Asia	Oceania	Americas	total	Reconciliations	Consolidated
Revenue:								
External customers	687,839	229,374	164,506	41,201	86,227	1,209,149	–	1,209,149
Intersegment	6	1,897	172	4	–	2,080	(2,080)	–
Total revenue	687,845	231,271	164,678	41,206	86,227	1,211,230	(2,080)	1,209,149
Segment profit	54,536	33,602	17,239	5,811	11,329	122,520	(10,654)	111,865
(Depreciation and amortization)	37,374	9,036	8,138	1,569	3,420	59,540	2,807	62,347

Year ended December 31, 2017

Millions of yen

	Reportable segment					Segment		
	Japan	Europe	Asia	Oceania	Americas	total	Reconciliations	Consolidated
Revenue:								
External customers	689,192	238,943	177,064	42,767	86,040	1,234,008	–	1,234,008
Intersegment	3	1,367	563	6	–	1,940	(1,940)	–
Total revenue	689,195	240,311	177,627	42,773	86,040	1,235,948	(1,940)	1,234,008
Segment profit	57,309	34,580	23,180	5,012	9,298	129,382	(11,426)	117,955
(Depreciation and amortization)	36,644	9,618	9,108	1,943	3,652	60,968	2,966	63,934

"Reconciliations" to segment profit represent overhead costs incurred and are not allocated to the reportable segments. Segment profit agrees with operating income presented in the consolidated statement of profit or loss.

Geographical areas are comprised of the following countries.

Japan business:	Japan
Europe business:	France, UK, Spain, and others
Asia business:	Vietnam, Thailand, Indonesia, and others
Oceania business:	New Zealand, Australia, and others
Americas business:	United States of America

Revenue from external customers was as follows:

	Millions of yen					
	Japan	Europe	Asia	Oceania	Americas	Total
Year ended December 31, 2016	687,839	229,641	133,758	71,682	86,227	1,209,149
Year ended December 31, 2017	689,192	239,349	143,799	75,627	86,040	1,234,008

Revenue is allocated into countries or areas based on the customers' location for the analysis above.

Non-current assets by reportable segment was as follows:

	Millions of yen					
	Japan	Europe	Asia	Oceania	Americas	Total
As at January 1, 2016	359,610	557,238	72,794	46,084	61,254	1,096,982
As at December 31, 2016	347,183	493,810	71,688	46,285	60,211	1,019,179
As at December 31, 2017	339,933	532,115	68,877	40,208	59,920	1,041,056

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

There has been no single customer sales to who Represent 10% or more to the Group's revenue.

(Per share information)

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

	Millions of yen	
	Year ended December 31, 2016	Year ended December 31, 2017
Profit for the year attributable to owners of the Company	71,501	78,112
Profit for the year not attributable to ordinary shareholders of the Company	–	–
Profit for the year used in the calculation of earnings per share	71,501	78,112
Weighted-average number of ordinary shares (Shares)	309,000,000	309,000,000
Earnings per share (Yen)	231.40	252.79

(Subsequent events)

There were no subsequent events.

(Supplemental information)

(Transfer of the food and instant coffee business)

As at October 19, 2017, Cerebos Pacific Limited ("CPL"), a subsidiary of Suntory Beverage & Food Asia Pte. Ltd., (a subsidiary of Suntory Beverage & Food Limited.) reached to an agreement with The Kraft Heinz Company to transfer all of the shares of its three subsidiaries operating food and instant coffee business, aiming to optimize its business in Singapore, Australia and New Zealand area.

The transfer price is scheduled to be approximately 26 billion yen (*1) which is subject for adjustment upon completion of transfer pursuant to the share purchase agreement.

Subject to conditions including regulatory approvals from the agencies of antitrust in the required countries, the transfer is scheduled to complete in the first quarter of 2018.

(*1) Amount converted into yen with the exchange rate as at October 2017.

(Acquisition of beverage business in Thailand)

As at November 2, 2017, Suntory Beverage & Food Asia Pte. Ltd., a subsidiary of Suntory Beverage & Food

Limited , concluded a definitive agreement with Pepsi-Cola (Thai) Trading Co., Ltd., a subsidiary of PepsiCo Inc., to acquire 51% shares of International Refreshment (Thailand) Co., Ltd., a soft drink operation of PepsiCo, Inc. in Thailand, aiming to expand the soft drink business in Thailand.
The acquisition cost is scheduled to be approximately 33 billion yen (*2) which is subject for adjustment upon completion of acquisition pursuant to the share purchase agreement.
Subject to conditions including regulatory approvals from the agencies of antitrust in the required countries, the acquisition is scheduled to complete in March 2018.

(*2) Amount converted into yen with the exchange rate as at November 2017.

(First-time adoption)

The Group prepares its consolidated financial statements in accordance with IFRSs starting with the year ended December 31, 2017. The latest consolidated financial statements prepared in accordance with Japanese GAAP (the previously applied GAAP) are for the year ended December 31, 2016. The date of transition is January 1, 2016.

IFRS 1 require a first-time adopter to retrospectively apply the standards required under IFRSs in principle except for "estimates," "derecognition of financial assets and liabilities," "hedge accounting," "non-controlling interests" and "classification and measurement of financial assets." IFRS 1 also prescribes exemption provisions which could be voluntarily applied. The effect of applying those exemption provisions as at the date of transition from Japanese GAAP to IFRSs was as follows.

Business combinations - A first-time adopter may elect not to retrospectively apply IFRS 3 *Business Combination* (hereafter "IFRS 3") for a business combination that occurred before the date of transition to IFRSs. The Group has applied this exemption provision and elected not to retrospectively apply IFRS 3 for a business combination that occurred before the date of transition to IFRSs. As a result, goodwill arising from the business combination that occurred before the date of transition to IFRSs is stated at the carrying amount as at the date of transition to IFRSs in accordance with Japanese GAAP. Goodwill is tested for impairment as at the date of transition to IFRSs, regardless of whether there is any indication that goodwill may be impaired.

Deemed cost - IFRS 1 allows a first-time adopter to elect to measure an item of property, plant and equipment, investment properties and intangible assets at the date of transition to IFRSs at its fair value and use that fair value as its deemed cost at that date. Fair value of certain items of property, plant and equipment at the date of transition to IFRSs are used as their deemed costs at that date.

Translation differences on foreign operations - IFRS 1 allows a first-time adopter to deem cumulative translation differences on foreign operations to be zero as at the date of transition to IFRSs. The Group has applied this exemption provision.

Leases - IFRS 1 allows a first-time adopter to assess whether a contract existing at the date of transition to IFRSs contains a lease. The Group has applied this exemption provision, and assessed whether contracts existing at the date of transition to IFRSs contain a lease on the basis of facts and circumstances existing at that date.

Financial instruments - IFRS 1 allows a first-time adopter to elect not to restate the comparative information in the initial IFRSs consolidated financial statements in accordance with IFRS 9, but to choose to present it in accordance with the previous GAAP. This may be applicable only if the first IFRSs reporting period begins before January 1, 2019 and if IFRS 9 (issued in 2014) is applied. The Group has applied this exemption provision, thus, the financial instruments included in the consolidated financial statements for the year ended December 31, 2016 were presented based on the recognition and measurement in accordance with Japanese GAAP.

Reconciliation required to disclose on first-time adoption of IFRSs

Reconciliation of equity as at January 1, 2016 (Transition Date)

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Effect of transition	IFRSs	Notes	Presentation under IFRSs
Assets					Assets
Current assets					Current assets
Cash and deposits	97,746	(27)	97,718	(1)	Cash and cash equivalents
Notes and accounts receivable-trade	156,918	17,616	174,535	(2),(4) (5)	Trade and other receivables
Merchandise and finished goods	47,844	33,797	81,642	(5)	Inventories
Work in process	6,753	(6,753)	–	(5)	
Raw materials and supplies	27,992	(27,992)	–	(5)	
Deferred tax assets	12,269	(12,269)	–	(7)	
	–	629	629	(1),(4),(6)	Other financial assets
Other	41,379	(20,218)	21,161	(2),(6)	Other current assets
Allowance for doubtful accounts	(352)	352	–	(4)	
	390,553	(14,865)	375,687		Subtotal
	–	96	96	(8)	Assets held for sale
Total current assets	390,553	(14,769)	375,783		Total current assets
Noncurrent assets					Non-current assets
Property, plant, and equipment	347,850	26,584	374,435	(8),(9)	Property, plant and equipment
Goodwill	452,241	(199,098)	253,142	(10)	Goodwill
Trademarks	188,517	280,887	469,404	(10)	Intangible assets
Other intangible assets	68,697	(68,697)	–	(10)	
Investment securities	9,929	(6,207)	3,721	(6),(11)	Investments accounted for using the equity method
	–	12,820	12,820	(4),(6)	Other financial assets
Net defined benefit asset	1,101	(1,101)	–		
Other	20,139	(3,085)	17,053	(6)	Other non-current assets
Deferred tax assets	3,632	6,570	10,202	(7)	Deferred tax assets
Allowance for doubtful accounts	(547)	547	–	(4)	
Total noncurrent assets	1,091,561	49,219	1,140,781		Total non-current assets
Deferred assets	348	(348)	–	(12)	
Total	1,482,462	34,102	1,516,565		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Effect of transition	IFRSs	Notes	Presentation under IFRSs
					Liabilities and equity
Liabilities					Liabilities
Current liabilities					Current liabilities
Short-term borrowings	113,649	–	113,649		Bonds and borrowings
Notes and accounts payable-trade	119,831	156,683	276,515	(3)	Trade and other payables
	–	28,720	28,720	(6)	Other financial liabilities
Electronically recorded obligations-operating	13,619	(13,619)	–	(3)	
Consumption taxes payable	6,471	(6,471)	–		
Accrued income taxes	13,138	–	13,138		Accrued income taxes
Provision for bonuses	7,255	(7,255)	–	(3)	
	–	2,542	2,542	(14)	Provisions
Accounts payable-other	87,508	(87,508)	–	(3)	
Accrued expenses	47,661	(47,661)	–	(3)	
Lease obligations	7,646	(7,646)	–	(6),(9)	
Other	22,096	(14,766)	7,330	(7),(14)	Other current liabilities
Total current liabilities	438,881	3,015	441,896		Total current liabilities
Long-term liabilities					Non-current liabilities
Bonds payable	40,000	258,743	298,743	(13)	Bonds and borrowings
Long-term debt	258,743	(258,743)	–	(13)	
	–	30,349	30,349	(6)	Other financial liabilities
Net defined benefit liability	6,887	2,032	8,920	(15)	Post-employment benefit liabilities
Retirement allowance for directors and audit and supervisory board members	321	(321)	–		
	–	3,191	3,191	(14)	Provisions
Lease obligations	16,593	(16,593)	–	(6),(9)	
Other	19,294	(12,995)	6,298	(14)	Other non-current liabilities
Deferred tax liabilities	76,821	(14,302)	62,519	(7)	Deferred tax liabilities
Total long-term liabilities	418,662	(8,639)	410,023		Total non-current liabilities
Total liabilities	857,543	(5,624)	851,919		Total liabilities
Equity					Equity
Common stock	168,384	–	168,384		Share capital
Capital surplus	192,535	(1,302)	191,233	(12)	Share premium
Retained earnings	174,380	85,021	259,401	(17)	Retained earnings
Total accumulated other comprehensive income	46,223	(47,588)	(1,365)	(16)	Other components of equity
	581,523	36,129	617,653		Total equity attributable to owners of the Company
Noncontrolling interests	43,395	3,596	46,991		Non-controlling interests
Total equity	624,918	39,726	664,645		Total equity
Total	1,482,462	34,102	1,516,565		Total liabilities and equity

Reconciliation of equity as at December 31, 2016 (The latest financial statements under Japanese GAAP)

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Effect of transition	IFRSs	Notes	Presentation under IFRSs
Assets					Assets
Current assets					Current assets
Cash and deposits	84,127	(31)	84,096	(1)	Cash and cash equivalents
Notes and accounts receivable-trade	161,037	15,744	176,781	(2),(4) (5)	Trade and other receivables
Merchandise and finished goods	46,378	27,607	73,985	(5)	Inventories
Work in process	4,406	(4,406)	–	(5)	
Raw materials and supplies	23,953	(23,953)	–	(5)	
Deferred tax assets	11,605	(11,605)	–	(7)	
	–	376	376	(1),(4),(6)	Other financial assets
Other	43,253	(19,435)	23,818	(2),(6)	Other current assets
Allowance for doubtful accounts	(217)	217	–	(4)	
Total current assets	374,544	(15,486)	359,057		Total current assets
Noncurrent assets					Non-current assets
Property, plant, and equipment	338,775	23,566	362,342	(9)	Property, plant and equipment
Goodwill	407,283	(161,802)	245,481	(10)	Goodwill
Trademarks	150,827	260,528	411,356	(10)	Intangible assets
Other intangible assets	64,204	(64,204)	–	(10)	
Investment securities	10,290	(6,544)	3,745	(6),(11)	Investments accounted for using the equity method
	–	13,531	13,531	(4),(6)	Other financial assets
Net defined benefit asset	708	(708)	–		
Other	17,129	(3,451)	13,677	(6)	Other non-current assets
Deferred tax assets	2,714	9,491	12,206	(7)	Deferred tax assets
Allowance for doubtful accounts	(582)	582	–	(4)	
Total noncurrent assets	991,353	70,987	1,062,340		Total non-current assets
Deferred assets	103	(103)	–	(12)	
Total	1,366,000	55,397	1,421,398		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Effect of transition	IFRSs	Notes	Presentation under IFRSs
					Liabilities and equity
Liabilities					Liabilities
Current liabilities					Current liabilities
Short-term borrowings	72,239	–	72,239		Bonds and borrowings
Notes and accounts payable-trade	116,081	165,463	281,545	(3)	Trade and other payables
	–	31,802	31,802	(6)	Other financial liabilities
Electronically recorded obligations-operating	12,742	(12,742)	–	(3)	
Consumption taxes payable	8,143	(8,143)	–		
Accrued income taxes	15,849	–	15,849		Accrued income taxes
Provision for bonuses	8,002	(8,002)	–	(3)	
	–	2,147	2,147	(14)	Provisions
Accounts payable-other	94,558	(94,558)	–	(3)	
Accrued expenses	50,331	(50,331)	–	(3)	
Lease obligations	7,074	(7,074)	–	(6),(9)	
Other	25,356	(15,469)	9,886	(7),(14)	Other current liabilities
Total current liabilities	410,378	3,092	413,470		Total current liabilities
Long-term liabilities					Non-current liabilities
Bonds payable	40,000	199,283	239,283	(13)	Bonds and borrowings
Long-term debt	199,283	(199,283)	–	(13)	
	–	23,677	23,677	(6)	Other financial liabilities
Net defined benefit liability	8,784	2,429	11,214	(15)	Post-employment benefit liabilities
Retirement allowance for directors and audit and supervisory board members	246	(246)	–		
	–	2,954	2,954	(14)	Provisions
Lease obligations	11,670	(11,670)	–	(6),(9)	
Other	18,392	(13,097)	5,294	(14)	Other non-current liabilities
Deferred tax liabilities	74,796	(12,107)	62,688	(7)	Deferred tax liabilities
Total long-term liabilities	353,174	(8,061)	345,112		Total non-current liabilities
Total liabilities	763,552	(4,969)	758,583		Total liabilities
Equity					Equity
Common stock	168,384	–	168,384		Share capital
Capital surplus	183,628	(1,302)	182,326	(12)	Share premium
Retained earnings	199,116	110,465	309,582	(17)	Retained earnings
Total accumulated other comprehensive income	1,100	(52,607)	(51,507)	(16)	Other components of equity
	552,229	56,555	608,784		Total equity attributable to owners of the Company
Noncontrolling interests	50,218	3,811	54,030		Non-controlling interests
Total equity	602,447	60,367	662,815		Total equity
Total	1,366,000	55,397	1,421,398		Total liabilities and equity

Notes to reconciliation of equity

(1) Presentational reclassification of cash and deposits

Time deposits in bank with an original maturity of more than three months that were included in cash and deposits under Japanese GAAP were reclassified to other financial assets (current) in the IFRSs financial statements.

(2) Presentational reclassification of trade and other receivables

Accounts receivable-other that were included in other of current assets under Japanese GAAP were reclassified to and are presented as trade and other receivables in the IFRSs financial statements.

(3) Presentational reclassification of trade and other payables

Electronically recorded obligations-operating, provision for bonuses, accounts payable-other and accrued expenses that were presented in separate lines of current liabilities under Japanese GAAP were reclassified to and are presented as trade and other payables in the IFRSs financial statements.

Unused paid absences that were not previously accounted for under Japanese GAAP were recognized as liabilities and are included in trade and other payables in the IFRSs financial statements.

(4) Presentational reclassification of allowance for doubtful accounts

Allowance for doubtful accounts (current) that was presented in a separate line of current assets under Japanese GAAP was directly netted off against trade and other receivables or other financial assets (current) under the IFRSs. Allowance for doubtful accounts (non-current) was also directly netted off against other financial assets (non-current) in the IFRSs financial statements.

(5) Adjustment made for trade receivables and inventories associated with a change in the timing of revenue recognition

Revenue from certain sales of goods transactions were recognized on a shipping basis under Japanese GAAP. Timing of revenue recognition for such transactions was changed to delivery basis, which resulted in an adjustment to associated trade receivables and inventories.

(6) Presentational reclassification of other financial assets and liabilities

Derivatives and other receivables that were included in other of current assets under Japanese GAAP were reclassified to and are presented as other financial assets (current) under IFRSs. Investment securities that were presented in a separate line under Japanese GAAP were reclassified to and are presented as other financial assets (non-current) under IFRSs. Lease obligations that were presented in a separate line of current liabilities and long-term liabilities under Japanese GAAP were reclassified to and are presented as other financial liabilities (current) or other financial liabilities (non-current) respectively in the IFRSs financial statements.

(7) Presentational reclassifications of deferred tax assets and liabilities and reassessment of the recoverability of deferred tax assets

Under IFRSs, all deferred tax assets and liabilities are classified as non-current and not distinguished between current and non-current. Therefore, deferred tax assets and deferred tax liabilities that were presented as current items under Japanese GAAP were reclassified to deferred tax assets (non-current) or deferred tax liabilities (non-current) in the IFRSs financial statements.

Upon the transition to IFRSs, recoverability of deferred tax assets and temporary differences associated with investments in associates were reassessed, resulting in changes in the amount of deferred tax assets and liabilities recorded.

(8) Presentational reclassification of assets held for sale

Assets held for sale are presented in the IFRSs financial statements.

(9) Adjustments made for the carrying amount of property, plant and equipment

The Group reassessed the useful lives of certain items of property, plant and equipment as part of the adoption of IFRSs. Finance lease transactions that were entered into in or before December 2008 and off-balanced under Japanese GAAP are stated as assets in the IFRSs financial statements. The fair values of certain items of property, plant and equipment as at the date of transition to IFRSs were used as their deemed cost. The fair value of such items of property, plant and equipment as at the date of transition to IFRSs was 8,576 million yen and decreased by 4,936 million yen compared with their carrying amount under Japanese GAAP.

(10) Adjustments made for goodwill and intangible assets

Intangible assets included in goodwill arising from a business combinations executed before April 2010 under Japanese GAAP were reclassified to intangible assets in the IFRSs financial statements to the extent that they are recognized separately from goodwill in the local IFRSs financial statements of subsidiaries.

Certain intangible assets described above were previously amortized over the period within 20 years; however, since these assets meet the definition of intangible assets with indefinite useful lives, cumulative amortization from the date of acquisition were reversed retrospectively in the IFRSs financial statements. Certain goodwill denominated in foreign currencies was translated into the Japanese yen at the exchange rates as at the acquisition date under Japanese GAAP, while such amounts are translated into the Japanese yen at the exchange rates as at the reporting date of the IFRSs financial statements.

(11) Presentational reclassification of the amount recognized for investments accounted for using the equity method

Investments accounted for using the equity method that were included in investment securities under Japanese GAAP are presented in a separate line in the IFRSs financial statements.

(12) Reclassification of deferred assets

The stock issuance expenses presented as deferred assets under Japanese GAAP are netted against share premium in the IFRSs financial statements.

(13) Presentational reclassification of bonds and borrowings

Bonds payable and long-term debt separately presented in long-term liabilities under Japanese GAAP were reclassified and are presented aggregately as bonds and borrowings (non-current) in the IFRSs financial statements.

(14) Presentational reclassification of other liabilities

Certain liabilities such as asset retirement obligations included in other liabilities under Japanese GAAP were reclassified and are presented as provisions in the IFRSs financial statements.

(15) Recalculation of post-employment benefit assets and liabilities

The post-employment benefit obligations were recalculated based on IFRS requirements and any difference arising from this recalculation was charged to retained earnings as at the date of transition to IFRSs.

(16) Reclassification of cumulative translation differences on foreign operations

In adopting IFRSs for the first time, the Group has elected to adopt the exemption provision under IFRS 1 and deemed cumulative translation differences on all of its foreign operations to be zero as at the date of transition to IFRSs.

(17) Adjustments to retained earnings

Overall impact on retained earnings from transition to IFRSs was as follows;

	Millions of yen	
	Transition date (January 1, 2016)	As at December 31, 2016
Deferred tax assets and deferred tax liabilities	14,635	14,852
Property, plant and equipment	15,638	15,746
Goodwill and intangible assets	9,028	35,057
Cumulative translation differences on foreign operations	46,993	46,993
Other	(1,273)	(2,184)
Total	85,021	110,465

Reconciliation of profit or loss and comprehensive income for the year ended December 31, 2016 (The latest financial statements under Japanese GAAP)

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Effect of transition	IFRSs	Notes	Presentation under IFRSs
Net sales	1,410,765	(201,616)	1,209,149	(1)	Revenue
Cost of sales	(629,276)	(48,089)	(677,365)	(1),(2),(4)	Cost of sales
Gross profit	781,489	(249,705)	531,783		Gross profit
Selling, general, and administrative expenses	(688,007)	275,796	(412,210)	(1),(2) (3),(4)	Selling, general and administrative expenses
	–	665	665	(5)	Gain on investments accounted for using the equity method
	–	3,959	3,959	(5)	Other income
	–	(12,332)	(12,332)	(5)	Other expenses
Operating income	93,481	18,383	111,865		Operating income
Non-operating income	2,935	(2,935)	–	(5)	
Non-operating expenses	(5,193)	5,193	–	(5)	
Extraordinary income	4,613	(4,613)	–	(5)	
Extraordinary losses	(12,702)	12,702	–	(5)	
	–	559	559	(5)	Finance income
	–	(4,619)	(4,619)	(5)	Finance costs
Income before income taxes	83,135	24,669	107,804		Profit before tax
Income taxes-current	(27,518)	(1,736)	(29,254)		Income tax expense
Income taxes-deferred	(2,851)	2,851	–		
Net income	52,765	25,783	78,549		Profit for the year
Other comprehensive income					Other comprehensive income
					Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans, net of tax	(1,042)	(693)	(1,735)	(4)	Remeasurement of post-employment benefit plans
			(1,735)		Total
					Items that may be reclassified to profit or loss
Foreign currency translation adjustments	(44,799)	(4,424)	(49,224)		Translation adjustments of foreign operations
Deferred gain (loss) on derivatives under hedge accounting	(200)	–	(200)		Net gain (loss) on revaluation of cash flow hedges
Unrealized (loss) gain on available-for-sale securities	123	–	123		Changes in the fair value of available-for-sale securities
Share of other comprehensive (loss) income in associates	(200)	–	(200)		Share of other comprehensive income of investments accounted for using the equity method
			(49,501)		Total
Total other comprehensive income (loss)	(46,119)	(5,118)	(51,237)		Other comprehensive income for the year, net of tax
Total comprehensive income	6,646	20,665	27,311		Comprehensive income for the year

Notes to reconciliation of profit or loss and comprehensive income

(1) Changes in revenue recognition

Certain sales promotion costs with the feature of altering the transaction price (sales incentives, etc.) that were presented as selling, general, and administrative expenses under Japanese GAAP are netted against revenue in the IFRSs financial statements. Revenue from certain sales of goods transactions that were recognized on a shipping basis under Japanese GAAP is recognized on a delivery basis in the IFRSs financial statements. Accordingly, logistics costs presented as selling, general, and administrative expenses under Japanese GAAP have been presented as cost of sales under IFRS.

(2) Review of estimates relating to useful lives used in depreciation

Upon the adoption of IFRSs, the estimated useful lives of property, plant and equipment were redefined.

(3) Abolishment of amortization of goodwill

Goodwill was amortized under Japanese GAAP over a reasonably estimated period in which the benefits of the investment were expected to be realized, while goodwill is not amortized in the IFRSs financial statements.

(4) Changes in accounting for post-employment benefit assets and liabilities

Actuarial gains and losses recognized in other comprehensive income when incurred under Japanese GAAP were amortized on a straight-line basis over certain years within the average remaining service period of the employee when incurred, but these are not amortized under IFRS. In addition, post-employment benefit obligations are recalculated under IFRSs specifications as at the transition date.

(5) Presentational reclassifications

Items presented as non-operating income, non-operating expenses, extraordinary income and extraordinary loss under Japanese GAAP are remapped into the IFRS financial statements as finance income and finance costs for finance-related gains or losses, and as other income, other expenses or gain on investments accounted for using the equity method.

Reconciliation of cash flows for the year ended December 31, 2016 (The latest financial statements under Japanese GAAP)

There are no material differences between the consolidated statement of cash flows that was disclosed in accordance with Japanese GAAP and that which was presented in accordance with IFRSs.