Suntory Holdings Limited and Consolidated Subsidiaries

Financial Statements for the Year Ended December 31, 2012, and Independent Auditor's Report

Deloitte

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Suntory Holdings Limited:

We have audited the accompanying consolidated balance sheet of Suntory Holdings Limited (the "Company") and consolidated subsidiaries (collectively, the "Group") as of December 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Suntory Holdings Limited and consolidated subsidiaries as of December 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

March 22, 2013

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Balance Sheet
December 31, 2012

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	¥ 228,111	¥ 288,127	$ 2,634,685
Short-term investments (Note 5)	30	324	347
Notes and accounts receivable (Note 17):			
Trade	265,659	249,784	3,068,365
Other	17,702	19,469	204,457
Allowance for doubtful accounts	(942)	(950)	(10,880)
Inventories (Note 6)	183,728	171,869	2,122,061
Deferred tax assets (Note 11)	32,752	21,365	378,286
Other current assets	26,244	22,305	303,118
Total current assets	753,284	772,293	8,700,439
PROPERTY, PLANT, AND EQUIPMENT:			
Land (Note 7)	85,965	83,176	992,897
Buildings and structures (Note 7)	329,740	317,881	3,808,501
Machinery, equipment, and other	640,971	605,582	7,403,222
Construction in progress	8,483	8,464	97,979
Lease assets (Note 16)	17,895	16,529	206,687
Total	1,083,054	1,031,632	12,509,286
Accumulated depreciation	(662,825)	(638,607)	(7,655,636)
Net property, plant, and equipment	420,229	393,025	4,853,650
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries and affiliates (Note 17)	38,823	36,572	448,406
Investment securities (Notes 5 and 17)	58,260	56,254	672,904
Long-term receivables	2,293	4,504	26,484
Long-term guarantee deposit	30,446	30,770	351,652
Goodwill (Note 14)	354,633	342,390	4,096,015
Deferred tax assets (Note 11)	5,672	32,225	65,512
Other	66,697	66,464	770,351
Allowance for doubtful accounts	(2,374)	(4,321)	(27,420)
Total investments and other assets	554,450	564,858	6,403,904
TOTAL	¥1,727,963	¥1,730,176	$19,957,993

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term borrowings (Notes 7 and 17)	¥ 58,448	¥ 34,993	$ 675,075
Current portion of long-term debt (Notes 7, 16, and 17)	50,500	91,590	583,276
Notes and accounts payable (Note 17):			
Trade	145,807	139,749	1,684,073
Unconsolidated subsidiaries and affiliates	2,254	123	26,034
Other	138,404	137,971	1,598,568
Liquor tax and consumption taxes payable (Note 17)	54,229	53,185	626,345
Accrued income taxes (Notes 11 and 17)	12,057	19,331	139,258
Accrued expenses	62,412	64,649	720,859
Other current liabilities	48,683	47,714	562,289
Total current liabilities	572,794	589,305	6,615,777
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 16, and 17)	501,229	550,597	5,789,201
Liability for employee retirement benefits (Note 8)	11,151	10,710	128,794
Retirement allowances for directors and corporate auditors	351	355	4,054
Long-term deposits payable	37,041	35,767	427,824
Deferred tax liabilities (Note 11)	59,064	47,844	682,190
Other	12,635	12,040	145,934
Total long-term liabilities	621,471	657,313	7,177,997
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16, 18, and 19)			
EQUITY (Notes 9, 10, and 22):			
Common stock, authorized - 1,305,600,000 shares, and issued - 687,136,196 shares in 2012 and 2011	70,000	70,000	808,501
Capital surplus	(20,583)	-	(237,734)
Stock acquisition rights	-	51	-
Retained earnings	477,810	449,353	5,518,711
Treasury stock - at cost: 4,900,748 shares in 2012 and 5,900,748 in 2011	(3,332)	(4,012)	(38,484)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	10,350	7,572	119,543
Deferred gain (loss) on derivatives under hedge accounting	1,902	(31)	21,968
Foreign currency translation adjustments	(28,350)	(66,506)	(327,443)
Total	507,797	456,427	5,865,062
Minority interests	25,901	27,131	299,157
Total equity	533,698	483,558	6,164,219
TOTAL	¥1,727,963	¥1,730,176	$19,957,993

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended December 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET SALES	¥1,851,567	¥1,802,792	$21,385,620
COST OF SALES	923,270	898,224	10,663,779
Gross profit	928,297	904,568	10,721,841
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 12, 13, and 14)	820,553	790,406	9,477,397
Operating income	107,744	114,162	1,244,444
OTHER INCOME (EXPENSES):			
Interest and dividend income	3,060	2,728	35,343
Interest expense	(8,289)	(7,917)	(95,738)
Foreign currency exchange (loss) gain, net	(134)	227	(1,548)
Losses from a natural disaster (Note 15)	(3,097)	(6,510)	(35,770)
Other, net	(5,603)	(9,993)	(64,714)
Other expenses, net	(14,063)	(21,465)	(162,427)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	93,681	92,697	1,082,017
INCOME TAXES (Note 11):			
Current	28,703	37,865	331,520
Deferred	21,071	(14,392)	243,371
Total income taxes	49,774	23,473	574,891
NET INCOME BEFORE MINORITY INTERESTS	43,907	69,224	507,126
MINORITY INTERESTS IN NET INCOME	7,275	6,609	84,026
NET INCOME	¥ 36,632	¥ 62,615	$ 423,100

	Yen		U.S. Dollars (Note 1)
	2012	2011	2012
AMOUNTS PER SHARE (Notes 2(v) and 21):			
Net income - basic	¥53.74	¥91.71	$0.62
Net income - diluted	-	91.68	-
Cash dividends applicable to the year	11.00	12.00	0.13

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended December 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET INCOME BEFORE MINORITY INTERESTS	¥43,907	¥ 69,224	$ 507,126
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):			
Unrealized gain (loss) on available-for-sale securities	2,781	(2,593)	32,121
Deferred gain on derivatives under hedge accounting	1,922	894	22,199
Foreign currency translation adjustments	39,978	(16,991)	461,747
Share of other comprehensive income (loss) in associates	537	(50)	6,202
Total other comprehensive income (loss)	45,218	(18,740)	522,269
COMPREHENSIVE INCOME	¥89,125	¥ 50,484	$ 1,029,395
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥79,500	¥44,707	$918,226
Minority interests	9,625	5,777	111,169

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended December 31, 2012

	Thousands	Millions of Yen										
							Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT JANUARY 1, 2011	687,136	¥70,000	¥ -	¥ 38	¥392,937	¥ -	¥10,159	¥ (854)	¥(50,362)	¥421,918	¥25,061	¥446,979
Net income	-	-	-	-	62,615	-	-	-	-	62,615	-	62,615
Cash dividends, ¥9.00 per share (Note 2(v))	-	-	-	-	(6,185)	-	-	-	-	(6,185)	-	(6,185)
Purchase of treasury stock	-	-	-	-	-	(4,658)	-	-	-	(4,658)	-	(4,658)
Disposal of treasury stock	-	-	-	-	(14)	646	-	-	-	632	-	632
Net change in the year	-	-	-	13	-	-	(2,587)	823	(16,144)	(17,895)	2,070	(15,825)
BALANCE AT DECEMBER 31, 2011	687,136	70,000	-	51	449,353	(4,012)	7,572	(31)	(66,506)	456,427	27,131	483,558
Net income	-	-	-	-	36,632	-	-	-	-	36,632	-	36,632
Cash dividends, ¥12.00 per share (Note 2(v))	-	-	-	-	(8,175)	-	-	-	-	(8,175)	-	(8,175)
Changes due to purchase of shares in a foreign subsidiary from minority shareholders (Note 4)	-	-	(20,647)	-	-	680	-	-	-	(20,647)	-	(20,647)
Disposal of treasury stock	-	-	64	-	-	-	-	-	-	744	-	744
Net change in the year	-	-	-	(51)	-	-	2,778	1,933	38,156	42,816	(1,230)	41,586
BALANCE AT DECEMBER 31, 2012	687,136	¥70,000	¥(20,583)	¥ -	¥477,810	¥(3,332)	¥10,350	¥1,902	¥(28,350)	¥507,797	¥25,901	¥533,698

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT DECEMBER 31, 2011	$808,501	$ -	$ 589	$5,190,032	$(46,339)	$ 87,457	$ (358)	$(768,145)	$5,271,737	$313,363	$5,585,100
Net income	-	-	-	423,100	-	-	-	-	423,100	-	423,100
Cash dividends, $0.13 per share (Note 2(v))	-	-	-	(94,421)	-	-	-	-	(94,421)	-	(94,421)
Changes due to purchase of shares in a foreign subsidiary from minority shareholders (Note 4)	-	(238,473)	-	-	-	-	-	-	(238,473)	-	(238,473)
Disposal of treasury stock	-	739	-	-	7,855	-	-	-	8,594	-	8,594
Net change in the year	-	-	(589)	-	-	32,086	22,326	440,702	494,525	(14,206)	480,319
BALANCE AT DECEMBER 31, 2012	$808,501	$(237,734)	$ -	$5,518,711	$(38,484)	$119,543	$21,968	$(327,443)	$5,865,062	$299,157	$6,164,219

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended December 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 93,681	¥ 92,697	$ 1,082,017
Adjustments for:			
Depreciation and amortization	54,398	50,175	628,298
Amortization of goodwill	20,514	21,278	236,937
Net gain on sales and evaluation of investment securities and other investments	(221)	(615)	(2,553)
Loss on disposal of property, plant, and equipment	4,764	4,351	55,024
Net gain on sales of property, plant, and equipment	(115)	(1,047)	(1,328)
Increase in notes and accounts receivable - trade	(8,783)	(8,165)	(101,444)
Increase in inventories	(4,586)	(10,306)	(52,968)
Increase (decrease) in notes and accounts payable - trade	273	(1,671)	3,153
Increase in liquor tax and consumption taxes payable	673	2,267	7,773
Income taxes paid	(37,262)	(34,221)	(430,377)
Other, net	6,771	28,311	78,205
Net cash provided by operating activities	130,107	143,054	1,502,737
INVESTING ACTIVITIES:			
Increase in time deposits	(6)	(6)	(69)
Proceeds from withdrawal of time deposits	2	264	23
Proceeds from sales of short-term investments	336	9	3,881
Net (increase) decrease in short-term receivables	(12)	204	(139)
Purchases of property, plant, and equipment	(71,423)	(57,110)	(824,936)
Proceeds from sales of property, plant, and equipment	721	2,877	8,328
Purchases of investment securities	(995)	(4,159)	(11,492)
Proceeds from sales of investment securities	2,601	6,407	30,042
Purchases of investments in subsidiaries	(23,703)	(25,222)	(273,770)
Other, net	(934)	(3,052)	(10,788)
Net cash used in investing activities	(93,413)	(79,788)	(1,078,920)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	20,571	(7,283)	237,595
Proceeds from long-term debt	3,689	145,928	42,608
Repayments of long-term debt	(63,171)	(74,474)	(729,626)
Proceeds from repayments of subparticipation loan	-	1,673	-
Proceeds from issuance of bonds	-	21,387	-
Redemption of bonds	(45,000)	(1,646)	(519,751)
Repayments of lease obligations	(3,452)	(2,462)	(39,871)
Cash dividends	(8,175)	(6,185)	(94,421)
Cash dividends to minority shareholders	(5,554)	(6,242)	(64,149)
Other, net	881	(3,765)	10,177
Net cash (used in) provided by financing activities	(100,211)	66,931	(1,157,438)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	3,501	(1,195)	40,436
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(60,016)	129,002	(693,185)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	288,127	159,044	3,327,870
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM CHANGE IN SCOPE OF CONSOLIDATION	-	81	-
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 228,111	¥288,127	$ 2,634,685

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Suntory Holdings Limited (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥86.58 to $1, the exchange rate at December 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) ***Consolidation*** - The consolidated financial statements as of December 31, 2012, include the accounts of the Company and its 162 significant (158 in 2011) subsidiaries (collectively, the "Group").

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

Investments in one (one in 2011) unconsolidated subsidiary and 14 (13 in 2011) affiliates are accounted for by the equity method.

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

The excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition are being amortized over periods of five to 20 years, or if immaterial, are charged to income when incurred.

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

(b) ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** - In May 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements; (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process; (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of research and development (R&D); 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.

(c) ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method*** - In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform to the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.

(d) ***Business Combination*** - In October, 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting of interests.

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

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed.

(2) The previous accounting standard required R&D costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in a business combination is capitalized as an intangible asset.

(3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation.

The Group has applied this accounting standard to business combinations undertaken on or after April 1, 2010, as required by this standard.

(e) ***Cash and Cash Equivalents*** - Cash and cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include cash on hand and deposits in banks (including time deposits). The Group considers all time deposits with an original maturity of six months or less to be cash equivalents. Generally, such time deposits can be withdrawn at any time without penalty or diminution of the principal amount.

(f) ***Inventories*** - Inventories are primarily stated at the lower of cost determined by the average method or net selling value, which is defined as the selling price, less additional estimated manufacturing costs, and estimated direct selling expenses.

(g) ***Short-Term Investments and Investment Securities*** - Short-term investments and investment securities are classified and accounted for, depending on management's intent, as either (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost or (2) available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

(h) ***Allowance for Doubtful Accounts*** - The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(i) ***Property, Plant, and Equipment*** - Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Group is mainly computed by the straight-line method. The range of useful lives is principally from three to 50 years for buildings and structures and from two to 17 years for machinery, equipment, and others. The useful lives for lease assets, which do not transfer ownership of the leased property to the lessee are the terms of the respective leases.

(j) ***Intangible Assets*** - Intangible assets are amortized primarily by the straight-line method. Purchased software for internal use and software development costs are amortized based on the straight-line method over an estimated useful life of five years.

(k) ***Long-Lived Assets*** - The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(l) ***Employee Retirement and Pension Plans*** - Under the terms of the retirement plans of the Company and its domestic consolidated subsidiaries, substantially all employees are entitled to lump-sum payments at the time of retirement. The amount of the retirement benefit is, in general, based on the length of service, basic salary at the time of retirement, and cause of retirement. The Group accounts for the liability for retirement benefit based on projected benefit obligations and plan assets at the consolidated balance sheet date.

Unrecognized prior service cost is amortized by the straight-line method mainly over the period of 15 years, which is shorter than the average remaining years of service of the employees.

Unrecognized actuarial differences are amortized in the years following the year in which the gain or loss is recognized by the straight-line method mainly over the period of 15 years, which is shorter than the average remaining years of service of the employees.

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

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at the consolidated balance sheet date.

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

(o) ***R&D Costs*** - R&D costs are charged to expense as incurred.

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

(q) ***Leases*** - In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years, which began on or after April 1, 2008.

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

Also, under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

The Group applied the revised accounting standard effective for the year ended December 31, 2009, and accounted for leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

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

Starting from the year ended December 31, 2012, the Company has elected to file its return under the consolidated taxation system in Japan, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

(s) ***Foreign Currency Transactions*** - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen by applying the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

(t) ***Foreign Currency Financial Statements*** - The consolidated balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen by applying the current exchange rate as of the consolidated balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in accumulated other comprehensive income in a separate component of equity.

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

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

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

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

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

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

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

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

Diluted net income per share reflects the potential dilution that could occur if stock acquisition rights were exercised.

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

(w) ***Accounting Changes and Error Corrections*** - In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentation

When the presentation of consolidated financial statements is changed, prior-period consolidated financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors

When an error in prior-period consolidated financial statements is discovered, those prior-period consolidated financial statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors, which are made for the fiscal years beginning on or after April 1, 2011. The Group applied this accounting standard effective for the year ended December 31, 2012.

3. ACCOUNTING CHANGE

In June 2010, the ASBJ issued revised ASBJ Statement No. 2 (revised 2006), "Accounting Standard for Earnings Per Share," ASBJ Guidance No. 4 (revised 2006), "Guidance on Accounting Standard for Earnings Per Share," and ASBJ PITF No. 9 (revised 2006), "Practical Solution on Accounting for Earnings Per Share," which were effective for fiscal years beginning on or after April 1, 2011. Effective January 1, 2012, the Group changed its method of calculating diluted earnings per share from not including the fair value of services to the assumed proceeds from the exercise of dilutive stock options with service conditions to including such fair value. The effect of this accounting policy change on the Group's diluted earnings per share was immaterial.

4. BUSINESS COMBINATION

Suntory Beverage & Food Asia Pte. Ltd. (SBFA), the Company's wholly owned subsidiary, made proposals for Cerebos Pacific Limited (CPL), the SBFA consolidated subsidiary listed on the Singapore Exchange, to be voluntarily delisted from the Singapore Exchange, and make an exit offer of shares held by its minority shareholders, which was legally required for the voluntary delisting, and the proposal was approved at a meeting of the Board of Directors of CPL held on August 1, 2012. On December 14, 2012, SBFA has completed a purchase from minority shareholders for cash consideration of SGD 370,876 thousand and CPL became a wholly owned subsidiary of SBFA. Accordingly, CPL announced a voluntary delisting from the Singapore Exchange as of December 14, 2012.

The Company accounted the transaction in accordance with the International Financial Reporting Standards pursuant to PITF No. 18, and the excess of consideration over acquired interests in CPL of ¥20,647 million ($238,473 thousand) was debited to capital surplus.

5. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of December 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Short-term investments:			
Time deposits	¥18	¥ 8	$208
Government bonds	10	-	116
Corporate bonds	2	316	23
Total	¥30	¥324	$347
Investment securities:			
Equity securities	¥58,076	¥55,994	$670,778
Government bonds	-	10	-
Corporate bonds	10	13	116
Other	174	237	2,010
Total	¥58,260	¥56,254	$672,904

The costs and aggregate fair values of marketable securities included in short-term investment and investment securities as of December 31, 2012 and 2011, were as follows:

	Millions of Yen					
	2012			2011		
	Carrying Amount	Market Value	Unrealized Gain (Loss)	Carrying Amount	Market Value	Unrealized Gain (Loss)
Held to maturity:						
Fair values exceed their carrying amounts:						
Government bonds	¥10	¥10	¥ -	¥ 10	¥ 10	¥ -
Corporate bonds	-	-	-	135	137	2
Subtotal	10	10	-	145	147	2
Carrying amounts exceed their fair values:						
Corporate bonds	-	-	-	179	176	(3)
Total	¥10	¥10	¥ -	¥324	¥323	¥(1)

	Thousands of U.S. Dollars		
	2012		
	Carrying Amount	Market Value	Unrealized Gain (Loss)
Held to maturity:			
Fair values exceed their carrying amounts:			
Government bonds	$116	$116	$ -
Corporate bonds	-	-	-
Total	$116	$116	$ -

	Millions of Yen					
	2012			2011		
	Acquisition Cost	Carrying Amount	Unrealized Gain (Loss)	Acquisition Cost	Carrying Amount	Unrealized Gain (Loss)
Available-for-sale securities:						
Carrying amounts exceed their acquisition cost:						
Equity securities	¥15,829	¥33,354	¥17,525	¥21,144	¥35,244	¥14,100
Acquisition costs exceed their carrying amounts:						
Equity securities	12,764	11,144	(1,620)	9,731	7,425	(2,306)
Total	¥28,593	¥44,498	¥15,905	¥30,875	¥42,669	¥11,794

	Thousands of U.S. Dollars		
	2012		
	Acquisition Cost	Carrying Amount	Unrealized Gain (Loss)
Available-for-sale securities:			
Carrying amounts exceed their acquisition cost:			
Equity securities	$182,825	$385,239	$202,414
Acquisition costs exceed their carrying amounts:			
Equity securities	147,424	128,713	(18,711)
Total	$330,249	$513,952	$183,703

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2012 and 2011, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Available for sale:			
Equity securities	¥13,578	¥13,325	$156,826
Corporate bonds	12	15	139
Investments in limited partnerships	174	237	2,010
Total	¥13,764	¥13,577	$158,975

The information for available-for-sale securities which were sold during the years ended December 31, 2012 and 2011, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Amount sold	¥2,601	¥6,355	$30,042
Total gain on sale	626	1,545	7,230
Total loss on sale	22	126	254

6. INVENTORIES

Inventories as of December 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Finished and semifinished products	¥144,002	¥135,052	$ 1,663,225
Work in process	12,353	11,417	142,677
Raw materials and supplies	27,373	25,400	316,159
Total	¥183,728	¥171,869	$ 2,122,061

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of December 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Short-term loans, principally from banks, weighted-average rate of 1.81% as of December 31, 2012, and 2.16% as of December 31, 2011	¥58,448	¥34,993	$ 675,075

Long-term debt as of December 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Publicly offered corporate bonds, due 2012 through 2017, rates ranging from 0.46% to 1.96%	¥124,000	¥154,000	$ 1,432,202
Euro yen bonds, due 2012 through 2023, rates ranging from 0.00% to 2.00%	34,750	49,750	401,363
Euro bonds, due 2014, rate of 0.71%	1,721	1,511	19,878
Euro U.S. dollar bonds, due 2014, rates ranging from 0.72% to 0.78%	4,658	4,090	53,800
Interest deferrable and early redeemable subordinated bonds, due 2071, rates ranging from 1.33% to 1.64%	21,700	21,700	250,635
Loans from banks and other institutions, due through 2071, rates ranging from 0.00% to 4.85%, with:			
Collateralized	4,185	6,186	48,337
Unsecured	347,384	390,681	4,012,289
Obligations under finance leases	13,331	14,269	153,973
Total	551,729	642,187	6,372,477
Less current portion	50,500	91,590	583,276
Long-term debt, less current portion	¥501,229	¥550,597	$ 5,789,201

Annual maturities of long-term debt excluding finance leases as of December 31, 2012, were as follows:

Years Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 47,848	$ 552,645
2014	155,483	1,795,831
2015	29,607	341,961
2016	84,857	980,100
2017	56,192	649,018
2018 and thereafter	164,411	1,898,949
Total	¥538,398	$ 6,218,504

The carrying amount of assets pledged as collateral for short-term bank loans of ¥200 million ($2,310 thousand) and the above collateralized long-term debt of ¥4,185 million ($48,337 thousand) as of December 31, 2012, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures - net of accumulated depreciation	¥ 6,175	$ 71,321
Land	9,741	112,509
Total	¥15,916	$ 183,830

8. RETIREMENT AND PENSION PLANS

The liability for employee retirement benefits as of December 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥(118,660)	¥(115,373)	$(1,370,524)
Fair value of plan assets	94,278	87,644	1,088,912
Unfunded retirement benefit obligation	(24,382)	(27,729)	(281,612)
Unrecognized actuarial loss	32,015	38,265	369,773
Unrecognized prior service cost	(4,220)	(4,776)	(48,741)
Prepaid pension cost	(14,564)	(16,470)	(168,214)
Net liability	¥ (11,151)	¥ (10,710)	$ (128,794)

The components of net periodic benefit costs for the years ended December 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥ 4,405	¥ 4,575	$ 50,878
Interest cost	1,900	1,933	21,945
Expected return on plan assets	(2,019)	(2,041)	(23,319)
Amortization of actuarial loss	3,426	3,484	39,570
Amortization of prior service cost	(554)	(635)	(6,399)
Net periodic benefit costs	7,158	7,316	82,675
Contributions to the defined contribution pension plan	1,116	2,294	12,890
Total	¥ 8,274	¥ 9,610	$ 95,565

Assumptions used for the years ended December 31, 2012 and 2011, are set forth as follows:

	2012	2011
Discount rate	1.7% - 2.0%	1.7% - 2.0%
Expected return on assets	0% - 3.0%	0% - 3.0%
Recognition period of prior service cost	Mainly 15 years	Mainly 15 years
Recognition period of actuarial loss	Mainly 15 years	Mainly 15 years

9. EQUITY

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

a. *Dividends*

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

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

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

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

c. *Treasury stock and treasury stock acquisition rights*

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

10. STOCK OPTION PLANS

The stock options outstanding as of December 31, 2012, were as follows:

	2002 Plan	2004 Plan	2006 Plan	2007 Plan
Grantees	Two directors and 73 employees of a subsidiary	Two directors and five employees of a subsidiary	Three directors and 14 employees of a subsidiary	Three directors and 19 employees of a subsidiary
Type of stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	1,108,000	569,000	543,000	639,000
Exercise price (Singapore dollars)	1.72	3.04	3.20	3.45
Exercisable period	March 28, 2004 - March 27, 2012	March 18, 2006 - March 17, 2014	December 16, 2007 - December 15, 2015	December 22, 2008 - December 21, 2016
Nonvested (number of shares):				
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Vested during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Vested (number of shares):				
Outstanding at the beginning of the year	30,000	110,000	132,000	181,000
Vested during the year	-	-	-	-
Exercised during the year	(30,000)	(110,000)	-	-
Forfeited during the year	-	-	(132,000)	(181,000)
Outstanding at the end of the year	-	-	-	-
Weighted-average market price (Singapore dollars)	5.44	5.49	-	-

	2008 Plan	2009 Plan	2010 Plan	2011 Plan
Grantees	Three directors and 21 employees of a subsidiary	Three directors and 21 employees of a subsidiary	Three directors and 21 employees of a subsidiary	Three directors and 21 employees of a subsidiary
Type of stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	766,000	916,000	947,000	954,000
Exercise price (Singapore dollars)	3.83	2.52	3.67	5.05
Exercisable period	March 17, 2010 - March 16, 2018	March 17, 2011 - March 16, 2019	March 18, 2012 - March 17, 2020	June 17, 2013 - June 16, 2021
Nonvested (number of shares):				
Outstanding at the beginning of the year	-	-	903,000	932,000
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(22,000)	(932,000)
Vested during the year	-	-	(881,000)	-
Outstanding at the end of the year	-	-	-	-
Vested (number of shares):				
Outstanding at the beginning of the year	451,000	321,000	-	-
Vested during the year	-	-	881,000	-
Exercised during the year	-	(111,000)	(335,000)	-
Forfeited during the year	(451,000)	(210,000)	(546,000)	-
Outstanding at the end of the year	-	-	-	-
Weighted-average market price (Singapore dollars)	-	5.48	5.48	-

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which in the aggregate, resulted in a statutory tax rate of approximately 40.7% for the years ended December 31, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of December 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Tax loss carryforwards	¥ 34,772	¥ 49,649	$ 401,617
Accrued expenses	8,221	8,305	94,953
Impairment loss	3,563	3,875	41,153
Unrealized profit	3,375	3,891	38,981
Pension liabilities	3,297	3,104	38,080
Accrued bonuses	3,181	3,196	36,741
Other	14,968	16,143	172,880
Total gross deferred tax assets	71,377	88,163	824,405
Valuation allowance	(22,009)	(21,771)	(254,204)
Net deferred tax assets	49,368	66,392	570,201
Deferred tax liabilities:			
Intangible assets	(24,640)	(19,182)	(284,592)
Investments in subsidiaries	(19,814)	(18,310)	(228,852)
Fixed assets	(7,615)	(7,178)	(87,953)
Net unrealized holding gains on available-for-sale securities	(5,524)	(4,250)	(63,802)
Prepaid pension cost	(5,120)	(5,779)	(59,136)
Other	(7,596)	(6,324)	(87,735)
Total gross deferred tax liabilities	(70,309)	(61,023)	(812,070)
Net deferred tax assets (liabilities)	¥(20,941)	¥ 5,369	$(241,869)

Reconciliation between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of income for the year ended December 31, 2012, with the corresponding figures for 2011, was as follows:

	2012	2011
Statutory tax rate	40.7%	40.7%
Amortization of goodwill	7.8	8.1
Accumulated earnings tax	7.5	1.6
Differences arising from the effective tax rates of foreign subsidiaries	(4.4)	(2.9)
Other	1.5	(22.2)
Effective tax rate	53.1%	25.3%

12. R&D COSTS

R&D costs charged to expense were ¥17,043 million ($196,847 thousand) and ¥15,871 million for the years ended December 31, 2012 and 2011, respectively.

13. ADVERTISING COSTS

Advertising costs were ¥72,313 million ($835,216 thousand) and ¥77,211 million for the years ended December 31, 2012 and 2011, respectively.

14. AMORTIZATION OF GOODWILL

Amortization of goodwill was ¥20,514 million ($236,937 thousand) and ¥21,278 million for the years ended December 31, 2012 and 2011, respectively.

15. LOSSES FROM A NATURAL DISASTER

Expenses, mainly donations related to the Great East Japan Earthquake on March 11, 2011, were recognized as losses from a natural disaster.

16. LEASES

As Lessee

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

Total rental expenses, including lease payments under finance leases for the years ended December 31, 2012 and 2011, amounted to ¥18,555 million ($214,310 thousand) and ¥17,417 million, respectively.

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

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

	Millions of Yen			
	2012			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	¥ 21,558	¥ 37,557	¥ 2,902	¥ 62,017
Accumulated depreciation	(11,535)	(19,118)	(2,563)	(33,216)
Accumulated impairment loss	(1,462)	(12)	(38)	(1,512)
Net leased property	¥ 8,561	¥ 18,427	¥ 301	¥ 27,289

	Millions of Yen			
	2011			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	¥ 24,672	¥ 38,873	¥ 6,974	¥ 70,519
Accumulated depreciation	(13,635)	(16,957)	(5,688)	(36,280)
Accumulated impairment loss	(1,462)	(16)	(92)	(1,570)
Net leased property	¥ 9,575	¥ 21,900	¥ 1,194	¥ 32,669

	Thousands of U.S. Dollars			
	2012			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	$ 248,995	$ 433,784	$ 33,519	$ 716,298
Accumulated depreciation	(133,229)	(220,813)	(29,603)	(383,645)
Accumulated impairment loss	(16,886)	(139)	(439)	(17,464)
Net leased property	$ 98,880	$ 212,832	$ 3,477	$ 315,189

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 5,031	¥ 5,661	$ 58,108
Due after one year	24,589	29,677	284,003
Total	¥29,620	¥35,338	$342,111

Allowance for impairment loss on leased property of ¥1,141 million ($13,179 thousand) and ¥1,262 million as of December 31, 2012 and 2011, are not included in obligations under finance leases.

Depreciation expense, interest expense, and other information for finance leases as of December 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Depreciation expense	¥4,984	¥6,411	$57,565
Interest expense	715	981	8,258
Reversal of allowance for impairment loss on leased property	122	132	1,409
Impairment loss	1	6	12

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

The minimum rental commitments under noncancelable operating leases as of December 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥11,480	¥10,822	$132,594
Due after one year	56,718	55,784	655,094
Total	¥68,198	¥66,606	$787,688

As Lessor

The Group subleases certain buildings and structures.

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥160	¥112	$1,848
Due after one year	408	284	4,712
Total	¥568	¥396	$6,560

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

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

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

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

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

Derivatives are used to manage exposure to risks, from changes in foreign currency exchange rates or changes in market price fluctuations of goods, of payables derived from the Group's normal business, such as purchases of raw or packaging material, and imports of goods; risks from changes in foreign currency exchange rates of capital transactions denominated in foreign currencies and dividends receivables; and risks from changes in variable interest rates and foreign exchange rates of bank loans and corporate bonds. The Group does not enter into derivatives for trading or speculative purposes. Please see Note 18 for more detail about derivatives.

(3) *Risk management for financial instruments*

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include the monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. With respect to financial investments and derivatives, the Group manages its exposure to credit risk by limiting its counterparty to high credit rating financial institutions. Please see Note 18 for the detail about derivatives.

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

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

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

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

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

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

Liquidity Risk Management

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

(4) *Fair values of financial instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Also, please see Note 18 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
December 31, 2012	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥228,111	¥228,111	¥ -
Notes and accounts receivable - trade	265,659	265,659	-
Investment securities	44,498	44,498	-
Total	¥538,268	¥538,268	¥ -
Short-term borrowings	¥ 58,448	¥ 58,448	¥ -
Current portion of long-term debt	50,500	51,178	(678)
Notes and accounts payable - trade	145,807	145,807	-
Notes and accounts payable - other	138,404	138,404	-
Liquor tax and consumption taxes payable	54,229	54,229	-
Accrued income taxes	12,057	12,057	-
Long-term debt	501,229	506,550	(5,321)
Total	¥960,674	¥966,673	¥(5,999)
December 31, 2011			
Cash and cash equivalents	¥288,127	¥288,127	¥ -
Notes and accounts receivable - trade	249,784	249,784	-
Investment securities	42,679	42,679	-
Total	¥580,590	¥580,590	¥ -
Short-term borrowings	¥ 34,993	¥ 34,993	¥ -
Current portion of long-term debt	91,590	92,196	(606)
Notes and accounts payable - trade	139,749	139,749	-
Notes and accounts payable - other	137,971	137,971	-
Liquor tax and consumption taxes payable	53,185	53,185	-
Accrued income taxes	19,331	19,331	-
Long-term debt	550,597	555,895	(5,298)
Total	¥1,027,416	¥1,033,320	¥(5,904)

December 31, 2012	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	$ 2,634,685	$ 2,634,685	$ -
Notes and accounts receivable - trade	3,068,365	3,068,365	-
Investment securities	513,952	513,952	-
Total	$ 6,217,002	$ 6,217,002	$ -
Short-term borrowings	$ 675,075	$ 675,075	$ -
Current portion of long-term debt	583,276	591,107	(7,831)
Notes and accounts payable - trade	1,684,073	1,684,073	-
Notes and accounts payable - other	1,598,568	1,598,568	-
Liquor tax and consumption taxes payable	626,345	626,345	-
Accrued income taxes	139,258	139,258	-
Long-term debt	5,789,201	5,850,658	(61,457)
Total	$11,095,796	$11,165,084	$(69,288)

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

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

Investment securities

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

Long-term debt

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

Derivatives

The information on the fair value for derivatives is included in Note 18.

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

	Carrying Amount Millions of Yen 2012	2011	Thousands of U.S. Dollars 2012
Investments in unconsolidated subsidiaries and affiliates	¥38,823	¥36,572	$ 448,406
Investments in equity instruments that do not have a quoted market price in an active market	13,578	13,325	156,826
Corporate bonds	10	13	116
Investments in limited partnerships	174	237	2,010

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

December 31, 2012	Millions of Yen Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥228,111	¥ -	¥ -	¥ -
Notes and accounts receivable - trade	265,659	-	-	-
Investment securities:				
Government bonds	10	-	-	-
Corporate bonds	2	10	-	-
Total	¥493,782	¥10	¥ -	¥ -

December 31, 2012	Thousands of U.S. Dollars Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 2,634,685	$ -	$ -	$ -
Notes and accounts receivable - trade	3,068,365	-	-	-
Investment securities:				
Government bonds	116	-	-	-
Corporate bonds	23	116	-	-
Total	$ 5,703,189	$ 116	$ -	$ -

Please see Note 7 for annual maturities of long-term debt and Note 16 for obligations under finance leases.

18. DERIVATIVES AND HEDGING ACTIVITIES

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

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

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

(1) Foreign currency-related derivatives

	Millions of Yen			
At December 31, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts to:				
Buy:				
USD	¥ 6,811	¥ -	¥ 65	¥ 65
EUR	2,236	-	70	70
SGD	1,140	-	6	6
JPY	2,410	-	(289)	(289)
Other	647	-	(2)	(2)
Sell:				
HKD	414	-	11	11
Other	8	-	0	0
Currency swaps:				
EUR payment, USD receipt	190	-	(0)	(0)
GBP payment, EUR receipt	112	-	(0)	(0)
JPY payment, EUR receipt	33,949	508	(1,262)	(1,262)
JPY payment, USD receipt	2,552	2,552	(295)	(295)
JPY payment, GBP receipt	301	-	(27)	(27)
At December 31, 2011				
Forward exchange contracts to:				
Buy:				
USD	¥6,160	¥ -	¥ 108	¥ 108
EUR	2,327	-	(105)	(105)
SGD	1,825	-	1	1
JPY	2,410	-	(64)	(64)
Other	188	-	0	0
Sell:				
HKD	354	-	(6)	(6)
Other	897	-	(5)	(5)

At December 31, 2012	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts to:				
Buy:				
USD	$ 78,667	$ -	$ 751	$ 751
EUR	25,826	-	809	809
SGD	13,167	-	69	69
JPY	27,836	-	(3,338)	(3,338)
Other	7,473	-	(23)	(23)
Sell:				
HKD	4,782	-	127	127
Other	92	-	0	0
Currency swaps:				
EUR payment, USD receipt	2,195	-	(0)	(0)
GBP payment, EUR receipt	1,294	-	(0)	(0)
JPY payment, EUR receipt	392,111	5,867	(14,576)	(14,576)
JPY payment, USD receipt	29,476	29,476	(3,407)	(3,407)
JPY payment, GBP receipt	3,477	-	(312)	(312)

(2) Interest-related derivatives

	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
At December 31, 2012				
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	¥1,186	¥1,186	¥(45)	¥(45)
At December 31, 2011				
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	¥1,018	¥1,018	¥(39)	¥(39)

At December 31, 2012	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	$13,698	$13,698	$(520)	$(520)

(3) Interest- and currency-related derivatives

At December 31, 2011	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain
Currency and interest rate swaps:				
Buy EUR, sell JPY				
Fixed-rate payment, floating-rate receipt	¥10,587	¥ -	¥524	¥524
Buy JPY, sell EUR				
Floating-rate payment, fixed-rate receipt	2,036	-	-	-

(b) Derivative transactions to which hedge accounting is applied

(1) Foreign currency-related derivatives

At December 31, 2012	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	¥16,457	¥ -	¥883
EUR	Payables	5,793	-	698
Other	Payables	1,685	-	131
Sell:				
AUD	Receivable	3,025	-	(14)
Currency options:				
Call options, purchased:				
USD	Payables	6,480	-	
Premium		(116)	-	525
EUR	Payables	2,472	-	
Premium		(74)	-	283
Other	Payables	531	-	
Premium		(10)	-	31
Currency swaps:				
EUR payment, USD receipt	Payables	190	-	(4)
GBP payment, EUR receipt	Receivable	112	-	(2)

At December 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
Forward exchange contracts to:				
Buy:				
USD	Payables	¥7,368	¥ -	¥ 189
EUR	Payables	8,031	-	(348)
Other	Payables	2,064	-	(17)
Sell:				
GBP	Receivable	1,193	-	16
AUD	Receivable	1,178	-	(3)
Currency options:				
Call options, purchased:				
USD	Payables	3,438	-	
Premium		(76)	-	64
EUR	Payables	2,918	-	
Premium		(99)	-	9
Other	Payables	454	-	
Premium		(11)	-	9

At December 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Thousands of U.S. Dollars			
Forward exchange contracts to:				
Buy:				
USD	Payables	$190,079	$ -	$10,199
EUR	Payables	66,909	-	8,062
Other	Payables	19,462	-	1,513
Sell:				
AUD	Receivable	34,939	-	(162)
Currency options:				
Call options, purchased:				
USD	Payables	74,844	-	
Premium		(1,340)	-	6,064
EUR	Payables	28,552	-	
Premium		(855)	-	3,269
Other	Payables	6,133	-	
Premium		(116)	-	358
Currency swaps:				
EUR payment, USD receipt	Payables	2,195	-	(46)
GBP payment, EUR receipt	Receivable	1,294	-	(23)

The following foreign currency forward contracts were not measured at fair value and the hedged items (i.e., payables or deposits) denominated in a foreign currency are translated at the contracted rates, as described in Note 2(u). The fair values of such foreign currency forward contracts are included in those of the hedged items in Note 17.

	Millions of Yen			
At December 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	¥ 849	¥ -	¥ -
EUR	Payables	349	-	-
GBP	Payables	547	-	-
AUD	Payables	5	-	-
Sell:				
EUR	Foreign currency deposit	3,504	-	-
At December 31, 2011				
Forward exchange contracts to:				
Buy:				
USD	Payables	¥ 274	¥ -	¥ -
GBP	Payables	479	-	-
Other	Payables	233	-	-
Sell:				
EUR	Foreign currency deposit	27,363	-	-

	Thousands of U.S. Dollars			
At December 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	$ 9,806	$ -	$ -
EUR	Payables	4,031	-	-
GBP	Payables	6,318	-	-
AUD	Payables	58	-	-
Sell:				
EUR	Foreign currency deposit	40,471	-	-

(2) Interest-related derivatives

At December 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	Long-term debt	¥5,880	¥5,880	¥(402)
At December 31, 2011				
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	Long-term debt	¥6,404	¥4,602	¥(287)

At December 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Thousands of U.S. Dollars			
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	Long-term debt	$67,914	$67,914	$(4,643)

The following interest rate swaps were not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income as described in Note 2(u). The fair values of such interest rate swaps are included in that of hedged items (i.e., long-term debt) in Note 17, and are not shown in the table below.

At December 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
Interest rate swaps:				
Floating-rate payment, fixed-rate receipt	Long-term debt	¥120,000	¥120,000	¥ -
Fixed-rate payment, floating-rate receipt	Long-term debt	38,927	38,927	-
At December 31, 2011				
Interest rate swaps:				
Floating-rate payment, fixed-rate receipt	Long-term debt	¥120,000	¥120,000	¥ -
Fixed-rate payment, floating-rate receipt	Long-term debt	52,734	38,927	-

At December 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Thousands of U.S. Dollars			
Interest rate swaps:				
Floating-rate payment, fixed-rate receipt	Long-term debt	$ 1,386,001	$ 1,386,001	$ -
Fixed-rate payment, floating-rate receipt	Long-term debt	449,607	449,607	-

(3) Interest- and currency-related derivatives

The following currency and interest rate swaps were not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income, and long-term debt denominated in a foreign currency are translated at the contracted rates as described in Note 2(u). The fair values of such interest rate swaps are included in that of hedged items (i.e., long-term debt) in Note 17, and are not shown in the table below.

	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
At December 31, 2012				
Currency and interest rate swaps:				
Buy EUR, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	¥ 6,247	¥ 6,247	¥ -
Buy JPY, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	51,610	51,610	-
At December 31, 2011				
Currency and interest rate swaps:				
Buy EUR, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	¥ 5,393	¥ -	¥ -
Buy JPY, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	51,610	-	-

At December 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Thousands of U.S. Dollars			
Currency and interest rate swaps:				
Buy EUR, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	$ 72,153	$ 72,153	$ -
Buy JPY, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	596,096	596,096	-

(4) Commodity-related derivatives

	Millions of Yen			
At December 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Commodity price swaps				
Fixed-rate payment, floating-rate receipt	Raw material purchases	¥1,014	¥ -	¥12
At December 31, 2011				
Commodity price swaps				
Fixed-rate payment, floating-rate receipt	Raw material purchases	¥1,695	¥ -	¥(75)

	Thousands of U.S. Dollars			
At December 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Commodity price swaps				
Fixed-rate payment, floating-rate receipt	Raw material purchases	$11,712	$ -	$139

19. CONTINGENT LIABILITIES

The Group was contingently liable for an in-substance defeasance on bonds in the amount of ¥10,500 million ($121,275 thousand) at December 31, 2012.

20. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended December 31, 2012, was as follows:

	Millions of Yen 2012	Thousands of U.S. Dollars 2012
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 4,408	$ 50,912
Reclassification adjustments to profit or loss	(248)	(2,864)
Amount before income tax effect	4,160	48,048
Income tax effect	(1,379)	(15,927)
Total	¥ 2,781	$ 32,121
Deferred gain on derivatives under hedge accounting:		
Gains arising during the year	¥ 2,550	$ 29,453
Reclassification adjustments to profit or loss	119	1,374
Amount before income tax effect	2,669	30,827
Income tax effect	(747)	(8,628)
Total	¥ 1,922	$ 22,199
Foreign currency translation adjustments:		
Adjustments arising during the year	¥39,978	$461,747
Reclassification adjustments to profit or loss	0	0
Total	¥39,978	$461,747
Share of other comprehensive income in associates:		
Gains arising during the year	¥ 537	$ 6,202
Total other comprehensive income	¥45,218	$522,269

The corresponding information for the year ended December 31, 2011, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

21. NET INCOME PER SHARE

Reconciliations of the differences between basic and diluted net income per share (EPS) for the years ended December 31, 2012 and 2011, were as follows:

	Millions of Yen	Thousands of Shares	Yen
	Net Income	Weighted-Average Shares	EPS
Year ended December 31, 2011:			
Basic EPS			
Net income available to common shareholders	¥62,615	682,759	¥91.71
Effect of dilutive securities			
Stock acquisition rights	22	-	-
Diluted EPS			
Net income for computation	¥62,593	682,759	¥91.68

Diluted net income per share is not disclosed because there was no outstanding potentially dilutive securities as of December 31, 2012.

22. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings as of December 31, 2012, was proposed at the Company's shareholders' meeting held on March 25, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11 ($0.13) per share	¥7,505	$86,683

23. SEGMENT INFORMATION

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

(1) Description of reportable segments

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

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

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

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

	Millions of Yen 2012					
	Reportable Segment					
	Beverages and Foods	Beer and Spirits	Others	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥984,372	¥552,057	¥315,138	¥1,851,567	¥ -	¥1,851,567
Intersegment sales or transfers	6,853	2,626	11,613	21,092	(21,092)	-
Total	¥991,225	¥554,683	¥326,751	¥1,872,659	¥ (21,092)	¥1,851,567
Segment profit	76,709	31,783	29,227	137,719	(29,975)	107,744
Segment assets	843,990	394,156	210,173	1,448,319	279,644	1,727,963
Other:						
Depreciation and amortization	37,963	8,145	6,749	52,857	1,541	54,398
Amortization of goodwill	19,665	435	414	20,514	-	20,514
Investments in affiliates applied for equity method	7,940	1,153	7,256	16,349	-	16,349
Increase in property, plant, and equipment and intangible assets	53,228	10,663	10,004	73,895	1,771	75,666

	Millions of Yen 2011					
	Reportable Segment					
	Beverages and Foods	Beer and Spirits	Others	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥970,590	¥523,693	¥308,509	¥1,802,792	¥ -	¥1,802,792
Intersegment sales or transfers	7,071	1,922	11,178	20,171	(20,171)	-
Total	¥977,661	¥525,615	¥319,687	¥1,822,963	¥ (20,171)	¥1,802,792
Segment profit	88,081	29,570	25,541	143,192	(29,030)	114,162
Segment assets	795,250	377,779	197,715	1,370,744	359,432	1,730,176
Other:						
Depreciation and amortization	34,000	7,611	7,036	48,647	1,528	50,175
Amortization of goodwill	20,427	456	395	21,278	-	21,278
Investments in affiliates applied for equity method	7,611	975	6,205	14,791	-	14,791
Increase in property, plant, and equipment and intangible assets	62,350	7,005	11,713	81,068	1,404	82,472

Note: "Reconciliations" represent ¥78 million ($901 thousand) and ¥0 million of eliminations of intersegment sales or transfers, and ¥(30,053) million ($(347,112) thousand) and ¥(29,030) million corporate general and administrative expenses that were not allocated to specific reportable segments for the years ended December 31, 2012 and 2011, respectively. Also, ¥(8,556) million ($(98,822) thousand) and ¥(9,513) million of eliminations of intersegment balances, and ¥288,200 million ($3,328,713 thousand) and ¥368,945 million of corporate assets, not allocated to specific reportable segments are included in "Reconciliations." The corporate assets consist primarily of cash and deposits, investments in securities, and the headquarters' assets.

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

	Thousands of U.S. Dollars					
	2012					
	Reportable Segment					
	Beverages and Foods	Beer and Spirits	Others	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	$11,369,508	$6,376,265	$3,639,847	$21,385,620	$ -	$21,385,620
Intersegment sales or transfers	79,152	30,330	134,131	243,613	(243,613)	-
Total	$11,448,660	$6,406,595	$3,773,978	$21,629,233	$ (243,613)	$21,385,620
Segment profit	885,990	367,094	337,572	1,590,656	(346,212)	1,244,444
Segment assets	9,748,094	4,552,506	2,427,501	16,728,101	3,229,891	19,957,992
Other:						
Depreciation and amortization	438,473	94,075	77,951	610,499	17,799	628,298
Amortization of goodwill	227,131	5,024	4,782	236,937	-	236,937
Investment for affiliates applied for equity method	91,707	13,317	83,807	188,831	-	188,831
Increase in property, plant, and equipment and intangible assets	614,784	123,158	115,546	853,488	20,455	873,943

(a) Relevant information by geographic area

	Millions of Yen				
	2012				
	Japan	Europe	Asia Oceania	Americas	Total
Sales	¥1,468,314	¥137,890	¥175,112	¥70,251	¥1,851,567
Property, plant, and equipment	303,491	48,961	45,537	22,240	420,229

	Millions of Yen				
	2011				
	Japan	Europe	Asia Oceania	Americas	Total
Sales	¥1,421,186	¥144,148	¥167,918	¥69,540	¥1,802,792
Property, plant, and equipment	299,722	40,620	33,948	18,735	393,025

	Thousands of U.S. Dollars				
	2012				
	Japan	Europe	Asia Oceania	Americas	Total
Sales	$16,959,043	$1,592,631	$2,022,546	$811,400	$21,385,620
Property, plant, and equipment	3,505,325	565,500	525,953	256,872	4,853,650

Note: Sales are classified in countries or regions based on location of customers.

(b) Information of goodwill by reportable segment

Balance of goodwill as of December 31, 2012 and 2011, were as follows;

	Millions of Yen			
	2012			
	Beverages and Foods	Beer and Spirits	Others	Total
Goodwill	¥349,929	¥573	¥4,131	¥354,633

	Millions of Yen			
	2011			
	Beverages and Foods	Beer and Spirits	Others	Total
Goodwill	¥337,329	¥967	¥4,094	¥342,390

	Thousands of U.S. Dollars			
	2012			
	Beverages and Foods	Beer and Spirits	Others	Total
Goodwill	$4,041,684	$6,618	$47,713	$4,096,015

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