Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended December 31, 2013, 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 as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Suntory Holdings Limited and consolidated subsidiaries as of December 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 20 to the consolidated financial statements, the Company made a resolution at a meeting of the Board of Directors held on January 10, 2014 for the acquisition (the "Acquisition") of Beam Inc. ("Beam"), and entered into a merger agreement with Beam for the Acquisition on January 12, 2014. Further, on February 27, 2014, the Company entered into a one-year credit facility agreement.

Our opinion is not qualified in respect of this matter.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

March 20, 2014

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Balance Sheet
December 31, 2013

ASSETS	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	¥ 418,630	¥ 228,111	$ 3,972,199
Short-term investments (Note 4)	26	30	247
Notes and accounts receivable (Note 16):			
Trade	287,241	265,659	2,725,505
Other	25,660	17,702	243,476
Allowance for doubtful accounts	(876)	(942)	(8,312)
Inventories (Note 5)	224,135	183,728	2,126,720
Deferred tax assets (Note 10)	22,876	32,752	217,060
Other current assets	30,143	26,244	286,014
Total current assets	1,007,835	753,284	9,562,909
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 6 and 7)	94,761	85,965	899,146
Buildings and structures (Notes 6 and 7)	362,180	329,740	3,436,569
Machinery, equipment and other (Note 6)	763,999	640,971	7,249,255
Construction in progress	15,784	8,483	149,768
Lease assets (Notes 6 and 15)	18,657	17,895	177,028
Total	1,255,381	1,083,054	11,911,766
Accumulated depreciation	(728,112)	(662,825)	(6,908,739)
Net property, plant and equipment	527,269	420,229	5,003,027
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries and affiliates (Note 16)	41,299	38,823	391,868
Investment securities (Notes 4 and 16)	75,003	58,260	711,671
Long-term receivables	2,160	2,293	20,495
Long-term guarantee deposit	30,040	30,446	285,037
Goodwill (Note 13)	409,293	354,633	3,883,604
Trademarks (Note 6)	184,943	7,284	1,754,844
Deferred tax assets (Note 10)	6,924	5,672	65,699
Other	91,591	59,413	869,067
Allowance for doubtful accounts	(2,286)	(2,374)	(21,691)
Total investments and other assets	838,967	554,450	7,960,594
TOTAL	¥2,374,071	¥1,727,963	$22,526,530

LIABILITIES AND EQUITY	Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars (Note 1) 2013
CURRENT LIABILITIES:			
Short-term borrowings (Notes 7 and 16)	¥ 43,500	¥ 58,448	$ 412,753
Current portion of long-term debt (Notes 7, 15 and 16)	166,936	50,500	1,583,983
Notes and accounts payable (Note 16):			
Trade	159,055	145,807	1,509,204
Unconsolidated subsidiaries and affiliates	1,335	2,254	12,667
Other	162,790	138,404	1,544,644
Liquor tax and consumption taxes payable (Note 16)	57,204	54,229	542,784
Accrued income taxes (Notes 10 and 16)	34,393	12,057	326,340
Accrued expenses	73,905	62,412	701,252
Other current liabilities	60,912	48,683	577,968
Total current liabilities	760,030	572,794	7,211,595
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 15 and 16)	397,619	501,229	3,772,834
Liability for employee retirement benefits (Note 8)	11,001	11,151	104,384
Retirement allowances for directors and Audit and Supervisory Board members	298	351	2,828
Long-term deposits payable	38,295	37,041	363,365
Deferred tax liabilities (Note 10)	80,104	59,064	760,072
Other	29,998	12,635	284,638
Total long-term liabilities	557,315	621,471	5,288,121
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15, 17 and 18)			
EQUITY (Notes 9 and 20):			
Common stock, authorized - 1,305,600,000 shares, and issued - 687,136,196 shares in 2013 and 2012	70,000	70,000	664,200
Capital surplus	(21,109)	(20,583)	(200,294)
Retained earnings	666,067	477,810	6,320,020
Treasury stock - at cost: 4,900,748 shares in 2013 and 2012	(3,332)	(3,332)	(31,616)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	20,611	10,350	195,569
Deferred gain on derivatives under hedge accounting	1,374	1,902	13,037
Foreign currency translation adjustments	34,400	(28,350)	326,407
Total	768,011	507,797	7,287,323
Minority interests	288,715	25,901	2,739,491
Total equity	1,056,726	533,698	10,026,814
TOTAL	¥2,374,071	¥1,727,963	$22,526,530

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended December 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES	¥2,040,204	¥1,851,567	$19,358,611
COST OF SALES	1,015,376	923,270	9,634,463
Gross profit	1,024,828	928,297	9,724,148
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 11, 12 and 13)	898,269	820,553	8,523,285
Operating income	126,559	107,744	1,200,863
OTHER INCOME (EXPENSES):			
Interest and dividend income	3,554	3,060	33,722
Interest expense	(8,321)	(8,289)	(78,955)
Foreign currency exchange loss, net	(1,494)	(134)	(14,176)
Impairment loss (Note 6)	(3,340)	(611)	(31,692)
Losses from a natural disaster (Note 14)	(2,712)	(3,097)	(25,732)
Dilution gain from changes in equity interest (Note 3)	131,384	57	1,246,646
Gain on sales of investments in subsidiaries and affiliates (Note 3)	45,490	-	431,635
Restructuring charges	(1,607)	(549)	(15,248)
Other, net	(3,687)	(4,500)	(34,984)
Other income (expenses), net	159,267	(14,063)	1,511,216
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	285,826	93,681	2,712,079
INCOME TAXES (Note 10):			
Current	60,488	28,703	573,944
Deferred	12,951	21,071	122,887
Total income taxes	73,439	49,774	696,831
NET INCOME BEFORE MINORITY INTERESTS	212,387	43,907	2,015,248
MINORITY INTERESTS IN NET INCOME	16,812	7,275	159,522
NET INCOME	¥ 195,575	¥ 36,632	$ 1,855,726

	Yen		U.S. Dollars (Note 1)
	2013	2012	2013
AMOUNTS PER SHARE (Notes 2(v) and 20):			
Net income - basic	¥286.67	¥53.74	$2.72
Cash dividends applicable to the year	17.00	11.00	0.16

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended December 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥212,387	¥43,907	$ 2,015,248
OTHER COMPREHENSIVE INCOME (LOSS) (Note 19):			
Unrealized gain on available-for-sale securities	10,656	2,781	101,110
Deferred (loss) gain on derivatives under hedge accounting	(560)	1,922	(5,314)
Foreign currency translation adjustments	89,132	39,978	845,735
Share of other comprehensive income in affiliates	1,522	537	14,442
Total other comprehensive income	100,750	45,218	955,973
COMPREHENSIVE INCOME	¥313,137	¥89,125	$ 2,971,221
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥268,058	¥79,500	$2,543,486
Minority interests	45,079	9,625	427,735

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended December 31, 2013

	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 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, 2012	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 in foreign subsidiaries interest in their subsidiaries (Note 9)	-	-	(20,647)	-	-	-	-	-	-	(20,647)	-	(20,647)
Disposal of treasury stock	-	-	64	-	-	680	-	-	-	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
Net income	-	-	-	-	195,575	-	-	-	-	195,575	-	195,575
Cash dividends, ¥11.00 per share (Note 2(v))	-	-	-	-	(7,505)	-	-	-	-	(7,505)	-	(7,505)
Changes in consolidation scope	-	-	-	-	308	-	-	-	-	308	-	308
Put option granted to minority shareholders	-	-	-	-	(121)	-	-	-	-	(121)	-	(121)
Changes in foreign subsidiaries interest in their subsidiaries (Note 9)	-	-	(526)	-	-	-	-	-	-	(526)	-	(526)
Net change in the year	-	-	-	-	-	-	10,261	(528)	62,750	72,483	262,814	335,297
BALANCE AT DECEMBER 31, 2013	687,136	¥70,000	¥(21,109)	¥ -	¥666,067	¥(3,332)	¥20,611	¥1,374	¥ 34,400	¥768,011	¥288,715	¥1,056,726

	Thousands	Thousands of U.S. Dollars (Note 1)										
							Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain 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, 2012	687,136	$664,200	$(195,303)	$ -	$4,533,732	$(31,616)	$ 98,207	$18,047	$(269,001)	$4,818,266	$ 245,763	$ 5,064,029
Net income	-	-	-	-	1,855,726	-	-	-	-	1,855,726	-	1,855,726
Cash dividends, $0.10 per share (Note 2(v))	-	-	-	-	(71,212)	-	-	-	-	(71,212)	-	(71,212)
Changes in consolidation scope	-	-	-	-	2,922	-	-	-	-	2,922	-	2,922
Put option granted to minority shareholders	-	-	-	-	(1,148)	-	-	-	-	(1,148)	-	(1,148)
Changes in foreign subsidiaries interest in their subsidiaries (Note 9)	-	-	(4,991)	-	-	-	-	-	-	(4,991)	-	(4,991)
Net change in the year	-	-	-	-	-	-	97,362	(5,010)	595,408	687,760	2,493,728	3,181,488
BALANCE AT DECEMBER 31, 2013	687,136	$664,200	$(200,294)	$ -	$6,320,020	$(31,616)	$195,569	$13,037	$ 326,407	$7,287,323	$2,739,491	$10,026,814

See notes to consolidated financial statements.

Suntory Holdings Limited and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended December 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 285,826	¥ 93,681	$ 2,712,079
Adjustments for:			
Depreciation and amortization	63,403	54,398	601,604
Amortization of goodwill	24,093	20,514	228,608
Gain on sales of investments in subsidiaries and affiliates	(45,490)	-	(431,635)
Dilution gain from changes in equity interest	(131,384)	(57)	(1,246,646)
Impairment loss	3,340	611	31,692
Loss on disposal of property, plant and equipment	4,537	4,764	43,050
Increase in notes and accounts receivable - trade	(11)	(8,783)	(104)
Increase in inventories	(11,640)	(4,586)	(110,447)
(Decrease) increase in notes and accounts payable - trade	(3,473)	273	(32,954)
Increase in liquor tax and consumption tax payable	1,274	673	12,088
Income taxes paid	(41,471)	(37,262)	(393,500)
Other, net	17,499	5,881	166,040
Net cash provided by operating activities	166,503	130,107	1,579,875
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(90,012)	(71,423)	(854,085)
Proceeds from sales of property, plant and equipment	3,027	721	28,722
Purchases of investment securities	(854)	(995)	(8,103)
Proceeds from sales of investment securities	176	2,601	1,670
Proceeds from sales of investments in subsidiaries and affiliates	95,854	-	909,517
Purchase of investments in subsidiaries resulting in change in consolidation scope - net of cash acquired	(13,914)	(840)	(132,023)
Proceeds from acquisition of investments in subsidiaries resulting in change in consolidation scope - net of cash acquired	4,072	-	38,637
Acquisition of business	(220,098)	-	(2,088,414)
Other, net	6,255	(23,477)	59,350
Net cash used in investing activities	(215,494)	(93,413)	(2,044,729)
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term bank loans and commercial papers	(20,828)	20,571	(197,628)
Proceeds from long-term bank loans	45,935	3,689	435,857
Repayments of long-term bank loans	(36,395)	(63,171)	(345,336)
Redemption of bonds	(15,250)	(45,000)	(144,701)
Repayments of lease obligations	(3,103)	(3,452)	(29,443)
Cash dividends	(7,505)	(8,175)	(71,211)
Cash dividends to minority shareholders	(6,152)	(5,554)	(58,374)
Proceeds from issuance of common stocks to minority shareholders	275,466	-	2,613,777
Other, net	-	881	-
Net cash provided by (used in) financing activities	232,168	(100,211)	2,202,941
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	7,342	3,501	69,665
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	190,519	(60,016)	1,807,753
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	228,111	288,127	2,164,446
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 418,630	¥ 228,111	$ 3,972,199

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 accordance 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 ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥105.39 to $1, the exchange rate at December 31, 2013. 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 non-alcoholic beverage business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) ***Consolidation*** - The consolidated financial statements as of December 31, 2013, include the accounts of the Company and its 180 (162 in 2012) 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 2012) unconsolidated subsidiary and 22 (14 in 2012) 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. Acquired intangible assets with finite useful lives are amortized over the estimated useful lives. Acquired intangible assets with infinite useful lives are not amortized and subject to impairment testing.

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

(b) ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** - In May 2006, the Accounting Standards Board of Japan (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 IFRS or the generally accepted accounting principles in the United States of America ("U.S. GAAP") 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 IFRS or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been 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 allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

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

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

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

(2) The previous accounting standard required R&D costs to be charged to income as incurred. Under the revised standard, in-process research and development costs 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 price allocation.

(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*** - The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. 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 Audit and Supervisory Board Members*** - Upon retirement, directors, and Audit and Supervisory Board members of the Company's domestic subsidiaries and directors of certain foreign subsidiaries are also qualified to receive lump-sum payments based on the Company's internal policies.

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

(n) ***Asset Retirement Obligations*** - In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, *Accounting Standard for Asset Retirement Obligations*, and ASBJ Guidance No. 21, *Guidance on Accounting Standard for Asset Retirement Obligations*. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and 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 income as incurred.

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

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

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.

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

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

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

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

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

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

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

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

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

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

(1) Changes in Accounting Policies

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

(2) Changes in Presentation

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

(3) Changes in Accounting Estimates

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

(4) Corrections of Prior-Period Errors

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

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

Major accounting changes are as follows:

(1) *Transactions with noncontrolling interest*

Under the current requirements, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted, is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income if the parent purchases or sells ownership interests in its subsidiary and retains control over its subsidiary. Under the revised requirement, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(2) *Acquisition-related costs*

Under the current requirements, acquisition-related costs, such as advisory fees or professional fees, are included in the acquisition costs of the investment. Under the revised requirement, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

(3) *Provisional accounting treatment for business combinations*

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

(4) *Presentation of the consolidated balance sheet*

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

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

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

These requirements for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted in case of simultaneous application of these requirements from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. Either retrospective or prospective application of the revised requirements for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised requirements for "provisional accounting treatment for business combinations" are effective for a business combination on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination on or after the beginning of annual periods beginning on or after April 1, 2014.

The Group expects to apply the revised requirements from the year beginning on January 1, 2016, and is in the process of measuring the effects of applying the revised requirements in future applicable periods.

3. BUSINESS COMBINATION

Initial Public Offering of Suntory Beverage & Food Limited and Sales of Shares by the Company

The Company's consolidated subsidiary, Suntory Beverage & Food Limited ("SBF"), which manufactures and distributes non-alcoholic beverages and foods, was initially listed on the Tokyo Stock Exchange on July 3, 2013. SBF issued 93,000,000 new shares (33,500,000 shares were issued in domestic market and 59,500,000 shares were issued in overseas market) by public offering with the offer price of ¥3,100 ($29.41) per share. The total payment amount of ¥288,300 million ($2,735,554 thousand) was completed on July 2, 2013. SBF received net proceeds of ¥276,768 million ($2,626,132 thousand) with the purchase price of ¥2,976 ($28.24) per share, net of underwriting commissions. As a result, the Company recorded ¥131,384 million ($1,246,646 thousand) of dilution gain from changes in equity interest.

In line with the listing of SBF, the Company sold 26,000,000 shares of common stock held in SBF on July 3, 2013, and subsequently sold an additional 6,200,000 shares as the green shoe option granted to underwriters with an offer price of ¥3,100 ($29.41) per share until the end of July 30, 2013. Total gross proceeds reached ¥99,820 million ($947,149 thousand) and the Company recorded ¥45,490 million ($431,635 thousand) in gain on sales of investments in subsidiaries and affiliates.

The fund obtained by SBF will be used to pay back short-term loans from banks and financial institutions made in the past for acquisitions of businesses. It will be also used to cover future strategic investments in Japan and overseas in order to expand its business.

As a result of these transactions, the percentage of shares in SBF held by the Company decreased from 100% to 59.48% as of December 31, 2013. Based on the *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, December 26, 2008) and the *Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, December 26, 2008), the transactions were treated and accounted for as transactions under common control.

Acquisition of Lucozade and Ribena Business from GlaxoSmithKline plc

On December 31, 2013, the Group acquired two U.K. non-alcoholic beverage brands, "Lucozade" and "Ribena," and related assets from GlaxoSmithKline plc ("GSK").

Through the acquisition, the Group aims to achieve further expansion of its beverage business in Europe and also enhance its corporate value as these two brands have large market shares centered on the beverage market in the U.K. and core businesses with historical and iconic value in the U.K. Furthermore, by taking over the worldwide distribution rights of these two brands held by GSK, the Group aims to obtain a new business basis in emerging countries and other areas, and also to expand sales of its own brands in such areas.

The purchase price of the business totaled ¥220,098 million ($2,088,414 thousand). Based on preliminary valuation assessments, the Company initially recorded goodwill of ¥9,482 million ($89,971 thousand), current assets of ¥8,585 million ($81,459 thousand), and noncurrent assets of ¥202,837 million ($1,924,632 thousand), including trademarks of ¥178,104 million ($1,689,952 thousand) and customer relationships of ¥10,773 million ($102,220 thousand). The allocation of the purchase price is subject to adjustment during the one-year measurement period. Goodwill will be amortized over 20 years by the straight-line method starting from the year ending December 31, 2014. Trademarks were deemed to have infinite life due to their nature whereas the customer relationships were deemed to be amortized over 24 years.

Assets acquired and cash used for the acquisition in 2013 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 8,585	$ 81,459
Noncurrent assets (including trademarks and other intangibles)	202,837	1,924,632
Goodwill	8,676	82,323
Total acquisition costs	220,098	2,088,414
Cash used for acquisition	¥220,098	$2,088,414

Goodwill in the above table is the amount converted from the local currency (GBP) to Japanese yen at the spot rate of the transaction date.

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of December 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Short-term investments:			
Time deposits	¥24	¥18	$228
Government bonds	-	10	-
Corporate bonds	2	2	19
Total	¥26	¥30	$247
Investment securities:			
Equity securities	¥74,834	¥58,076	$710,067
Corporate bonds	8	10	76
Other	161	174	1,528
Total	¥75,003	¥58,260	$711,671

The costs and aggregate fair values of marketable securities included in short-term investment and investment securities as of December 31, 2013 and 2012, were as follows:

	Millions of Yen		
	2012		
	Carrying Amount	Market Value	Unrealized Gain (Loss)
Held to maturity:			
Fair values exceed their carrying amounts:			
Government bonds	¥10	¥10	¥ -

	Millions of Yen					
	2013			2012		
	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	¥29,665	¥61,852	¥32,187	¥15,829	¥33,354	¥17,525
Acquisition costs exceed their carrying amounts:						
Equity securities	373	331	(42)	12,764	11,144	(1,620)
Total	¥30,038	¥62,183	¥32,145	¥28,593	¥44,498	¥15,905

	Thousands of U.S. Dollars		
	2013		
	Acquisition Cost	Carrying Amount	Unrealized Gain (Loss)
Available-for-sale securities:			
Carrying amounts exceed their acquisition cost:			
Equity securities	$281,479	$586,887	$305,408
Acquisition costs exceed their carrying amounts:			
Equity securities	3,539	3,141	(398)
Total	$285,018	$590,028	$305,010

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2013 and 2012, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Available for sale:			
Equity securities	¥12,650	¥13,578	$120,030
Corporate bonds	8	12	76
Investments in limited partnerships	162	174	1,537
Total	¥12,820	¥13,764	$121,643

The information for available-for-sale securities which were sold during the year ended December 31, 2013 was immaterial. The information for available-for-sale securities which were sold during the year ended December 31, 2012 was as follows:

	Millions of Yen
Amount sold	¥2,601
Total gain on sale	626
Total loss on sale	22

5. INVENTORIES

Inventories as of December 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Finished and semifinished products	¥169,935	¥144,002	$ 1,612,440
Work in process	12,744	12,353	120,922
Raw materials and supplies	41,456	27,373	393,358
Total	¥224,135	¥183,728	$ 2,126,720

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment and, as a result, recognized impairment loss of ¥3,340 million ($31,692 thousand) for the year ended December 31, 2013, as other expense for certain rental property, idle assets, and business property, to adjust the carrying amounts of the relevant assets or asset groups to recoverable amounts. The recoverable amounts of these assets or asset groups were the higher of the discounted cash flows from the continued use and eventual disposition of the assets or the net selling price at disposition. The discount rates used for computation of present values of future cash flows ranged from 1.6% to 11.4%. The details were as follows:

	2013	
Location	Use	Type
Inagi City in Tokyo and 4 other locations	Idle assets and Business property (Beverage and Food segment)	Buildings and structures, etc.
Kita-ku in Osaka	Business property (Beer and Spirits segment)	Buildings and structures, etc.
Yokohama City in Kanagawa and 23 other locations	Idle assets and Business property (Other segment)	Buildings and structures, etc.
Shimamoto-cho in Osaka	Research facility	Buildings and structures, etc.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of December 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Short-term loans, principally from banks, weighted-average rate of 3.62% as of December 31, 2013, and 1.81% as of December 31, 2012	¥27,500	¥58,448	$260,936
Commercial paper, weighted-average rate of 0.08% as of December 31, 2013	16,000	-	151,817
Short-term borrowings	¥43,500	¥58,448	$412,753

Long-term debt as of December 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Publicly offered corporate bonds, due 2014 through 2017, rates ranging from 0.46% to 2.28%	¥112,000	¥124,000	$1,062,719
Euro yen bonds, due 2014 through 2023, rates ranging from 0.01% to 2.11%	31,500	34,750	298,890
Euro bonds, due 2014, rate of 0.64%	2,176	1,721	20,647
Euro U.S. dollar bonds, due 2014, rates ranging from 0.64% to 0.70%	5,891	4,658	55,897
Interest deferrable and early redeemable subordinated bonds, due 2071, rates ranging from 1.26% to 1.64%	21,700	21,700	205,902
Loans from banks and other institutions, due through 2071, rates ranging from 0.34% to 15.25%, with:			
Collateralized	1,687	4,185	16,007
Unsecured	376,629	347,384	3,573,669
Obligations under finance leases	12,972	13,331	123,086
Total	564,555	551,729	5,356,817
Less current portion	166,936	50,500	1,583,983
Long-term debt, less current portion	¥397,619	¥501,229	$3,772,834

Annual maturities of long-term debt excluding finance leases as of December 31, 2013, were as follows:

Years Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥164,495	$ 1,560,822
2015	33,737	320,116
2016	119,584	1,134,681
2017	65,251	619,138
2018	29,682	281,640
2019 and thereafter	138,833	1,317,325
Total	¥551,582	$ 5,233,722

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt of ¥1,688 million ($16,017 thousand) as of December 31, 2013 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Buildings and structures - net of accumulated depreciation	¥1,535	$ 14,565
Land	4,768	45,241
Total	¥6,303	$ 59,806

8. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee.

The liability for employees' retirement benefits as of December 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥(114,182)	¥(118,660)	$ (1,083,423)
Fair value of plan assets	108,214	94,278	1,026,796
Unfunded retirement benefit obligation	(5,968)	(24,382)	(56,627)
Unrecognized actuarial loss	15,157	32,015	143,818
Unrecognized prior service cost	(8,439)	(4,220)	(80,075)
Prepaid pension cost	(11,751)	(14,564)	(111,500)
Net liability	¥ (11,001)	¥ (11,151)	$ (104,384)

The components of net periodic benefit costs for the years ended December 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥ 4,135	¥ 4,405	$ 39,235
Interest cost	1,835	1,900	17,412
Expected return on plan assets	(2,213)	(2,019)	(20,998)
Amortization of actuarial loss	2,987	3,426	28,342
Amortization of prior service cost	(660)	(554)	(6,262)
Net periodic benefit costs	6,084	7,158	57,729
Contributions to the defined contribution pension plan	1,181	1,116	11,206
Total	¥ 7,265	¥ 8,274	$ 68,935

Assumptions used for the years ended December 31, 2013 and 2012, were set forth as follows:

	2013	2012
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

(1) *Companies Act of Japan*

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having the board of directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, 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.

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

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

10. 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 38.0% for the year ended December 31, 2013 and 40.7% for the year ended December 31, 2012.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of December 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Tax loss carryforwards	¥ 12,027	¥ 34,772	$ 114,119
Accrued expenses	11,205	8,221	106,319
Unrealized profit	3,835	3,375	36,389
Impairment loss	4,037	3,563	38,305
Accrued bonuses	3,474	3,181	32,963
Pension liabilities	3,429	3,297	32,536
Other	15,052	14,968	142,823
Total gross deferred tax assets	53,059	71,377	503,454
Valuation allowance	(14,391)	(22,009)	(136,550)
Net deferred tax assets	38,668	49,368	366,904
Deferred tax liabilities:			
Intangible assets	(37,725)	(24,640)	(357,956)
Temporary differences in investments in subsidiaries	(22,135)	(19,814)	(210,029)
Property, plant and equipment	(8,535)	(7,615)	(80,985)
Prepaid pension cost	(4,115)	(5,120)	(39,045)
Net unrealized holding gains on securities	(11,083)	(5,524)	(105,162)
Other	(6,350)	(7,596)	(60,253)
Total gross deferred tax liabilities	(89,943)	(70,309)	(853,430)
Net deferred tax liabilities	¥(51,275)	¥(20,941)	$(486,526)

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Normal effective statutory tax rate	38.0%	40.7%
Amortization of goodwill	2.8	7.8
Accumulated earnings taxes	3.4	7.5
Dilution gain from changes in equity interest	(13.2)	(0.0)
Valuation allowance	(3.0)	(0.9)
Other - net	(2.3)	(2.0)
Actual effective tax rate	25.7%	53.1%

11. R&D COSTS

R&D costs charged to income were ¥17,997 million ($170,766 thousand) and ¥17,043 million for the years ended December 31, 2013 and 2012, respectively.

12. ADVERTISING COSTS

Advertising costs were ¥83,771 million ($794,867 thousand) and ¥72,313 million for the years ended December 31, 2013 and 2012, respectively.

13. AMORTIZATION OF GOODWILL

Amortization of goodwill was ¥24,093 million ($228,608 thousand) and ¥20,514 million for the years ended December 31, 2013 and 2012, respectively.

14. LOSSES FROM A NATURAL DISASTER

Expenses, mainly donations related to the Great East Japan Earthquake on March 11, 2011, recognized as losses from a natural disaster were ¥2,712 million ($25,732 thousand) and ¥3,097 million for the years ended December 31, 2013 and 2012, respectively.

15. 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, 2013 and 2012, amounted to ¥18,373 million ($174,333 thousand) and ¥18,555 million, respectively.

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

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

	Millions of Yen			
	2013			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	¥17,764	¥ 33,692	¥ 286	¥ 51,742
Accumulated depreciation	(8,769)	(18,923)	(234)	(27,926)
Accumulated impairment loss	(1,462)	(9)	(17)	(1,488)
Net leased property	¥ 7,533	¥ 14,760	¥ 35	¥ 22,328

	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

	Thousands of U.S. Dollars			
	2013			
	Buildings and Structures	Machinery and Equipment	Other	Total
Acquisition cost	$ 168,555	$ 319,689	$ 2,713	$ 490,957
Accumulated depreciation	(83,205)	(179,552)	(2,220)	(264,977)
Accumulated impairment loss	(13,873)	(85)	(161)	(14,119)
Net leased property	$ 71,477	$ 140,052	$ 332	$ 211,861

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥ 3,973	¥ 5,031	$ 37,698
Due after one year	20,222	24,589	191,878
Total	¥24,195	¥29,620	$229,576

Allowance for impairment loss on leased property of ¥1,027 million ($9,745 thousand) and ¥1,141 million as of December 31, 2013 and 2012, was respectively was not included in obligations under finance leases.

Depreciation expense, interest expense, and other information for finance leases as of December 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Depreciation expense	¥3,902	¥4,984	$37,024
Interest expense	589	715	5,589
Reversal of allowance for impairment loss on leased property	114	122	1,082
Impairment loss	-	1	-

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

The minimum rental commitments under noncancelable operating leases as of December 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥14,601	¥11,480	$138,543
Due after one year	58,706	56,718	557,035
Total	¥73,307	¥68,198	$695,578

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
	2013	2012	2013
Due within one year	¥170	¥160	$1,613
Due after one year	651	408	6,177
Total	¥821	¥568	$7,790

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

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

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

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Marketable and investment securities, mainly equity instruments of unconsolidated subsidiaries and 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 paper, and corporate bonds are used to fund the Group's 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 17 for more details about derivatives.

(3) *Risk management for financial instruments*

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include the monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. With respect to financial investments and derivatives, the Group manages its exposure to credit risk by limiting its counterparty to high credit rating financial institutions. Please see Note 17 for 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 interest rate and currency swaps are used to manage exposure to market risks from changes in interest rates or in foreign exchange rates of loan payables and bond payables.

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

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

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

Liquidity Risk Management

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

(4) *Fair values of financial instruments*

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

(a) Fair value of financial instruments

	Millions of Yen		
December 31, 2013	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥418,630	¥418,630	¥ -
Notes and accounts receivable - trade	287,241	287,241	-
Investment securities	62,183	62,183	-
Total	¥768,054	¥768,054	¥ -
Short-term borrowings	¥ 43,500	¥ 43,500	¥ -
Current portion of long-term debt	166,936	168,340	(1,404)
Notes and accounts payable - trade	159,055	159,055	-
Notes and accounts payable - other	162,790	162,790	-
Liquor tax and consumption taxes payable	57,204	57,204	-
Accrued income taxes	34,393	34,393	-
Accrued expenses	73,905	73,905	-
Long-term debt	397,619	401,685	(4,066)
Total	¥1,095,402	¥1,100,872	¥(5,470)
December 31, 2012			
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	-
Accrued expenses	62,412	62,412	-
Long-term debt	501,229	506,550	(5,321)
Total	¥1,023,086	¥1,029,085	¥(5,999)

	Thousands of U.S. Dollars		
December 31, 2013	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	$3,972,199	$3,972,199	$ -
Notes and accounts receivable - trade	2,725,505	2,725,505	-
Investment securities	590,028	590,028	-
Total	$7,287,732	$7,287,732	$ -
Short-term borrowings	$ 412,753	$ 412,753	$ -
Current portion of long-term debt	1,583,983	1,597,305	(13,322)
Notes and accounts payable - trade	1,509,204	1,509,204	-
Notes and accounts payable - other	1,544,644	1,544,644	-
Liquor tax and consumption taxes payable	542,784	542,784	-
Accrued income taxes	326,340	326,340	-
Accrued expenses	701,252	701,252	-
Long-term debt	3,772,834	3,811,415	(38,581)
Total	$10,393,794	$10,445,697	$(51,903)

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

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

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair value for marketable and investment securities by classification is included in Note 4.

Long-term debt

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

Derivatives

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

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investments in unconsolidated subsidiaries and affiliates	¥41,299	¥38,823	$391,868
Investments in equity instruments that do not have a quoted market price in an active market	12,651	13,578	120,040
Corporate bonds	7	10	66
Investments in limited partnerships	162	174	1,537

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

	Millions of Yen			
December 31, 2013	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	¥418,630	¥ -	¥ -	¥ -
Notes and accounts receivable - trade	287,241	-	-	-
Investment securities:				
Corporate bonds	3	8	-	-
Total	¥705,874	¥8	¥ -	¥ -

December 31, 2013	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	$3,972,199	$ -	$ -	$ -
Notes and accounts receivable - trade	2,725,505	-	-	-
Investment securities:				
Corporate bonds	28	76	-	-
Total	$6,697,732	$76	$ -	$ -

Please see Note 7 for annual maturities of long-term debt and Note 15 for obligations under finance leases.

17. DERIVATIVES AND HEDGING ACTIVITIES

Derivative financial instruments are utilized by the Group principally to reduce interest rate and foreign exchange rate risks. The Group has established internal policies, which include procedures for risk assessment for the approval, reporting, and monitoring of transactions involving derivative financial instruments. The Group policies state that the Group 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

December 31, 2013	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts to:				
Buy:				
USD	¥ 11,158	¥ -	¥ 6	¥ 6
EUR	649	-	48	48
SGD	2,666	-	(47)	(47)
JPY	904	-	(78)	(78)
Other	597	-	(12)	(12)
Sell:				
GBP	102,068	-	(4,102)	(4,102)
Other	992	-	31	31
Currency swaps:				
JPY payment, EUR receipt	32,440	508	(3,082)	(3,082)
JPY payment, USD receipt	2,552	2,552	(927)	(927)
JPY payment, GBP receipt	386	-	(22)	(22)
JPY payment, RMB receipt	1,633	1,633	(232)	(232)

December 31, 2012	Millions of Yen			
	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)

December 31, 2013	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts to:				
Buy:				
USD	$ 105,873	$ -	$ 57	$ 57
EUR	6,158	-	455	455
SGD	25,297	-	(446)	(446)
JPY	8,578	-	(740)	(740)
Other	5,665	-	(114)	(114)
Sell:				
GBP	968,479	-	(38,922)	(38,922)
Other	9,413	-	294	294
Currency swaps:				
JPY payment, EUR receipt	307,809	4,820	(29,244)	(29,244)
JPY payment, USD receipt	24,215	24,215	(8,796)	(8,796)
JPY payment, GBP receipt	3,663	-	(209)	(209)
JPY payment, RMB receipt	15,495	15,495	(2,201)	(2,201)

(2) Interest-related derivatives

December 31, 2013	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	¥1,477	¥ -	¥(19)	¥(19)

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

December 31, 2013	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	$14,015	$ -	$(180)	$(180)

(b) Derivative transactions to which hedge accounting is applied

(1) Foreign currency-related derivatives

	Millions of Yen			
December 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	¥12,050	¥ -	¥493
EUR	Payable	8,692	-	782
Other	Payable	1,942	-	151
Sell:				
AUD	Receivable	2,308	-	135
GBP	Receivable	981	-	(1)
Currency options:				
Call options, purchased:				
USD	Payable	4,794	-	
Premium		(104)	-	113
EUR	Payable	5,474	-	
Premium		(109)	-	267
Other	Payable	813	-	
Premium		(19)	-	40
Put options, sold:				
EUR	Receivable	1,233	-	
Premium		-	-	17

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

December 31, 2013	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	$114,337	$ -	$4,678
EUR	Payable	82,475	-	7,420
Other	Payable	18,427	-	1,433
Sell:				
AUD	Receivable	21,900	-	1,281
GBP	Receivable	9,308	-	(9)
Currency options:				
Call options, purchased:				
USD	Payable	45,488	-	-
Premium		(987)	-	1,072
EUR	Payable	51,940	-	-
Premium		(1,034)	-	2,533
Other	Payable	7,714	-	-
Premium		(180)	-	380
Put options, sold:				
EUR	Receivable	11,699	-	
Premium		-	-	161

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

	Millions of Yen			
December 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	¥ 712	¥ -	¥ -
EUR	Payable	408	-	-
GBP	Payable	451	-	-
Sell:				
USD	Foreign currency deposit	48,630	-	-
RMB	Foreign currency deposit	52,049	-	-
EUR	Foreign currency deposit	15,008	-	-
December 31, 2012				
Forward exchange contracts to:				
Buy:				
USD	Payable	¥ 849	¥ -	¥ -
EUR	Payable	349	-	-
GBP	Payable	547	-	-
AUD	Payable	5	-	-
Sell:				
EUR	Foreign currency deposit	3,504	-	-

	Thousands of U.S. Dollars			
December 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	$ 6,756	$ -	$ -
EUR	Payable	3,871	-	-
GBP	Payable	4,279	-	-
Sell:				
USD	Foreign currency deposit	461,429	-	-
RMB	Foreign currency deposit	493,870	-	-
EUR	Foreign currency deposit	142,404	-	-

(2) Interest-related derivatives

December 31, 2013	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	¥8,743	¥8,743	¥(352)
December 31, 2012				
Interest rate swaps:				
Fixed-rate payment, floating-rate receipt	Long-term debt	¥5,880	¥5,880	¥(402)

December 31, 2013	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	$82,959	$82,959	$(3,340)

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

December 31, 2013	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	¥80,000	¥ -
Fixed-rate payment, floating-rate receipt	Long-term debt	38,927	17,000	-
December 31, 2012				
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	-

December 31, 2013	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	$1,138,628	$759,085	$ -
Fixed-rate payment, floating-rate receipt	Long-term debt	369,361	161,306	-

(3) Interest and currency-related derivatives

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

	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
December 31, 2013				
Interest rate and currency swaps:				
Buy EUR, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	¥29,725	¥24,332	¥ -
Buy JPY, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	61,923	61,923	-
December 31, 2012				
Interest rate and currency 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	-

December 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Thousands of U.S. Dollars			
Interest rate and currency swaps:				
Buy EUR, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	$282,048	$230,876	$ -
Buy JPY, sell USD Fixed-rate payment, floating-rate receipt	Long-term debt	587,560	587,560	-

(4) Commodity-related derivatives

	Millions of Yen			
December 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Commodity price swaps				
Fixed payment, floating receipt	Raw material purchases	¥1,075	¥ -	¥(2)
December 31, 2012				
Commodity price swaps				
Fixed payment, floating receipt	Raw material purchases	¥1,014	¥ -	¥12

	Thousands of U.S. Dollars			
December 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Commodity price swaps				
Fixed payment, floating receipt	Raw material purchases	$10,200	$ -	$(19)

18. CONTINGENT LIABILITIES

The Group was contingently liable for an in-substance defeasance on bonds in the amount of ¥10,500 million ($99,630 thousand) as of December 31, 2013.

19. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended December 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 16,550	¥ 4,408	$ 157,036
Reclassification adjustments to profit or loss	(228)	(248)	(2,164)
Amount before income tax effect	16,322	4,160	154,872
Income tax effect	(5,666)	(1,379)	(53,762)
Total	¥ 10,656	¥ 2,781	$ 101,110
Deferred (loss) gain on derivatives under hedge accounting:			
(Loss) gain arising during the year	¥ (751)	¥ 2,550	$ (7,126)
Reclassification adjustments to profit or loss	(244)	119	(2,316)
Amount before income tax effect	(995)	2,669	(9,442)
Income tax effect	435	(747)	4,128
Total	¥ (560)	¥ 1,922	$ (5,314)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 94,403	¥39,978	$895,749
Reclassification adjustments to profit or loss	(5,271)	0	(50,014)
Total	¥ 89,132	¥39,978	$845,735
Share of other comprehensive income in affiliates:			
Gains arising during the year	¥ 1,522	¥ 537	$ 14,442
Total other comprehensive income	¥100,750	¥45,218	$955,973

20. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings as of December 31, 2013, will be proposed at the Company's shareholders' meeting to be held on March 25, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥17.00 ($0.16) per share	¥11,598	$110,048

Acquisition of Beam Inc.

The Company made a resolution at a meeting of the Board of Directors held on January 10, 2014 for the acquisition (the "Acquisition") of Beam Inc. ("Beam"), a company incorporated in Illinois U.S.A., and entered into a merger agreement (the "Merger Agreement") with Beam regarding the Acquisition on January 12, 2014. The Acquisition will be carried out by merging SUS Merger Sub Limited ("SUS"), a wholly owned subsidiary of the Company in the United States established for the purpose of the Acquisition, with Beam (the "Merger"). Based on the Merger Agreement entered into by the Company, SUS and Beam, the Merger will take the form of an absorption-type merger with Beam as a surviving company and SUS as an absorbed company, and Beam will become a wholly owned subsidiary of the Company as a result of the Merger.

The Merger is scheduled to be completed between April and June 2014. The completion of the Merger is subject to certain conditions, including an approval of Beam's shareholders meeting, absence of laws, regulations, orders, judgments or others under which the Merger is precluded or its completion is not permitted, and approvals from regulatory authorities and other necessary procedures to be completed.

Upon the Merger, all issued and outstanding common shares of Beam will be converted into the right to receive $83.5 in cash for each share without interest. Any shares, including common shares of Beam held by the Company, SUS, Beam, and wholly owned direct or indirect subsidiaries of any of the said companies, shall not be subject to this conversion. The consideration of the acquisition is estimated at $13,667 million.

If the Acquisition is executed, the purchase cost will be funded with the Company's cash in hands at the transaction date and with the borrowings from a financial institution. On February 27, 2014, the Company entered into a one-year credit facility agreement with a credit limit of $12.5 billion with The Bank of Tokyo-Mitsubishi UFJ, Ltd. There has been no fixed schedule for the borrowing to take place under this agreement.

The Group and Beam already have an extremely successful business relationship both in Japan and overseas, with the Group distributing Beam's products in Japan and Beam distributing the Group's products in Singapore and other South East Asian markets. After the Acquisition, the Group will work not only to sell the strong brands of both companies but also to realize global growth, by expanding its sales and distribution networks and deepening the exchange of technologies between the two companies in the United States and various other countries around the world. Beam's capital, net assets and total assets as of December 31, 2013 were $734.0 million, $5,074.1 million and $8,584.7 million, respectively.

21. SEGMENT INFORMATION

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

(1) *Description of reportable segments*

The Group's reportable segments are those for which 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. The Group consists of "Beverages and Foods," "Beer and Spirits" and "Other" segments. "Beverages and Foods" consists of non-alcoholic 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 was as follows:*

	Millions of Yen					
	2013					
	Reportable Segment					
	Beverages and Foods	Beer and Spirits	Others	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥1,114,275	¥570,711	¥355,218	¥2,040,204	¥ -	¥2,040,204
Intersegment sales or transfers	7,026	3,718	11,259	22,003	(22,003)	-
Total	¥1,121,301	¥574,429	¥366,477	¥2,062,207	¥ (22,003)	¥2,040,204
Segment profit	91,330	37,348	29,683	158,361	(31,802)	126,559
Segment assets	1,252,067	415,504	267,383	1,934,954	439,117	2,374,071
Other:						
Depreciation and amortization	45,262	8,152	8,396	61,810	1,593	63,403
Amortization of goodwill	23,211	374	508	24,093	-	24,093
Investments in affiliates applied for equity method	8,744	1,229	9,403	19,376	-	19,376
Increase in property, plant and equipment and intangible assets	254,148	14,439	15,973	284,560	3,397	287,957

	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

Note: "Reconciliations" represent ¥(70) million (($664) thousand) and ¥(78) million of eliminations of intersegment sales or transfers, and ¥31,872 million ($302,420 thousand) and ¥(30,053) million corporate general and administrative expenses that were not allocated to specific reportable segments for the years ended December 31, 2013 and 2012, respectively. Also, ¥(9,444) million (($89,610) thousand) and ¥(8,556) million of eliminations of intersegment balances, and ¥448,561 million ($4,256,201 thousand) and ¥288,200 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.

	Reportable Segment					
	Thousands of U.S. Dollars 2013					
	Beverages and Foods	Beer and Spirits	Others	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	$10,572,872	$5,415,229	$3,370,510	$19,358,611	$ -	$19,358,611
Intersegment sales or transfers	66,667	35,279	106,831	208,777	(208,777)	-
Total	$10,639,539	$5,450,508	$3,477,341	$19,567,388	$ (208,777)	$19,358,611
Segment profit	866,591	354,379	281,649	1,502,619	(301,756)	1,200,863
Segment assets	11,880,321	3,942,537	2,537,081	18,359,939	4,166,591	22,526,530
Other:						
Depreciation and amortization	429,471	77,351	79,666	586,488	15,116	601,604
Amortization of goodwill	220,239	3,549	4,820	228,608	-	228,608
Investment for affiliates applied for equity method	82,968	11,661	89,221	183,850	-	183,850
Increase in property, plant and equipment and intangible assets	2,411,500	137,005	151,561	2,700,066	32,233	2,732,299

(a) Relevant information by geographic area

	Millions of Yen 2013				
	Japan	Europe	Asia Oceania	Americas	Total
Sales	¥1,526,013	¥171,552	¥261,969	¥80,670	¥2,040,204
Property, plant and equipment	309,052	89,764	105,012	23,441	527,269

	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

	Thousands of U.S. Dollars 2013				
	Japan	Europe	Asia Oceania	Americas	Total
Sales	$14,479,675	$1,627,783	$2,485,710	$765,443	$19,358,611
Property, plant and equipment	2,932,460	851,732	996,413	222,422	5,003,027

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, 2013 and 2012, was as follows:

	Millions of Yen			
	2013			
	Beverages and Foods	Beer and Spirits	Others	Total
Goodwill	¥400,050	¥896	¥8,347	¥409,293

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

	Thousands of U.S. Dollars			
	2013			
	Beverages and Foods	Beer and Spirits	Others	Total
Goodwill	$3,795,901	$8,502	$79,201	$3,883,604

(c) Information of impairment losses of noncurrent assets

Impairment losses recognized for the year ended December 31, 2013 were as follows:

	Millions of Yen				
	2013				
	Beverages and Foods	Beer and Spirits	Others	Reconciliation	Total
Impairment losses	¥1,176	¥28	¥828	¥1,308	¥3,340

	Thousands of U.S. Dollars				
	2013				
	Beverages and Foods	Beer and Spirits	Others	Reconciliation	Total
Impairment losses	$11,159	$266	$7,856	$12,411	$31,692

Impairment losses of the year ended December 31, 2012 were immaterial, and were not shown in the table above.

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