



Strategy Overseas

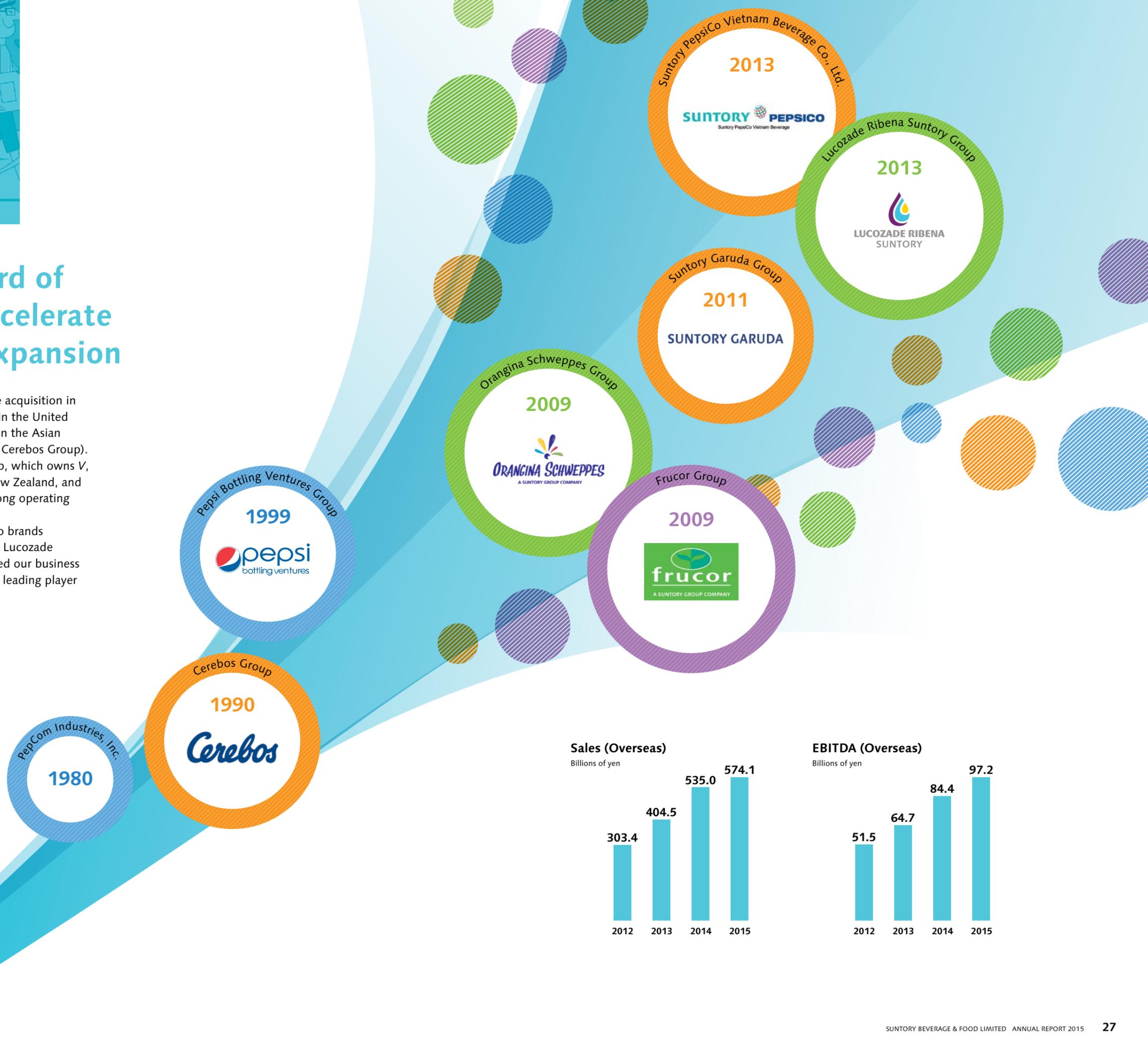
Strong Track Record of Acquisitions to Accelerate Global Business Expansion

Our first step toward overseas expansion was the acquisition in 1980 of PepCom Industries, Inc., a *Pepsi* bottler in the United States. Then in 1990, we established a foothold in the Asian market by acquiring Cerebos Pacific Limited (the Cerebos Group). In 2009, we went on to acquire the Frucor Group, which owns V, a popular energy drink brand in Australia and New Zealand, and the Orangina Schweppes Group, which has a strong operating base in Europe.

On December 31, 2013, we acquired the two brands *Lucozade* and *Ribena* in the United Kingdom (the Lucozade Ribena Suntory Group). We have rapidly expanded our business foundations overseas as we prepare to become a leading player in the global soft drink industry.

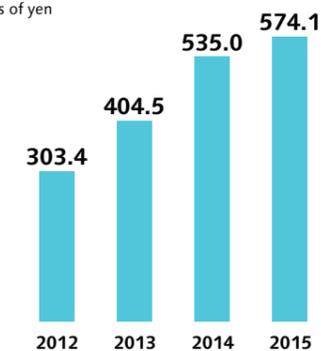
M&A Track Record

- Europe
- Asia
- Oceania
- Americas



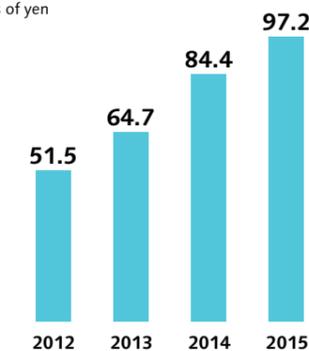
Sales (Overseas)

Billions of yen



EBITDA (Overseas)

Billions of yen





Europe

In 2015, we actively expanded our marketing activities in Europe, focusing primarily on core brands, including *Orangina*, *Oasis*, *Schweppes*, *Lucozade*, and *Ribena*. In France, we revamped brand communication through such means as conducting new advertising campaigns for *Orangina*. In Spain, sales in the on-premise market, on which we have focused our efforts, continued to be solid, primarily for *Schweppes*. In the United Kingdom, we continued to take initiatives to strengthen our brands, such as introducing new products for the *Lucozade* brand and aggressively carrying out marketing activities. Further, with the aim of accelerating growth in Europe overall, we continued to make strides in reducing costs, optimizing our business foundation, and creating synergies.

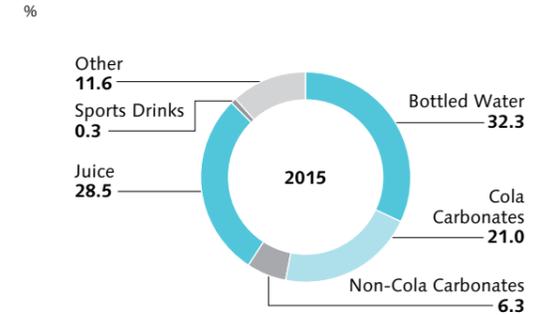
As for our business performance in Europe, net sales were ¥254.2 billion, a 0.9% decrease, and segment profit was ¥44.0 billion, up 11.3%.

In 2016, we anticipate rising social concern over sugar intake in addition to a continually fierce competitive business environment. Amid these conditions, the SBF Group will strengthen its marketing investment in the core brands of *Orangina*, *Oasis*, *Schweppes*, *Lucozade*, and *Ribena*. At the same time, we will work to increase sales through the introduction of new products in expanding product categories and further acceleration of initiatives in on-premise channels.

We will also strive to reinforce business foundation in core regions of Africa.

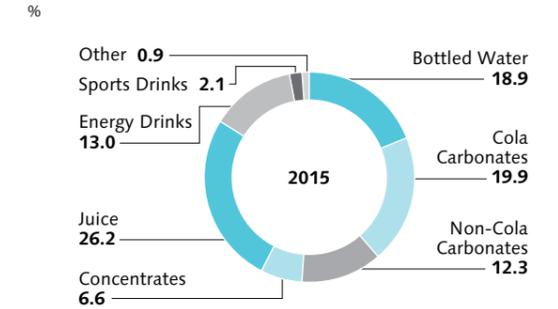


Soft Drink Market Share in France by Category*



* Source: Euromonitor 2016, Off-trade Value RSP

Soft Drink Market Share in the United Kingdom by Category*



* Source: Euromonitor 2016, Off-trade Value RSP



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Asia

In 2015, although the unstable economic environment in Asia continued to have an impact on business performance, we made efforts to strengthen our business foundation in each country and region we operate in and engaged in marketing activities centered on our core brands. For the health foods business, we engaged in a promotion in Thailand that commemorated the 180th year since the launch of *BRAND'S Essence of Chicken*. In the soft drink business, the severe business environment continued in certain areas due to the impact of an economic slowdown in Indonesia and other factors. In Vietnam, we took initiatives to expand the sales area for Suntory brands, in addition to PepsiCo brand products, and strengthened manufacturing systems by increasing production lines. In doing so, Suntory brand *TEA+ Oolong Tea* posted significant sales growth. Also, sales were favorable in such countries as Malaysia, where we established a new sales structure.

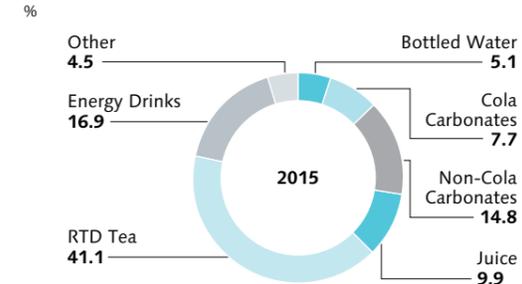
As a result, net sales in Asia were ¥180.5 billion, up 16.8%, and segment profit was ¥13.6 billion, up 30.4%.

In 2016, despite continued concerns of a slump in the economic growth of emerging nations, we will focus efforts on core brands and work to solidify our position in the markets of Southeast Asia. In the health foods business,

we will concentrate on implementing marketing activities for *BRAND'S Essence of Chicken* as we work to revitalize the brand. We will also bolster initiatives targeting new markets. For the soft drink business, we will redevelop our sales structure and marketing strategy in Indonesia. In Vietnam, where our business is continuously growing, we will work to introduce new products and promote the Suntory brand. We will also engage in initiatives to strengthen our business foundation, including production structures, as we aim to further accelerate growth. In such countries as Malaysia, we will continue to maintain our focus on *Ribena* and *Lucozade* and work to expand our businesses.

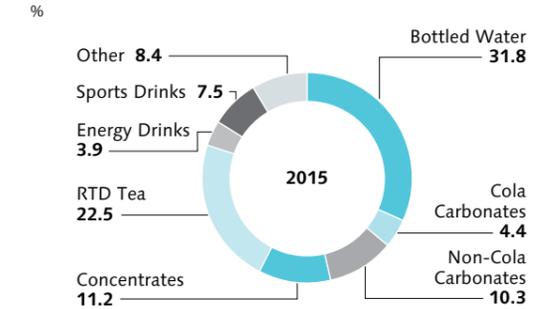


Soft Drink Market Share in Vietnam by Category*

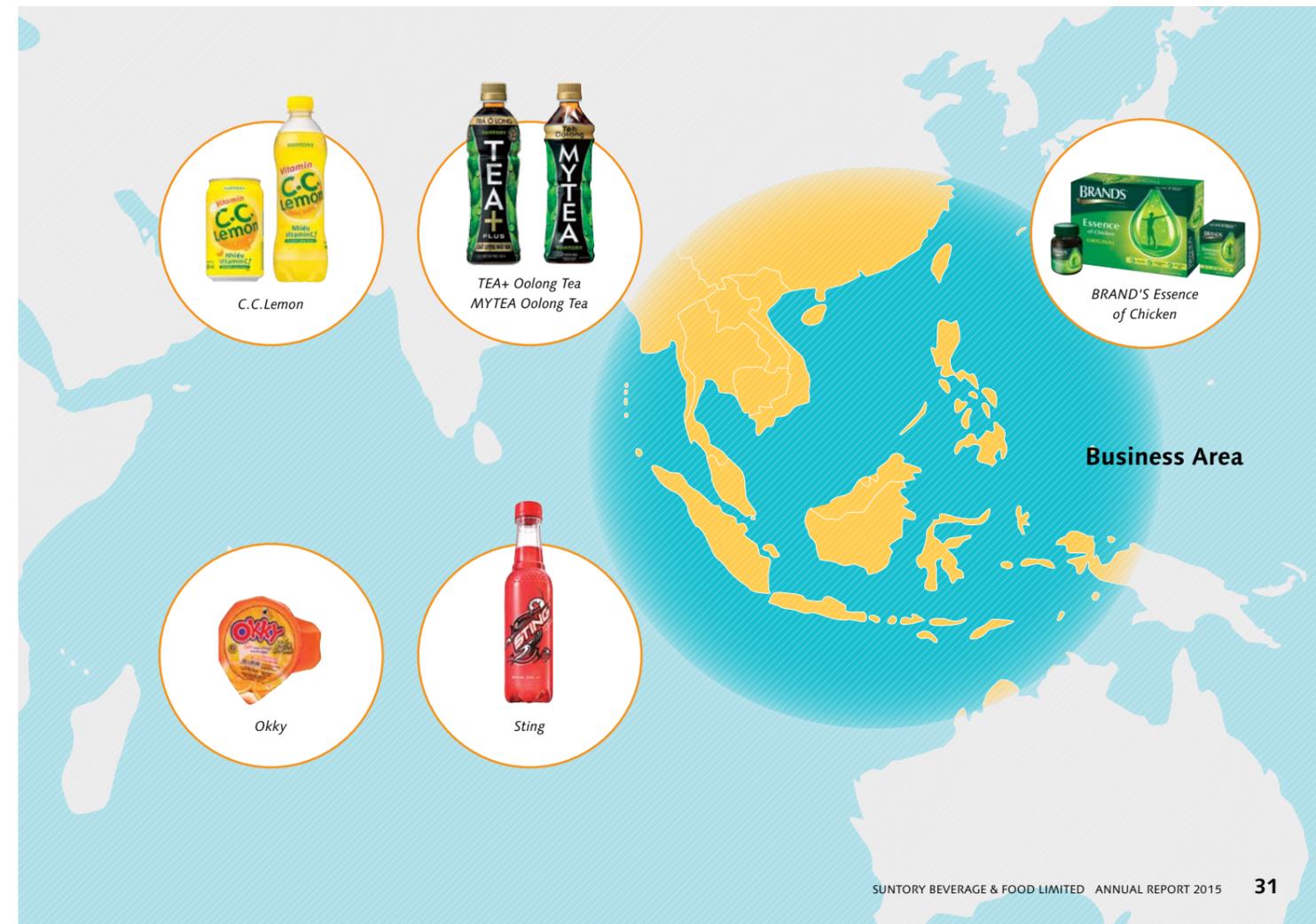


* Source: Euromonitor 2016, Off-trade Value RSP

Soft Drink Market Share in Indonesia by Category*



* Source: Euromonitor 2016, Off-trade Value RSP





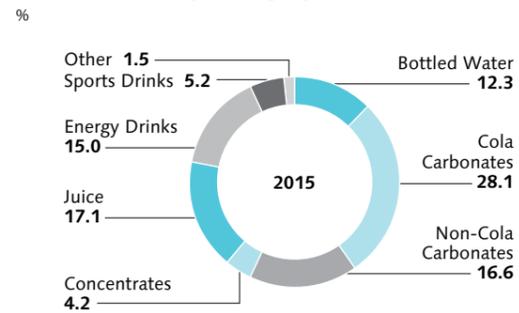
Strategy Overseas

Oceania

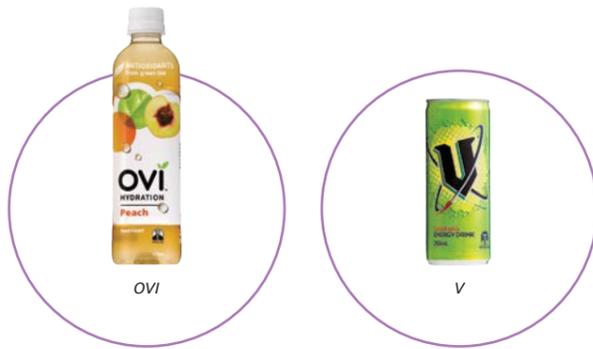
In 2015, in addition to revitalizing its leading energy drink V, the Frucor Group worked to expand sales in Oceania by introducing new products and actively conducting marketing activities for Suntory brand OVI. As a result, net sales were ¥45.6 billion, a 2.6% increase, and segment profit was ¥5.9 billion, a 4.8% rise.

In 2016, we anticipate competition will continue to intensify in Oceania. However, in addition to continuing to reinforce markets for energy drink V and Suntory brand OVI, we will make concerted efforts to develop new products, expand our production foundation, and reduce costs.

Soft Drink Market Share in New Zealand by Category*



* Source: Euromonitor 2016, Off-trade Value RSP



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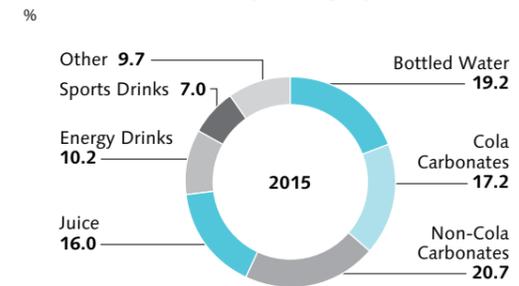
Americas

In 2015, we worked to further strengthen sales of PepsiCo brand products in the Americas, primarily in the state of North Carolina, and made improvements in business efficiency through efforts to integrate distribution bases and other initiatives.

While there was a trend in exchange rates of a depreciating yen and an appreciating U.S. dollar, net sales were ¥93.7 billion, up 17.8%, and segment profit was ¥10.5 billion, up 19.1%.

In 2016, we will take steps to maintain our solid position in the carbonated beverage category, and we will also concentrate our efforts in the non-carbonated beverage category. While working to increase sales through the introduction of such new products as OVI, a hydration jointly developed by the SBF Group and the Frucor Group, we will take initiatives to improve business efficiency through the integration of distribution bases and other measures.

Soft Drink Market Share in the United States by Category*



* Source: Euromonitor 2016, Off-trade Value RSP

