

For Your

Happiness

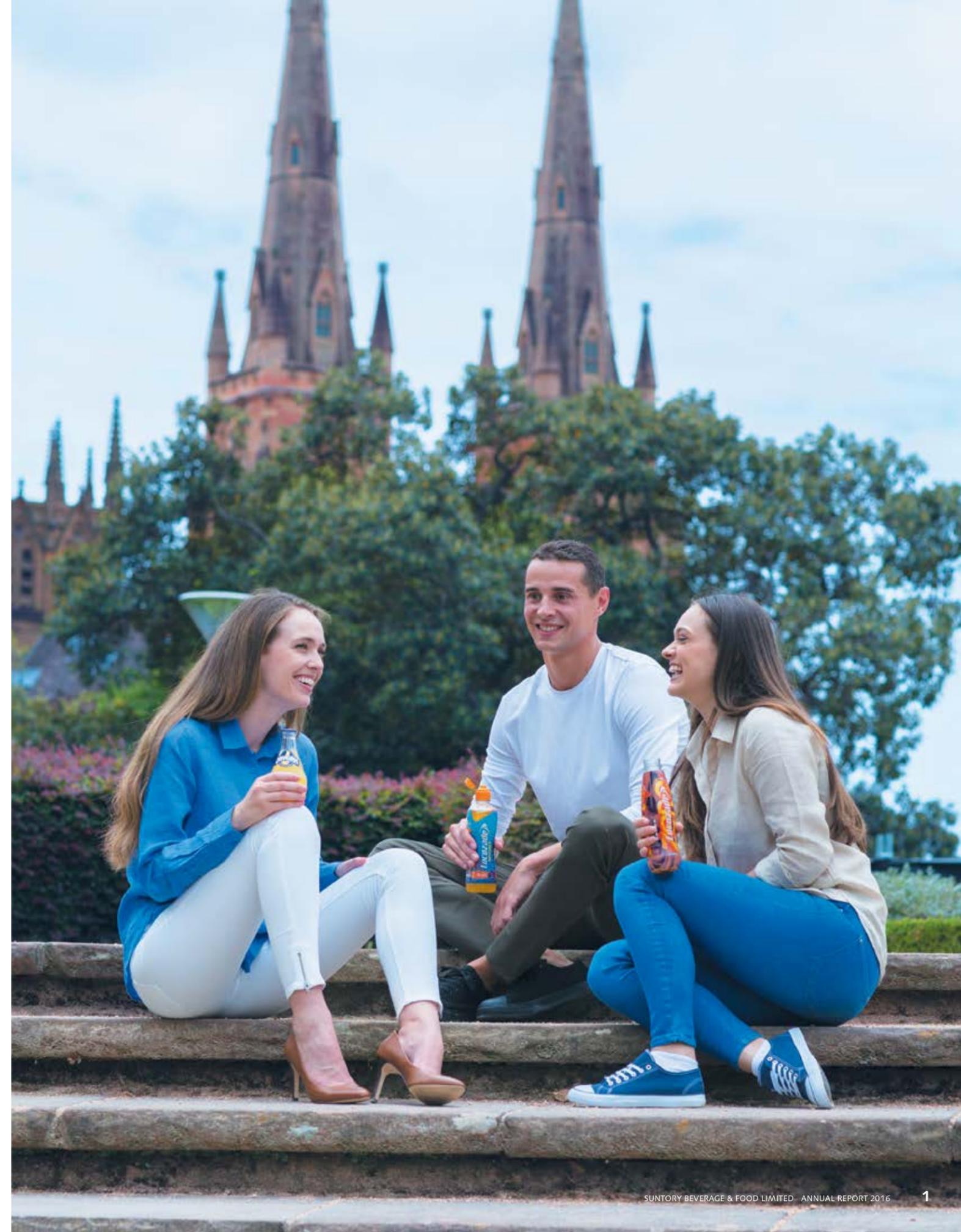
and

Wellness

ANNUAL REPORT
2016

Our vision for value

A quest for the best tastes & quality
to bring happiness & wellness
into everyday life.





Our vision for the Company

To be the leading global soft drink company recognized for our premium and unique brands.

Contents

The History of SUNTORY BEVERAGE & FOOD	4
Message from the President and CEO	6
Performance Highlights	10
Business Overview	12
Regional Strategy	14
Japan	16
Europe	22
Asia	24
Oceania / Americas	26
CSR Approach and Initiatives	28
Corporate Governance	32
Board of Directors	40
Financial Section	41
Corporate Overview	94
Stock Overview	95

Forward-Looking Statements

- This annual report digest is aimed at providing financial, management, and other information on Suntory Beverage & Food Limited (SBF) and its subsidiaries and affiliate companies (the SBF Group).
- Though SBF has relied upon and assumed the accuracy and completeness of third-party information available to it in preparing this annual report digest, including data prepared by Euromonitor International Ltd., Inryou Souken, and INTAGE Inc., SBF has not independently verified such information and makes no representations as to the actual accuracy or completeness of such information. Therefore, such information should not be relied upon in making, or refraining from making, any investment decision.
- The information in this annual report digest is subject to change without prior notice. Statements contained herein that relate to the future operating performance or strategic objectives are forward-looking statements. Forward-looking statements are based on judgments made by SBF's management based on information currently available. These forward-looking statements are subject to various risks and uncertainties, and actual business results may vary substantially.
- This annual report digest is not a securities report based on the Financial Instruments Exchange Act of Japan, and does not necessarily contain all the information required in making investment decisions regarding the securities of SBF.

The History of SUNTORY BEVERAGE & FOOD

We trace our roots back to Torii Shoten, founded in 1899. In 2009, Suntory Beverage & Food was founded to operate the beverage and food business of the current Suntory Holdings Limited, originally established as Kotobukiya in 1921. Our brands represent some of the most familiar, trusted, and loved brands not only in Japan, but also throughout Europe and Asia.

Region	Year	Event / Product
Japan	Feb. 1899	Founding of Torii Shoten. Shinjiro Torii founds Torii Shoten in Osaka. 
	Dec. 1921	Founding of Kotobukiya Limited. 
	1963	Corporate name changed from Kotobukiya Limited to Suntory Limited
	1970	Introduction of Suntory Mineral Water
	1981	Introduction of Suntory Oolong Tea.  Suntory introduces a sugar-free canned oolong tea at a time when carbonated beverages and juice drinks command the soft drink market. Ever since, Suntory Oolong Tea has been a long-selling brand, loved by generations of consumers.
	1991	Introduction of Suntory Minami-Alps Tennensui. 
	1992	Introduction of Boss.  A standard in the enormous canned coffee category of Japan's soft drink market. An extensive lineup of products, popular TV commercials, and consumer campaigns make Boss a favorite among consumers, leading to continuous growth since its introduction.
	2004	Introduction of Suntory green tea Iyemon. 
	2009	Suntory establishes Suntory Beverage & Food Limited to take over beverage and food operations
	Mar. 2012	Introduction of Orangina to the Japanese market. 
Jul. 2013	Initial public offering on the First Section of the Tokyo Stock Exchange. 	
Jul. 2015	Acquisition of Japan Beverage Holdings Inc.	
Europe	1927	Introduction of the forerunner of the current Lucozade. 
	1936	Launch of the forerunner of the Orangina brand. 
	1938	Introduction of the forerunner of Ribena. 
Asia	1853	The BRAND'S legacy started in 1835 when Henderson William Brand, the royal chef of Buckingham Palace in London, created a fat-free, easily digested chicken consommé that later became a huge commercial success widely recognized as the forerunner of BRAND'S Essence of Chicken. 
	1990	Acquisition of Cerebos Pacific Limited. 
	1998	Introduction of Okky Jelly Drink. 
	2011	Establishment of PT SUNTORY GARUDA BEVERAGE in Indonesia. 
Oceania	1997	Introduction of V. 
	2009	Acquisition of Frucor Group. 
Americas	1980	Acquisition of PepCom Industries, Inc.
	1999	Establishment of Pepsi Bottling Ventures LLC. 
	2013	Establishment of Suntory PepsiCo Vietnam Beverage Co., Ltd. 
Americas	2009	Acquisition of Orangina Schweppes Group. 
	2013	Establishment of Lucozade Ribena Suntory Limited. 
Asia	2013	Establishment of Suntory PepsiCo Vietnam Beverage Co., Ltd. 
	2013	Introduction of TEA+ in Vietnam. 
Oceania	2013	Establishment of Lucozade Ribena Suntory Limited. 
	2014	Introduction of OVI, a hydration drink featuring an antioxidant component from green tea. 



Saburo Kogo
President and CEO

To Be the Third Force Becoming the Leading Next-Generation Global Beverage and Food Company

Dear Shareholders,

At Suntory Beverage & Food (SBF), we strive to make every drinking moment as enjoyable, exhilarating, and satisfying as possible for all consumers.

We offer an extensive lineup of products to meet the diverse needs of consumers around the world. The SBF group works as one in our quest to offer innovative beverages available anywhere and at any time that consumers desire.

Leveraging our strengths in developing products that are *natural and healthy* and *unique and emotional* we intend to satisfy the needs of

every consumer through new and exciting products. We make the following two promises to help us achieve these ambitious goals:

(1) Our employees around the world (*Suntorians*) promise to keep SBF a vibrant and dynamic company that offers new value to society by carrying on the *Yatte-Minahare* torch of our founder's spirit; and (2) We promise to create new value,

supported by a corporate culture that is open minded and powered by a diverse group of talented individuals.

These strengths make us unique and these strengths are what will help us fulfill our ultimate goal of becoming the leading next-generation global beverage and food company.

“Our quest is to offer innovative beverages available at any time, in any place the consumer desires.”

Message from the President and CEO



Our Vision and Medium-Term Goals

The SBF Group is on a quest for the best tastes and quality to bring happiness and wellness into everyday life. We are on a journey to be the leading global soft drink company recognized for our premium and unique brands.

While we are becoming recognized as a global player in the beverage industry, we have much work ahead of us to overtake our competitors. But our reason to be lies in satisfying consumer needs by offering new value.

Consumer needs are becoming more diverse every year, and new needs are emerging that cannot be satisfied with existing products. We must be the company to develop products for these needs, demonstrating our competitive advantages and establishing a strong presence for ourselves in the global beverage market.

Over the past few years, we have seen two major consumer trends emerge in our industry. The first is a rapidly growing demand for natural and healthy products. Examples of natural and healthy products include beverages with low-calories and beverages made with natural ingredients. The popularity of mineral water and flavored water also reflect this trend. The second emerging trend is a demand for richer and deeper flavors. Traditionally, consumers satisfied these needs with tea or coffee. More recently, the market has turned to flavorful ready-to-drink coffees and teas

packaged in cans or PET bottles for easy consumption. We believe these trends will build both independently and concurrently to expand the global beverage market. At the same time, more consumers are avoiding sugar intake, which is a trend likely to become even more prominent in the future.

In this way, we aim to be the Third Force in the beverage industry, offering consumers new values that they desire.

Fiscal 2016 Review and Fiscal 2017 Outlook

We have grown sales and profits each year since our 2013 initial public offering. Net sales increased 2.2% year on year to ¥1,410.8 billion, with operating income up 1.6% to ¥93.5 billion. Net income rose 8.5% to ¥46.1 billion. We achieved higher sales and profits, despite the negative impact of foreign exchange on our earnings.

Our Japan segment surpassed ¥50 billion in profit for the first time in fiscal 2016, reaching ¥54.7 billion. This is an increase of ¥8 billion compared to the prior year. We believe this is the result of a number of activities we have pursued over the past several years. These initiatives include a focus on high-value-added products and small-volume products, non-pricing strategies, including efficient investment in sales promotion and advertising, ongoing cost reductions in supply chain management, and stronger earnings in our vending machine business.

In our overseas segment, we continued to build a stronger business foundation in every region. We faced a variety of localized issues in France, Vietnam, and other nations. While we encountered headwinds throughout the year, we took steps to respond rapidly to each issue. On a currency neutral basis, we achieved higher sales and profits for the overseas segment overall.

Next, allow me to address our policies for fiscal 2017. Our goal is to deliver sales growth that outperforms market growth in each region, and to deliver profit growth that outperforms sales growth. To achieve this goal, we intend to continue to strengthen our brand and route-to-market capabilities in Japan and overseas. We will also build a stronger presence in business areas in which we expect high growth. One target is the emerging economies of Asia and Africa, for example, where we established a foothold last year. Moving forward, we plan to expand aggressively in other new regions. Another target is to expand premium business, such as the health

supplement business in Asia. Given these initiatives, we forecast fiscal 2017 net sales of ¥1,430 billion, which represents a 1.4% year-on-year increase. We also forecast operating income of ¥98 billion and net income of ¥47 billion, increases of 4.8% and 2% respectively.

On a currency-neutral basis, we forecast a 2.2% rise in net sales, a 6.4% increase in operating income, and a 3.7% increase in net income. While the direction of the global economy becomes even more uncertain, our plan calls for steady growth, leading to a fifth consecutive year of higher sales and profits.

Growing Shareholder Value

We continue to make strategic and capital investments to grow our corporate value. We believe that this approach, combined with ongoing profit growth, benefits both our company and our shareholders. Providing an appropriate return to shareholders is one of our core management principles. We intend to continue to pursue a policy of shareholder returns that balances factors including stable dividends, internal reserves, earnings performance, and needs for future funding. Specifically, we aim to increase dividends on the basis of profit growth with a targeted consolidated payout ratio of 30% or more of net income before amortization of goodwill. Looking to the medium and long term, we will also consider increasing the payout ratio depending on such factors as our need for funds and progress in profit growth. Fiscal 2016 dividends amounted to ¥73 per share. We project fiscal 2017 dividends to be ¥74 per share. Thank you for your continued support.

(Notes) 1. Forecast as of Feb. 13, 2017.
2. Figure represents the sum of net income attributable to owners of the parent plus amortization of goodwill.



Saburo Kogo
President and CEO

Performance Highlights

Suntory Beverage & Food Limited and Consolidated Subsidiaries

	Millions of yen			
FOR THE YEAR	2013	2014	2015	2016
Net sales	1,121,362	1,257,280	1,381,007	1,410,765
Operating income	72,716	85,950	92,007	93,481
Net income attributable to owners of the parent	31,196	36,240	42,462	46,056
Depreciation and amortization	43,719	50,032	56,302	58,654
Amortization of goodwill	23,211	25,075	27,226	28,680
Net income before amortization of goodwill	54,407	61,315	69,688	74,737
EBITDA*1	139,646	161,057	175,535	180,816
Before amortization of goodwill				
EPS (Yen)*2	207.17	198.43	225.53	241.87
ROE*3	14.5%	10.6%	11.8%	13.2%
After amortization of goodwill				
EPS (Yen)*2	118.79	117.28	137.42	149.05
ROE*3	8.3%	6.3%	7.2%	8.1%
Cash flows				
Cash flows from operating activities	114,082	108,639	145,741	161,860
Cash flows from investing activities	(290,613)	(67,483)	(188,847)	(57,849)
Cash flows from financing activities	190,409	13,671	38,504	(115,515)
Cash and cash equivalents at end of the term	45,851	105,505	97,718	84,096

AT YEAR-END

	2013	2014	2015	2016
Total assets	1,256,702	1,389,096	1,484,434	1,366,000
Total equity	592,969	635,624	626,890	602,447
Capital expenditures	62,582	69,141	63,535	60,172
D/E ratio (Times)*4	0.4	0.4	0.5	0.4

*1 EBITDA is operating income + depreciation and amortization + amortization of goodwill.

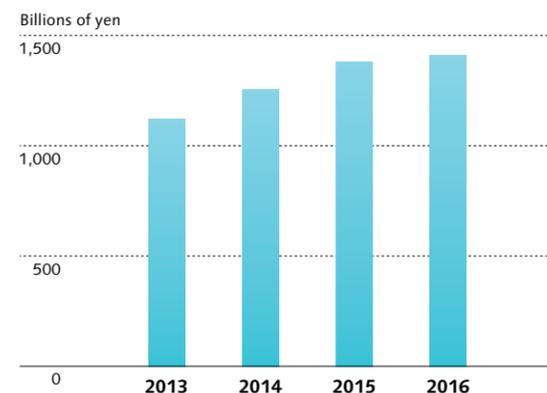
*2 SBF calculated EPS for the fiscal year ended December 31, 2013 based on the average number of issued shares during the year including the issuance of 93,000,000 new shares.

On April 16, 2013, SBF conducted a 1:500 share split whereby 1 share was split into 500 shares, bringing the total number of issued shares to 216,000,000 shares. SBF calculated EPS for the fiscal year ended December 31, 2012, and for the fiscal year ended December 31, 2013, based on the assumption that the share split was conducted at the beginning of the fiscal year ended December 31, 2012.

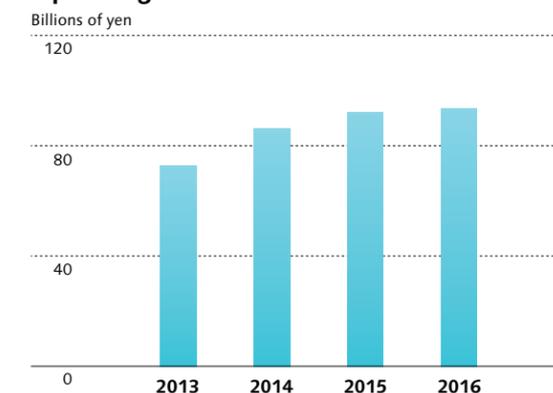
*3 SBF calculated ROE for the fiscal year ended December 31, 2013 based on the average shareholders' equity at the beginning and end of the fiscal year including the equity increase during the fiscal year.

*4 D/E ratio is (interest-bearing debt – cash and cash equivalents) / total equity.

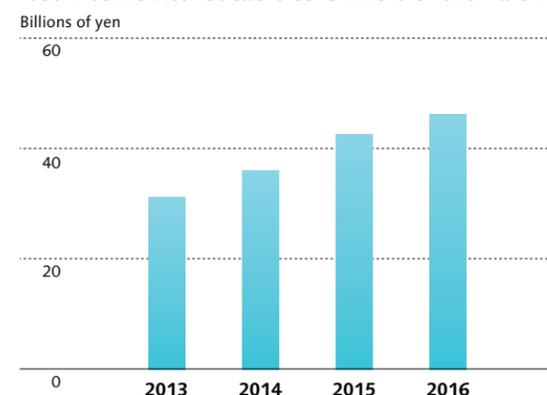
Net Sales



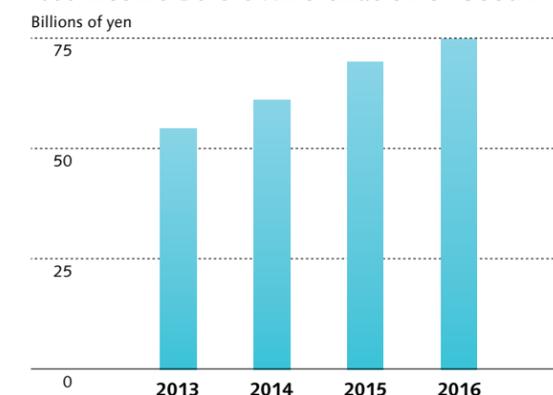
Operating Income



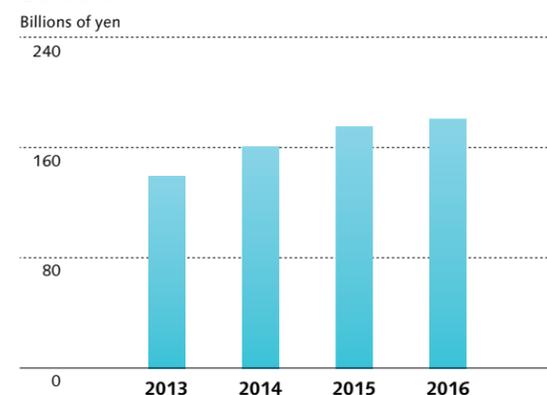
Net Income Attributable to Owners of the Parent



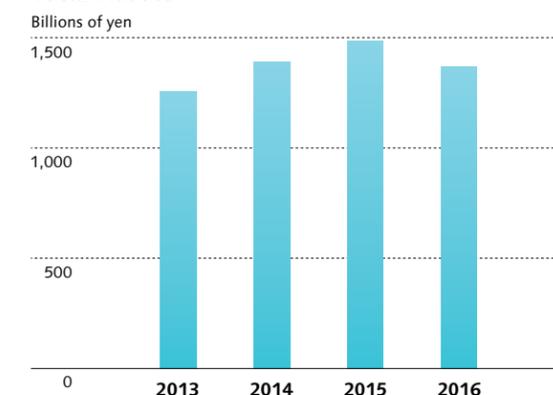
Net Income Before Amortization of Goodwill



EBITDA



Total Assets



Business Overview

We Are a Soft Drink Company with a Globally Integrated Platform in Five Key Regions

SBF has a diverse portfolio of soft drinks, including mineral water, ready-to-drink (RTD) coffee, RTD tea, carbonates, hydration, and fruit juices. We are expanding our businesses globally with a focus on five key regions: Japan, Europe, Asia, Oceania, and the Americas. We will continue to grow, to be the leading global soft drink company by offering products tailored to the local tastes of our consumers in every nation and region in which we operate.

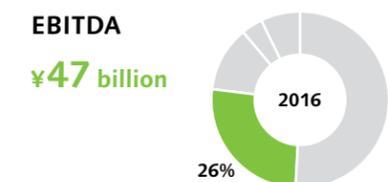
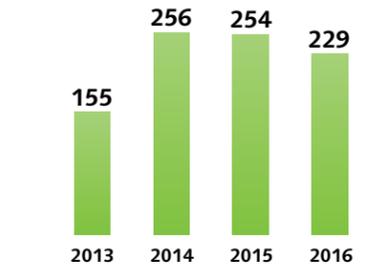
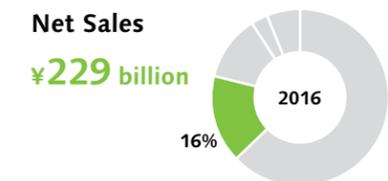
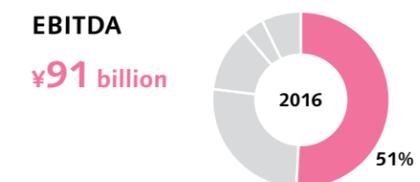
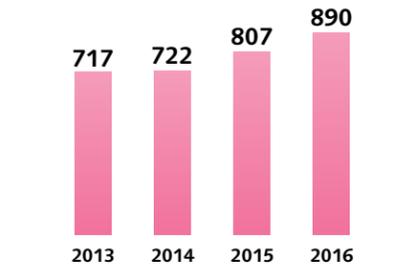
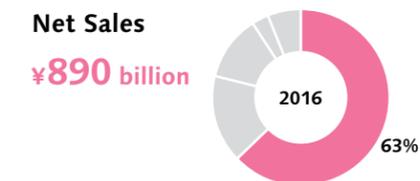
2016 Financial Digest Japan Europe

Net Sales
¥1,410.8 billion
 +2.2% YoY

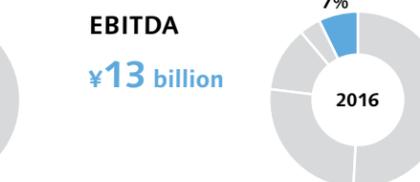
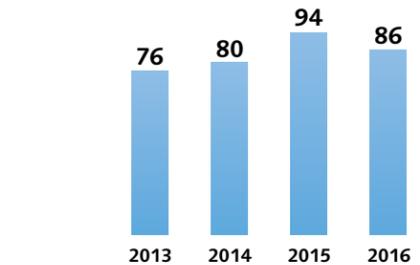
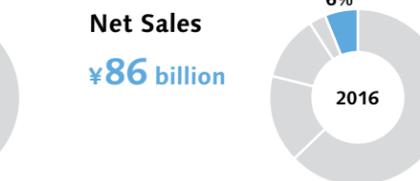
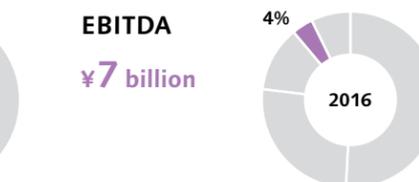
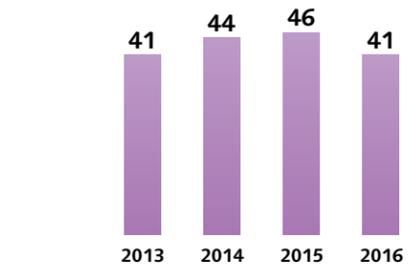
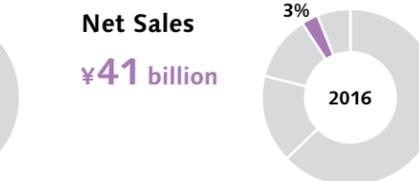
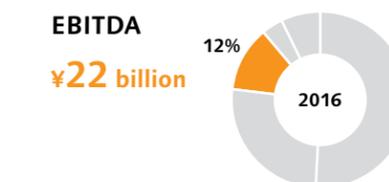
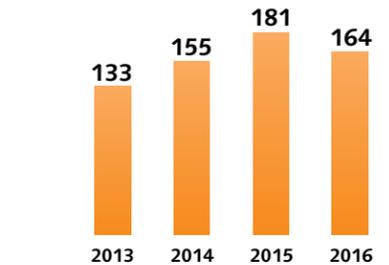
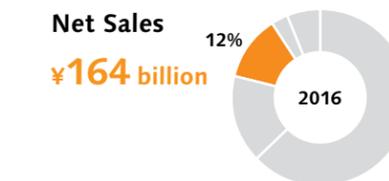
Operating Income
¥93.5 billion
 +1.6% YoY

EBITDA*
¥180.8 billion
 +3.0% YoY

* EBITDA is operating income + depreciation and amortization + amortization of goodwill.



Asia Oceania Americas



Regional Strategy

Products Tailored to National/Regional Tastes and Consumer Needs

Asia

Our business in Asia consists of two main categories: Health supplements and soft drinks. In our health supplement business, we manufacture and sell *BRAND's Essence of Chicken* and other health foods in Thailand, Taiwan, and other regions. The centerpiece of our soft drink business in Asia is our Vietnamese joint venture with PepsiCo of the United States. We also market soft drinks in Indonesia, Malaysia, and other countries in the region.

► P.24



Japan

SBF boasts the number two market position in Japan. We have numerous brands that have been strong sellers for more than 20 years, including *Suntory Tennensui*, *Boss*, and *Suntory Oolong Tea*. Extending these strong brands, we have created new products in sub-categories, continuing to develop products offering new value to consumers. One example is our *Iyemon Tokucha*, a beverage certified as a Food for Specified Health Uses.

► P.16



Americas

In the United States, we engage in bottling operations in North Carolina through Pepsi Bottling Ventures LLC, a joint venture with PepsiCo. Our history in the Americas began in 1980, when we made our first-ever overseas acquisition of Pepsi bottler PepCom Industries, Inc.

► P.27



Europe

In 2009, Suntory acquired the Orangina Schweppes Group, which today manufactures and sells carbonated beverages (*Orangina*, *Schweppes*, etc.) and fruit juices (*Oasis*, etc.) in Europe. In 2013, SBF acquired the *Lucozade* and *Ribena* beverage brands. In Europe, we focus our efforts mainly in France, Spain, the United Kingdom, and Ireland. We also operate in Italy, Northern Europe, and Africa.

► P.22



Oceania

In 2009, Suntory acquired the Frucor Group to extend our business operations to New Zealand and Australia. The mainstay product of the Frucor Group is *V*, a leading brand in the energy drink category. In New Zealand, Frucor markets products across a wide range of categories, including *Just Juice* in the fruit juice beverage category. In Australia, the Group markets the *Maximus* brand sports drink.

► P.26





Strategy in

Japan

Message from Management



My name is Yukio Okizaki, COO of Japan Business Division.

Sales in Japan were up 10.3% for fiscal 2016, while segment profit rose 17.1%. I am pleased to report that this was a

24th consecutive year of sales growth. This year, our core *Suntory Tennensui* brand surpassed 100 million cases in sales volume, the first of any SBF brands to reach this milestone. Our *Boss* brand delivered year-on-year growth for a 24th consecutive year, owing to marketing efforts for our mainstay 185g can product, as well as significant sales growth in our bottle-shaped can products. Our *Iyemon Tokucha* has been the No. 1 best-selling product beverage in the Foods for Specified Health Uses category for the past three years. In addition to the strong performance of this product, we launched *Tokucha Caffeine Zero* to an enthusiastic response from our consumers.

For fiscal 2017, we forecast sales and segment profit growth of 0.6% and 4.1%. We plan to see further growth by concentrating on our core brands and producing new innovations. The environment surrounding the beverage industry is changing and will continue to change in significant ways. Our job is to see these coming changes quickly and engage in the right activities. In addition to strengthening our core brands, we intend to take on the challenge of creating new demand.

In Japan, we plan to continue to sell products offering unique value as only Suntory can, introducing consumers to beverages that extend beyond the framework of traditional product categories. We will use our knowledge and skills in technology, development, design, and communications to sell products that are uniquely Suntory.

(Note) Forecast as of Feb. 13, 2017

Yukio Okizaki
Chief Operating Officer
Japan Business Division
Suntory Beverage & Food

Promoting Seven Core Brands

The larger portion of our management resources is invested strategically across seven core brands: *Suntory Tennensui*, *Boss*, *Iyemon*, *Suntory Oolong Tea*, *Green DAKARA*, *Pepsi*, and *Orangina*. These brands represent 78% of our total sales volume.

Sales volume: **78%** of total



Pepsi

Suntory has produced and sold *Pepsi* products in Japan since 1998. The *Pepsi* brand message here is *Forever Challenge*, and the brand is popular among a wide range of consumers. The *Pepsi Strong* brand was developed specifically for the Japanese market.



Suntory Oolong Tea

We introduced *Suntory Oolong Tea* to the market in 1981. Since then, it has been a best-seller, loved by consumers as their favorite way to hydrate and as an accompaniment with meals.



Suntory Tennensui

This beverage has been the No.1*1 best-selling product in the mineral water market for 21 consecutive years. Bolstered by the brand value messages of *clear and tasty* and *natural and healthy*, in 2016, *Suntory Tennensui* became the first brand in our beverage business to surpass 100 million cases sold in a year*2.



Boss

Since its introduction in 1992, *Boss* has been known as the coffee of the working people. This popular brand has continued to grow every year, driven by an extensive lineup of products tailored to consumer needs, our iconic TV commercials, and strong consumer marketing campaigns.



Iyemon

Iyemon has a richly delicious flavor, which is achieved by using Japanese tea leaves carefully selected by a master tea blender from the venerable tea company Fukujuen in Kyoto with a long history starting in 1790. As such, it has proved hugely popular since its launch in 2004.



Green DAKARA

Made from natural and familiar ingredients, *Green DAKARA* is a hydration beverage popular across a wide range of consumer segments, from children to adults.



Orangina

Born on France's Mediterranean coast in 1936, *Orangina* has been a long-time favorite sparkling fruit drink. The brand was introduced to Japan in 2012, quickly becoming popular for its refreshing orange flavor and natural bitterness of natural orange peel extract.

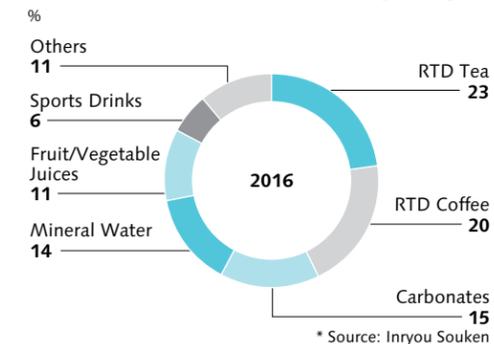
*1 Source: INTAGE SRI survey

Mineral Water Sales Jan 1996 through Dec 2016 (JPY)

[Industry] 1996-2001 SM/CVS/General Liquor Stores/Grocery Stores/Bread and Confectionery Stores Total
2002-2006 SM/CVS/General Liquor Stores/Grocery Stores/Bread and Confectionery Stores Total
2007-2016 SM/CVS/General Liquor Stores/Grocery Stores/Bread and Confectionery Stores Total

*2 100.6 million cases sold in 2016. 106% vs. prior year.

Soft Drink Market Share in Japan by Category*



Our Beverage Business in Japan

We have created and cultivated many innovative brands producing continued growth.

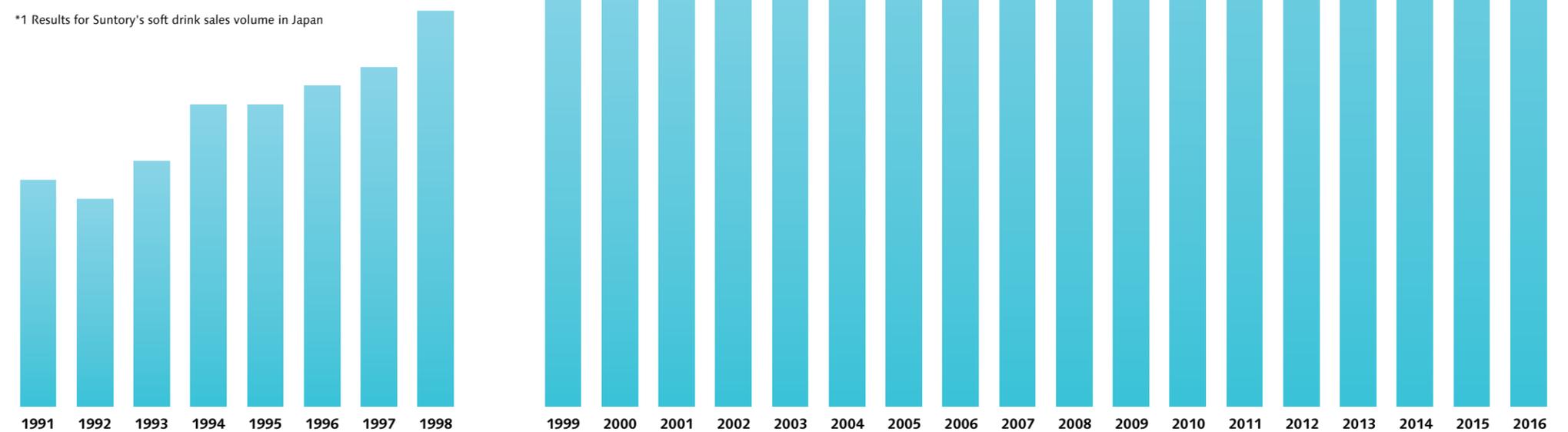
SBF has delivered ongoing growth in Japan's beverage market for more than 20 years. Driving this growth are our core brands, carefully created and nurtured. These brands respond to changing consumer needs and uncover new needs, providing innovative choices across a variety of beverage categories. As we continue to build our brands, we will strive to deliver new value inspired by the needs of the consumer.

CAGR (1996–2016)*2
 Japan 1.2%
 SBF **4.3%**

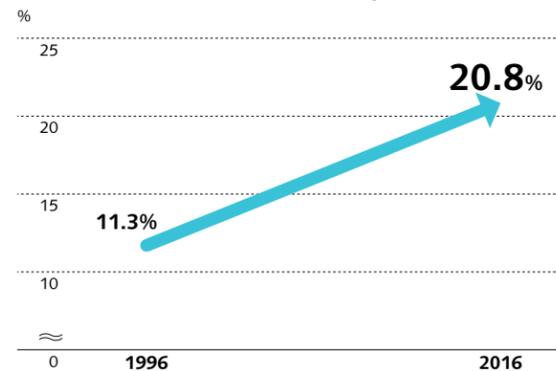
*2 Source: Inryou Souken

Soft Drink Sales Volume in Japan (from 1991)*1

*1 Results for Suntory's soft drink sales volume in Japan



Soft Drink Market Share in Japan**4



*4 Source: Inryou Souken

Major Brands and Year of Launch



Special Feature 1 **Suntory Tennensui**

Suntory Tennensui Continues to Create New Value

Suntory Tennensui is a flagship brand that has continued to grow every year since we first introduced it in 1991. For 21 years, *Suntory Tennensui* has been the No.1*1 best-selling beverage in the mineral water market. In 2016, sales volume of the brand exceeded 100 million cases, a first for one of SBF's brands.

As lifestyles continue to change, the *Suntory Tennensui* brand remains a trusted name, offering the safety, peace of mind, and delicious taste of an all-natural mineral water. In particular, Japanese consumers have become much more interested in personal health. In response, we improved our unique brand values, emphasizing *Clear and Tasty* water that is *Natural and Healthy*. In turn, our diverse consumer base has continued to love and support our brands. But there is more to the story. In 2015, we launched *Suntory Yogurina & Tennensui*, the quickest product to reach 10 million cases in the history of the flavored water market*2. Other value-added extensions from our *Suntory Tennensui* brand include *Suntory Asa-zumi Orange & Tennensui* and *Suntory Minami-Alps Tennensui Sparkling*. In 2017, we launched *Suntory Tennensui PREMIUM MORNING TEA Lemon*, a beverage that is transparent while still offering the depth and aroma of tea and that features a refreshing aftertaste.

At the Suntory Group, we are dedicated to giving the gifts of water and nature to our consumers. We are tireless in conducting proprietary research and other activities related to water and our future. Researching both water found in nature and the water cycling through our bodies, Suntory's Institute for Water Science performs comprehensive research and education related to this precious resource. Our *Natural Water Sanctuary* project works with universities and other special entities at 19 locations (over 9,000 hectares in total) to conserve forests that preserve and protect water. Our *Suntory Mizuiku* environmental education program teaches about the importance of nature to a new generation of youth in Japan. Our packaging also reflects our dedication to preserving the environment. *Suntory Tennensui* (550ml) features the lightest cap in Japan*3, made from 30% plant-derived materials. In this way, and in many others, we continue to reduce our environmental footprint in bottles, labels, and other packaging. Through these activities and more, *Suntory Tennensui* will continue to market clear and tasty water from carefully selected sources, and offer new products with new value to our consumers.



*1 Source: INTAGE SRI survey
Mineral Water Sales Jan 1996 through Dec 2016 (JPY)
[Industry] 1996-2001 SM/CVS/General Liquor Stores/
Grocery Stores/Bread and Confectionery Stores Total
2002-2006 SM/CVS/General Liquor Stores/Grocery Stores/
Bread and Confectionery Stores Total
2007-2016 SM/CVS/General Liquor Stores/Grocery Stores/
Bread and Confectionery Stores Total

*2 Source: Internal survey

*3 Source: Internal survey as of March 2017

Special Feature 2 **Food for Specified Health Uses**

Iyemon Tokucha Leads the Market

First introduced in October 2013, Suntory green tea *Iyemon Tokucha* has been the No.1 best-selling beverage in the Food for Specified Health Uses (FOSHU) category in Japan for three consecutive years.

How has *Iyemon Tokucha* become such a success story? Most FOSHU drinks prevent the body from absorbing fat when consumed with meals. *Iyemon Tokucha*, on the other hand, is the first FOSHU drink that focused on the underlying mechanisms for breaking down body fat. *Iyemon Tokucha* works on fat already stored in the body. It's a beverage you can drink anywhere and anytime; with meals, at work, at the gym. On the other hand, *Iyemon Tokucha* is so delicious, it's easy to drink every day. We have spent years conducting research into polyphenols. During the course of this work, we discovered quercetin glycoside, a polyphenol found in abundance in onions, broccoli, apples, and other fruits and vegetables. This particular polyphenol functions to help reduce body fat. But, we wanted to do more than just create a functional beverage to reduce body fat. We wanted to create a FOSHU beverage that people would love and would want to drink every day. After seven years of trial and error, our research finally resulted in *Iyemon Tokucha*, a tea featuring a blend of quercetin glycoside. A delicious, functional beverage. Our aggressive marketing campaigns and sales efforts highlighted these benefits, resulting in more than 10 million cases sold in just 11 months after launch.

After noting the ongoing growth of blend tea and barley tea (non-caffeinated) markets in Japan, we introduced *Suntory Tokucha Caffeine Zero* in August 2016. This new product kept all of the *Iyemon Tokucha* fat-reducing benefits, while providing a more delicate taste profile. Consumers worried about drinking caffeine late in the day have no worries with this non-caffeinated beverage. This benefit was one key in making *Suntory Tokucha Caffeine Zero* such a strong seller.

Our efforts have led to the *Tokucha* brand becoming the No.1 best-selling FOSHU beverage in Japan for three years running. For fiscal 2016, the *Tokucha* brand experienced 17% growth (16.8 million cases) compared to the prior year. Look for more high-value, high-function products from Suntory that anticipate consumer needs.



Our FOSHU Drink Lineup



Besides our *Tokucha* brand of tea, we are hard at work developing other FOSHU beverages offering a wide range of health benefits. Our results are represented by products including *Suntory Black Oolong Tea* (based on research indicating polymerized polyphenols unique to oolong tea limit fat absorption), *Suntory Goma Mugicha* (for consumers concerned with the onset of high blood pressure), and *Pepsi Special* (restricts the absorption of fat). Suntory helps people live healthier lifestyles through our extensive lineup of beverages that taste good and do good for human health.

Strategy Overseas

Europe



Message from Management



My name is Stanislas De Gramont, CEO of Suntory Beverage & Food Europe. I joined Suntory Beverage & Food in 2014. Prior to that, I worked for a major European food manufacturer in their Fresh Dairy Division.

Despite a challenging business environment in Europe, we delivered 4.4% sales growth and 1.9% segment profit growth on a currency-neutral basis. In addition to active marketing of our core brands, we have bolstered our brand portfolio, riding the momentum of health consciousness in Europe. In France, we introduced *May Tea*, a low-sugar premium iced tea in May. In the UK, we engaged in active sales of *Highland Spring* spring water, which we began handling in December 2015. Our Africa business entered a new phase during the year. We took over the manufacturing and sales infrastructure for *Lucozade* and *Ribena* from GlaxoSmithKline Consumer Nigeria Plc in Nigeria, home to the largest economy in Africa.

For fiscal 2017, we forecast sales growth of 3.8% and segment profit growth of 1.1% on a currency-neutral basis. As before, we intend to further build our core brands in every region. While we strengthen our core brands in Europe, we will also grow sales by accelerating the introduction of new products in growth categories, conducting sales activities on our main retail channels, and working to expand our on-premise channels. In France, we plan to expand in-store activities and focus on small format products. In the UK, we will develop more products with reduced sugar content. In Spain, we will continue working to expand our sales in on-premise channels. Finally, we plan to reinforce our business infrastructure in Africa, concentrating mainly on the Nigerian market.

(Note) Forecast as of Feb. 13, 2017

Stanislas De Gramont
Chief Executive Officer
Suntory Beverage & Food Europe



Major Brands



Major country for sale

Orangina France Oasis UK Ribena UK Lucozade Spain Schweppes

Orangina has been a favorite sparkling fruit juice since it was first introduced in 1936. This national brand is the undisputed leader of carbonated fruit drinks in France. Today, 500 million consumers enjoy *Orangina* in more than 60 countries across five continents.

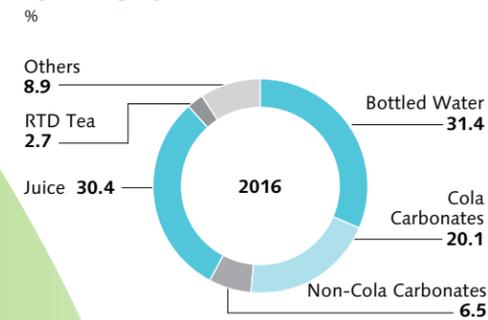
Oasis is a fruit juice drink with no artificial colors or preservatives.

Ribena is a long-selling fruit juice brand, loved since its introduction in 1938. This drink is so familiar in the UK that most people remember drinking it as a child. In addition to the UK, *Ribena* is sold throughout Africa, Asia, and Oceania.

Lucozade is a traditional UK brand with a long history of over 80 years since its release in 1927. The lineup of this popular brand in the UK market also includes energy drinks and sports drinks. Its products are sold in over 15 countries around the world, centered on the UK.

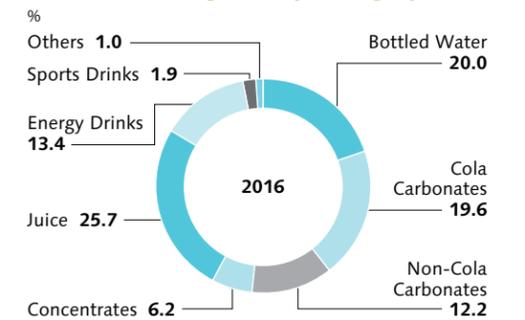
Schweppes is a carbonated beverage brand offering a wide variety of flavors. *Schweppes* is licensed in 20 countries throughout Europe.

Soft Drink Market Share in France by Category*



* Source: Euromonitor 2017, Off-trade Value RSP

Soft Drink Market Share in the United Kingdom by Category*



* Source: Euromonitor 2017, Off-trade Value RSP

Strategy Overseas

Asia



Message from Management



My name is Kazuhiro Saito, CEO of Suntory Beverage & Food Asia. Until March 2016, I served as CFO of SBF.

Asia is an important driver of growth for SBF. In this region, we intend to achieve top-line sales growth that outperforms market growth and profit growth that outperforms our sales growth.

For fiscal 2016, our business in Asia reported 3.5% sales growth and 24.8% profit growth on a currency-neutral basis. We made efforts to strengthen our business foundation in each country and region in which we operate, while engaging in marketing activities centered on our core brands. Thailand is a major market for us in the region. Here, sales of *Brand's Essence of Chicken* and other health supplement business products have performed well. In Vietnam, our soft drink business recorded high year-on-year sales of Suntory brands and PepsiCo brands. This result was due to expanded marketing for *TEA + MATCHA* (introduced in April 2016) and other green tea beverages in the face of ongoing second-half deceleration in that market. For the soft

drink business, we will reconstruct our sales system and marketing strategy in Indonesia.

For fiscal 2017, we forecast sales growth of 10.1% and segment profit growth of 22.6% on a currency-neutral basis. We plan to expand our health supplement business sales and logistics structure in Thailand to grow sales of our mainstay *BRAND'S Essence of Chicken*. At the same time, we intend to bolster initiatives in new growth markets. In Vietnam, we plan to focus marketing on the outstanding quality of the products sold in our soft drink business. We will also accelerate sales activities in rural Vietnam as well as in urban centers. Our plans in Indonesia include revising our marketing strategy and restructuring sales and logistics. These efforts will work in combination with an ongoing emphasis on revitalizing our core brands in the region. In Malaysia and other countries, we intend to grow sales of *Ribena* and *Lucozade*. We also expect further growth of our Fresh Coffee business.

(Note) Forecast as of Feb. 13, 2017

Kazuhiro Saito
Chief Executive Officer
Suntory Beverage & Food Asia



Major Brands



Sting

Major country for sale

Sting energy drink provides an energy boost to charge-up and keep going. The drink invigorates your taste buds with its refreshingly delicious flavor.



TEA+ Matcha

Vietnam

TEA+ Matcha is new flavor of *TEA+* brand was launched in 2016. It contains Theanine, which is the active component of green tea and responsible not only for its taste but also for its relaxing effects.



MYTEA Oolong Tea

Indonesia

MYTEA Oolong Tea is Suntory brand oolong teas containing health-promoting oolong tea polymerized polyphenols (OTPPs) that were released in 2013. They utilize the technologies of *Suntory Oolong Tea* that has been a long seller in Japan for over 30 years.



Okky Jelly Drink

Okky Jelly Drink is an innovation of jelly division. This product combines jelly as both food and drink. Containing jelly of nata de coco, this product is available in a cup in orange, guava, apple, and black currant flavors.

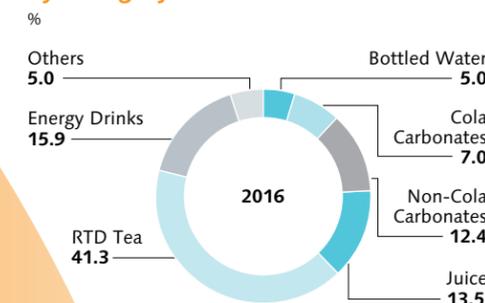


BRAND'S Essence of Chicken

Thailand

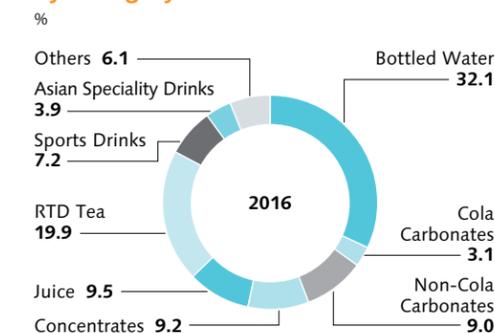
For more than 170 years, *BRAND'S Essence of Chicken* has been a favorite brand for consumers in Thailand and numerous other countries. *BRAND'S Essence of Chicken* is the only essence of chicken in the market backed by extensive research and development, as well as more than 20 published scientific papers proving its efficacy.

Soft Drink Market Share in Vietnam by Category*



* Source: Euromonitor 2017, Off-trade Value RSP

Soft Drink Market Share in Indonesia by Category*



* Source: Euromonitor 2017, Off-trade Value RSP



Major Brands



V

V contains Guarana extract, which contains a natural form of caffeine. V was created and launched in 1997, where it has become the market leader in Australia and New Zealand.

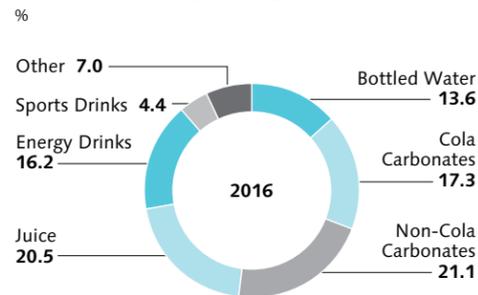
OVI

OVI is a delicious hydration beverage that contains the same antioxidant component as green tea. Introduced in 2014, this was the first Suntory brand soft drink sold in Oceania.

Maximus

Maximus is an oversized sports drink sold in Australia.

Soft Drink Market Share in New Zealand by Category*



* Source: Euromonitor 2017, Off-trade Value RSP

Strategy Overseas

Oceania

Message from Management



My name is Jonathan Moss, CEO of Frucor. I began my career at Frucor in 2006. Prior to that, I worked for a dairy beverage manufacturer in Australia.

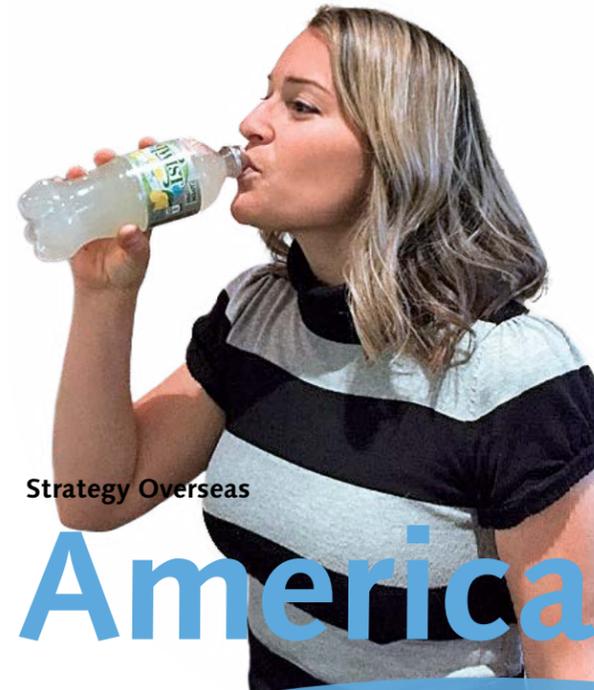
For fiscal 2016, Oceania sales grew 0.4% on a currency-neutral basis, while segment profit fell 2.8%. Last year, we recorded a one-time gain due to a revision of inventory valuation method. The temporary increase in profit for fiscal 2015 resulted in lower comparative profit for fiscal 2016. Without this valuation method change, we would have recorded revenue and profit growth this year. Our V Pure drink is a brand extension of our core V energy drink,

featuring a blend of natural ingredients. In addition to sales of V Pure, we engaged in active marketing of OVI, a hydration drink containing a blend of antioxidants from green tea, and sports drink, Maximus.

For fiscal 2017, we forecast sales growth of 1.4% and segment profit growth of 2% on a currency-neutral basis. We plan to continue to build our V and Maximus brands, while introducing new products and reducing costs.

(Note) Forecast as of Feb. 13, 2017

Jonathan Moss
Chief Executive Officer
Frucor Group



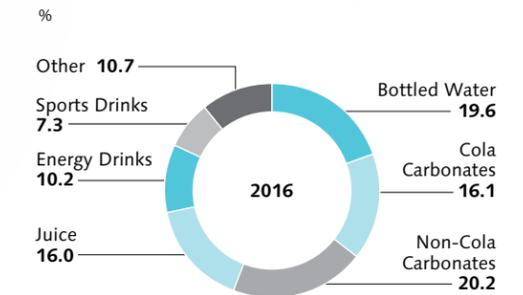
Major Brands



Pepsi

Nature's Twist

Soft Drink Market Share in the United States by Category*



* Source: Euromonitor 2017, Off-trade Value RSP

Strategy Overseas

Americas

Message from Management



My name is Paul Finney, CEO of Pepsi Bottling Ventures. I have worked for Pepsi Bottling Ventures since 2006. Prior to joining PBV I worked for PepsiCo for 17 years in a variety of roles. Pepsi Bottling Ventures

is a joint venture between Suntory and PepsiCo, and is the largest independent bottler of Pepsi products in North America, headquartered in North Carolina.

For fiscal year 2016, Pepsi Bottling Ventures generated sales growth of 2.4% and segment profit growth of 1.9% on a currency-neutral basis. During the year, in addition to strong marketing of PepsiCo branded products, we also launched the first Suntory brand, OVI, completed

construction and opened the Charlotte optimized warehouse, and our Western Division was recognized with the Donald M. Kendall Bottler of the Year award.

For fiscal year 2017, we forecast a sales decrease of 0.2% and segment profit growth of 0.1% on a currency neutral basis. While we maintain our strong share position in the carbonated beverage category, we will also continue our focus on the high growth portion of our portfolio with non-carbonated beverages.

(Note) Forecast as of Feb. 13, 2017

Paul Finney
Chief Executive Officer
Pepsi Bottling Ventures

CSR Approach and Initiatives

SBF and the entire Suntory Group contribute to a sustainable society through environmental management. We recognize that we have certain responsibilities as a business that is supported by the blessings of nature, and we have created our own *Targets toward 2020* inspired by the *Suntory Environmental Vision toward 2050*. *Targets toward 2020* outlines environmental initiatives throughout our entire product lifecycle. At the same time, the Suntory Group engages in a variety of global CSR activities in partnership with our stakeholders, pursuing our corporate philosophy of working *In Harmony with People and Nature*.

* Read more about Suntory Group CSR activities at <http://www.suntory.com/csr/>

SBF Recognized for Efforts to Reduce our Environmental Footprint

SBF reduces our environment impact through a number of specific initiatives.

These efforts focus on preserving and recycling natural resources, as well as reducing our impact on the environment. In fiscal 2016, we were selected as a CDP Water 2016 A List Company in recognition of our water resource conservation and our reduction of water usage in our production plants. The CDP is an international not-for-profit organization that measures, publishes, manages, and shares important environmental information related to companies and cities. Since 2003, the CDP has worked on behalf of numerous institutional investors to collect, analyze, and publish information related to both business risk and opportunities in connection with greenhouse gas emissions and climate change for the world's leading companies.

Also in 2016, we received the Minister of the Environment Award for Promoters of the Development of a Recycling-Oriented Society. This recognition cited our work in reducing the environment impact of our container packaging. This award, created by the Ministry of the Environment to promote a recycling-oriented society, is given to individuals, corporations, and organizations that have had notable success in reducing, reusing, and recycling resources. In our case, we were recognized for being the first in the world*¹ to adopt beverage PET bottles made 30% from plant-derived materials.

SBF will continue to engage in environmental management to contribute to the building of a sustainable society.

*¹ Source: Internal survey conducted January 2016



In Harmony with Customers and Partners

Measures for Healthy and Comfortable Lifestyles

Over the past few years, more companies have started to address the strategic implementation of health management, thinking about employee health management from a business perspective. In the fall of 2016, SBF launched Suntory GREEN+, a points reward program combining vending machines and a smartphone app. This is the first program of its kind in the automated vending machine industry.

Suntory GREEN+ consists of a smartphone app that gives points to users when they buy Suntory products at compatible vending machines, or when users walk a certain number of steps within a certain period. Users can then exchange their points at vending machines in exchange for Suntory FOSHU beverages. The goal of this program is to help improve the health consciousness of employees and contribute to health management on the part of the company.



In Harmony with Nature

Developing Environmentally Friendly Container Packaging

SBF continues PET bottle development under the unique 2R+B strategy of the Suntory Group. 2R+B is a strategy designed to use resources more effectively by reducing the use of plastics and using recycled materials in greater amounts. The name of the program stands for Reduce/Recycle+Bio, representing our goal to replace petroleum-derived materials with renewable materials to the greatest extent possible.

In the spring of 2016, SBF was the first company in the world*¹ to introduce beverage PET bottle caps consisting 30% of plant-derived materials. In September 2016, we followed this up with the lightest cap produced in Japan*², 1.85g cap*³ consisting 30% of plant-derived materials. These developments have resulted in a 35% reduction*⁴ in the use of petroleum-derived materials and a 27% reduction in CO₂ emissions*⁴ compared to traditional bottle caps.

*¹ Source: Internal survey as of January 2016

*² Source: Internal survey as of March 2017

*³ Weight represents specification as of September 2016

*⁴ Per single 550ml bottle of *Suntory Tennensui*



Source: Internal survey as of March 2017

 **In Harmony with Society**

Pepsi Bottling Ventures Group
Using Water Effectively

Water is vital to the business and products of Pepsi Bottling Ventures. Production plants have a duty to use water in the most responsible fashion possible. Our plants have been outfitted with cutting-edge reverse osmosis water purification systems to ensure water purity and provide optimal water saving. Waste water from reverse osmosis water purification systems and other production processes is reused before being sent to sewage treatment, a further step in our comprehensive water conservation activities. Pepsi Bottling Ventures continues to invest in new water purification systems. As a result, Pepsi Bottling Ventures reported a water efficiency of one gallon of product from every 1.72 gallons of water used in 2015. This is a very highly efficient ratio of water usage for our industry.

Suntory PepsiCo Vietnam Beverage Co., Ltd.
Helping Hands Program

Suntory PepsiCo Vietnam Beverage associates support the Helping Hands program through volunteer service hours and fund-raising activities. In turn, the program provides employees with opportunities to serve their local communities and the world at large. Launched in August 2011, Helping Hands program helps to improve Suntory PepsiCo Vietnam Beverage core values and build a stronger corporate culture. At the same time, the program encourages employees to make long-term commitments and contributions for sustainable growth of our business and society. As of March 2016, 10 Helping Hands committees manage 85 different projects. Since the founding of the program, more than 2,700 individuals have donated a total of 14,000 hours in volunteer activities. More specifically, VND 500 million in funds have been used to build two schools, two houses, and two libraries for children in the mountain regions. The funds have also been used for 1,600 eye operations and gifts to disabled persons and the elderly in public facilities.



 **In Harmony with Employees**

Cerebos Group
Training Outstanding Human Resources for our 2020 Vision: Create Our Future

The Cerebos Group established *Create our Future*, a road map for the Group toward the year 2020. This vision defines four goals for the Group: To be the most exciting company, to be the best learning organization, to be the most engaged company, and to be the best-paying company. Realizing that outstanding people are the most important component for business growth, the Group emphasizes leadership at every level of the Group under this vision, developing a strategy called Grow from Within (GfW). The two key initiatives of GfW are the *Heart of Performance* and the *Cerebos-NUS Leadership Development Program*. Guided by this vision, these programs bring out the latent talents of Cerebos Group employees and empowering them to make strategic decisions to propel Cerebos Group growth.

PT Suntory Garuda Beverage
The Sahabat Inspirasiku Program

The Sahabat Inspirasiku Program, sponsored by the GarudaFood Group, sends volunteer employees from the Group to local schools. These volunteers provide students with information about various professions and inspirational stories about work, helping instill an interest among students. These activities are aimed at students in educational institutions of all types, from elementary schools to leading universities.

As one part of the Group's commitment to education in Indonesia, the Group held a manufacturing career seminar at Jogjakarta Campus of Gadjah Mada University in December 2015. Here, a human capital generalist from Suntory Garuda Beverage gave a presentation to 280 highly interested students.



Corporate Governance

Basic Policy on Corporate Governance

Suntory Beverage & Food ("SBF") and its subsidiaries (collectively, "the Group") have adopted a vision for value: *A quest for the best tastes and quality to bring happiness and wellness into everyday life.* The vision for SBF as a company is *to be the leading global soft drink company recognized for our premium and unique brands.* Guided by

these visions, the Group is committed to strengthening corporate governance to maintain good relationships with shareholders and other investors, customers, communities, suppliers, employees, and other stakeholders, fulfilling our corporate social responsibilities.

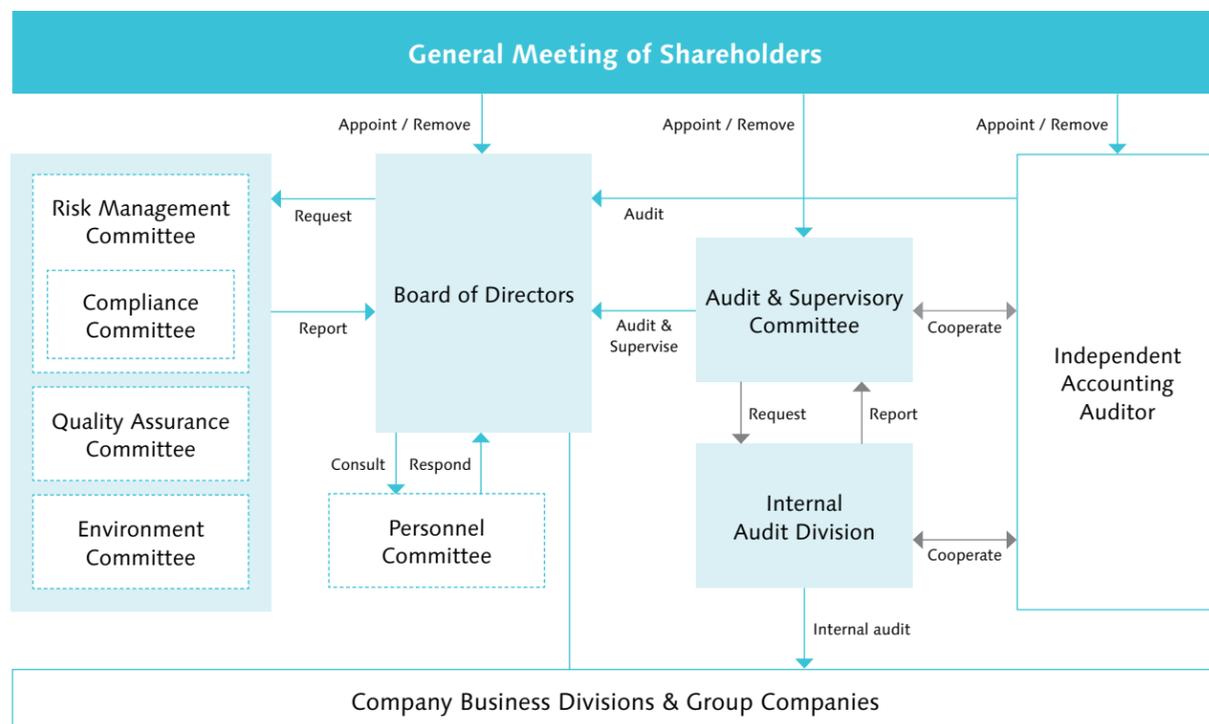
Basic Policy on Corporate Governance:

<http://www.suntory.com/softdrink/ir/management/governance.html>

Overview of Corporate Governance Framework

SBF has elected to adopt a Company with an Audit & Supervisory Committee system as our corporate governance framework. We have put in place the requisite structures, a Board of Directors, an Audit & Supervisory Committee, and an Independent Auditor. The purpose of this framework is to further enhance SBF corporate governance through various means. These means include improving the effectiveness of audits and supervision by

appointing a voting board director serving as an Audit & Supervisory Committee member to participate in audits. We have also strengthened the supervisory functions of the Board of Directors by increasing the percentage of outside directors, by prompting more rapid decision-making by the Board of Directors, by entrusting directors with the responsibility for making all or certain important decisions regarding business execution.



Board of Directors

1. Directors and the Board of Directors

Pursuant to the SBF Articles of Incorporation, the Board of Directors shall consist of no more than 20 individuals (five or fewer being members of the Audit & Supervisory Committee).

As of March 31, 2017, SBF had six directors. The term of office for directors is set at one year to create an appropriate management system capable of responding to changes in the operating environment in a flexible manner.

The Board of Directors holds regular meetings once a month and extraordinary meetings as the need arises. The Board makes decisions regarding important management and legal matters and receives reports about business execution at Group companies, using said reports to conduct oversight.

In addition, SBF stipulates in its Articles of Incorporation that directors may be entrusted to make all or certain important decisions regarding business execution by vote. Important matters subject to Board resolution include mergers and acquisitions, structural reorganization, and the acquisition/disposal of a significant amount of assets. As a general rule, decisions related to individual business execution are entrusted to the management ranks, such as the president of SBF.

2. Audit & Supervisory Committee

The Audit & Supervisory Committee is comprised of three Audit & Supervisory Committee members (including two outside directors) and performs audits on the performance of duties by directors and other general performance related to Group management, in accordance with the SBF internal control system.

Moreover, to strengthen the auditing and supervisory functions of the Audit & Supervisory Committee, SBF collects information from directors (excluding Audit & Supervisory Committee members) and shares information at important meetings. Also, to ensure ample cooperation between the Internal Audit Department and the Audit & Supervisory Committee, SBF has selected one full-time Audit & Supervisory Committee member. This full-time member will help SBF achieve a mutual understanding between directors and the Internal Audit Department as the individual gathers information and maintains a suitable environment for audits.

Kozo Chiji, the full-time Audit & Supervisory Committee member, possesses a considerable amount of expertise related to finance and accounting through his financial and accounting experience as managing executive officer and Chief Operating Officer of the Finance & Accounting Division at Suntory Holdings Limited through March 2016.

3. Independent Auditor

SBF has selected Deloitte Touche Tohmatsu LLC as its Independent Auditor. The Independent Auditor provides advice and instructions to SBF from a third-party standpoint regarding the appropriateness and legal compliance of SBF's accounts and related internal control systems.

The following are the names and years of service of the certified public accountants who have carried out accounting auditing duties for SBF.

- Koji Inagaki (Deloitte Touche Tohmatsu LLC); three years
- Hideyuki Hirata (Deloitte Touche Tohmatsu LLC); five years
- Keiko Hishimoto (Deloitte Touche Tohmatsu LLC); two years

In addition, 21 other certified public accountants and 22 other individuals assist with accounting auditing duties.

4. Internal Audit Department

SBF has established an Auditing Department and Global Auditing Department to conduct internal audits. The Auditing Department and Global Auditing Department conduct audits of SBF and its Group companies to ensure business operations are being conducted in an appropriate manner.

As of this publication, there were 14 members in the Auditing Department and Global Auditing Department. Many of these members possess a high level of expertise related to finance and accounting.

5. Personnel Committee

SBF has established a Personnel Committee as a discretionary committee that deals with director nomination and remuneration. The Personnel Committee discusses prospective candidates for director and submits reports to the Board of Directors regarding the suitability of director candidates. The committee also holds deliberations regarding standards and indicators for director remuneration (excluding Audit & Supervisory Committee members), and reports on their adequacy to the Board of Directors. The Committee is comprised of four members: two outside directors, the president of SBF, and the director with responsibility over the Human Resources Department.

6. Risk Management Committee, etc.

SBF has established a Risk Management Committee, a Quality Assurance Committee, and an Environment Committee. Further, SBF has set up a Compliance Committee as a subordinate body of the Risk Management Committee.

The Risk Management Committee directs risk management activities of the entire Group. The committee identifies Group risks, designs countermeasures, and verifies the progress of response. The Compliance Committees confirms and deliberates issues and responses related to compliance for the Group.

The Quality Assurance Committee promotes quality assurance activities for the Group. The committee identifies issues, develops countermeasures, and confirms progress related to quality assurance.

The Risk Management Committee and Quality Assurance Committee have established corrective actions in the event a risk occurs. These actions include reporting rules in the event of a crisis.

The Environment Committee directs Group-wide environmental management. The committee designs and promotes strategies and medium- to long-term plans to advance business activities in consideration of sustainability.

Internal Controls System

The SBF Board of Directors has determined the following system (internal controls system) to ensure the proper conduct of business operations.

1. System to ensure the performance of Group and Group subsidiary directors and executive officers ("Directors and Executive Officers") and ensure that employees duties conform to laws, regulations, and the Articles of Incorporation

- (1) The Group shares the beliefs set forth in our corporate philosophy, *In Harmony with People and Nature*. As international corporate citizens, the Group respects the rules of civil society and places the highest priority on compliance. As we expand our business activities, each director, executive officer, and employee of the Group will make decisions as corporate citizens based on social ethics.

- (2) To implement this philosophy in our business operations, every director, executive officer, and employee shall respect compliance and social ethics, basing their standard of conduct on Group corporate ethics. The Directors and Executive Officers shall lead in complying with laws, regulations, the Articles of Incorporation, and corporate ethics. Directors and Executive Officers shall also strive to maintain and improve management based on compliance.
- (3) To ensure Group directors, executive officers, and employees perform their duties in compliance with laws, regulations, and the Articles of Incorporation, the Group has established a Compliance Committee, which is a subordinate body of the Risk Management Committee. The Compliance Committee promotes Group compliance activities and deliberates important issues related to compliance promotion. Moreover, the Compliance Committee and the departments responsible for overseeing compliance conduct regular compliance education and training activities, striving to establish and promote a Group compliance system.
- (4) The Risk Management Committee and Compliance Committee shall report the details of discussed matters and compliance activities to the Board of Directors and the Audit & Supervisory Committee in a timely manner.
- (5) If a Director and Executive Officer discovers an issue related to Group compliance, the director and Executive Officer shall report said issue promptly to the Compliance Committee. Moreover, compliance hotlines have been established both inside and outside the Group to allow employees to a direct channel to report compliance issues. After securing information related to said issue, the Compliance Committee, upon receiving a report, shall investigate the details. As necessary, the Compliance Committee shall consult with related departments to take corrective action and establish measures to prevent recurrence. These measures shall then be enforced Group wide.
- (6) As necessary, a director shall be dispatched to Group companies to oversee the appropriateness of business execution and decision-making. As necessary, this director shall coordinate with related departments to provide Group companies with advice, guidance, and support.

- (7) As necessary, a corporate auditor shall be dispatched to Group companies to conduct an audit.
- (8) An Internal Audit Department has been established and shall conduct internal audits of compliance and the appropriateness of business execution. The Internal Audit Department shall report the results of internal audits to the Audit & Supervisory Committee and the president and representative director in a timely manner.
- (9) The Group shall establish and maintain a system of internal controls to ensure the appropriateness of financial reporting.
- (10) Directors and Executive Officers shall establish and promote a system to prevent any association with anti-social forces and to clearly reject improper demands from such forces.

2. System for the preservation and management of information concerning the performance of Director and Executive Officer duties

- (1) Directors and Executive Officers shall preserve and manage valuable documents related to decision-making, including minutes of the general meeting of shareholders and Board of Directors meetings (including electromagnetic records), as well as any other valuable information related to the performance of director duties, in accordance with laws, regulations, and internal rules.
- (2) The directors shall maintain the availability of documents and information mentioned above for inspection as necessary.
- (3) The Risk Management Committee shall establish and promote an information security governance system that not only protects and preserves information, including personal information, but also boosts corporate value through the use of such information.

3. Rules and other systems for the risk management of loss for the Group

- (1) The Group basic policy for risk management shall be determined by the Board of Directors.
- (2) Each Director and Executive Officer shall be responsible for taking measures against risks that occur in business execution. Material risks shall be analyzed and evaluated, and plans for improvement shall be discussed and determined by the Board of Directors.

- (3) Risks related to Group management, such as quality risks pertaining to the Group as a whole and risks related to business execution throughout the Group, shall be managed comprehensively and collectively by the Risk Management Committee and Quality Assurance Committee. In addition, these committees shall establish rules, formulate guidelines, and conduct training activities to manage such risks as necessary.
- (4) In the event of newly arising material risks, the Board of Directors shall promptly assign Directors and Executive Officers with related responsibility. These Directors and Executive Officers shall determine measures related to said risks.

4. System to ensure the efficient performance of duties by Group directors

- (1) Group basic management policies shall be determined by the Board of Directors.
- (2) Group Directors and Executive Officers shall establish Company goals to be shared among directors, executive officers, and employees. Directors shall determine efficient methods for achieving Company goals, allocating specific goals and authority to business divisions as appropriate.
- (3) The directors in charge shall confirm the progress of the achievement of goals and shall be required to report specific measures being taken to achieve said goals at Board of Directors meetings.
- (4) Each director shall execute their duties appropriately and engage in efficient decision making based on internal regulations related to responsibility and authority.

5. System for Directors and Executive Officers of Group companies to report matters related to business execution by the Group

- (1) Business execution of Group companies shall be reported regularly to the Executive Committee and the Board of Directors.
- (2) Directors and Executive Officers in charge of Group companies shall request reports on business execution from Group companies as necessary.

(3) Under internal regulations for responsibility and authority, Group companies shall be obligated to report to and cooperate with the Group, or receive approval from the Board of Directors, on certain matters related to management at Group companies.

(4) The Internal Audit Department shall report the results of internal audits of Group companies to the Internal Audit Committee and the president and representative director in a timely manner.

6. System to ensure the appropriateness of business operations of the Group and its parent company

The Group shall ensure objectivity and rationality in transactions between the Group and Group companies, including the parent company. The Group shall ensure independence from the parent company, especially for transactions with the parent company.

7. Matters regarding directors and employees who are requested to assist with the duties of the Audit & Supervisory Committee (excluding directors who are members of the Audit & Supervisory Committee), matters regarding the independence of such directors and employees from the Audit & Supervisory Committee, and matters regarding the provision of effective instructions to such employees.

(1) Directors and employees assigned to the Auditing Department shall assist with the duties of the Audit & Supervisory Committee. The transfer and evaluation of Auditing Department directors and employees shall be conducted with respect to the opinions of the Audit & Supervisory Committee. The independence of such directors and employees from other directors (excluding directors who are members of the Audit & Supervisory Committee) shall be ensured.

(2) If a director or an employee of the Internal Audit Department is asked to assist the duties of the Audit & Supervisory Committee, such directors or employees shall comply with the direction and instructions of the Audit & Supervisory Committee.

8. System for directors (excluding directors who are members of the Audit & Supervisory Committee), executive officers, employees, and auditors of the Group (or equivalent persons) to report to the Audit & Supervisory Committee, as well as persons who receive reports from directors, executive officers, employees, and auditors of the Group to report to the Audit & Supervisory Committee, and system for other reports to the Audit & Supervisory Committee

(1) The president and representative director and Group directors shall report on their business execution at Board of Directors meetings as necessary.

(2) If the Audit & Supervisory Committee requests a report about a business or conducts an investigation of a business or property, the directors (excluding directors who are members of the Audit & Supervisory Committee), executive officers, and employees of the Group shall respond to the request or investigation promptly and accurately.

(3) If a director (excluding a director who is a member of the Audit & Supervisory Committee), executive officer, or employee discovers any incident that could bring harm to the Group, including a violation of laws or regulations, the director, executive officer, or employee shall report the incident to the Audit & Supervisory Committee immediately.

(4) The Internal Audit Department and the Risk Management Committee shall regularly report the results of internal audits of Group companies, as well as the status of any other activities, to the Audit & Supervisory Committee.

(5) The departments responsible for overseeing compliance shall regularly report the status of internal reporting at Group companies to the Audit & Supervisory Committee.

9. System to ensure that persons who submit reports to the Audit & Supervisory Committee will not be treated disadvantageously due to their submission of reports

Directors (excluding directors who are members of the Audit & Supervisory Committee), executive officers, or employees of the Group shall be able to submit reports directly to the Audit & Supervisory Committee. Internal regulations prohibit disadvantageous treatment of any director, executive officer, or employee due to their submission of reports.

10. Policy on prepayment and repayment of expenses resulting from the business execution of the Audit & Supervisory Committee (limited only to business execution related to the Audit & Supervisory Committee) and the processing of expenses and debt resulting from said business execution, and system for enabling the Audit & Supervisory Committee to conduct other audits

(1) If the Audit & Supervisory Committee requests prepayment or repayment of expenses resulting from its business execution based on Article 399, Paragraph 2, Item 4 of the Companies Act, excluding cases where such expenses or debts are not necessary for said business execution, such expenses and debts shall be promptly recorded.

(2) If the Audit & Supervisory Committee independently requests the use of external specialists, SBF shall pay such expenses, unless such a request is not necessary for conducting committee business.

(3) The Audit & Supervisory Committee shall ensure that information is exchanged between auditors of Group companies (or equivalent persons), the Internal Audit Department, and the committee itself, establishing a mutual understanding among all parties.

(4) The Audit & Supervisory Committee shall provide regular opportunities for the exchange of opinions with the president and representative director and the Independent Auditor.

Outside Directors

1. Selection of outside directors

Outside directors shall express their opinions based on their record of achievement, abundance of experience, and expertise. In doing so, they assist in appropriate decision-making and oversight of business execution by the Board of Directors, as well as strengthening the auditing functions of the Audit & Supervisory Committee.

As of March 31, 2017, SBF had three outside directors, two of whom were also members of the Audit & Supervisory Committee.

Outside Director Yukari Inoue possesses a record of achievement and valuable expertise based on her overseas experience through her many years of service as a corporate manager. She provides constructive advice and appropriate oversight from an objective and neutral standpoint during deliberation of agenda items at meetings of the Board of Directors and in other settings. Accordingly, SBF believes that Ms. Inoue is properly qualified for the post of Outside director.

Outside Director and Audit & Supervisory Committee member Harumichi Uchida possesses an abundance of experience and valuable expertise as an attorney. As an Outside Director and Audit & Supervisory Committee member, he offers effective advice and performs proper audit and supervisory duties from an objective and neutral standpoint during deliberation of agenda items at meetings of the Board of Directors and in other settings. Accordingly, SBF believes Mr. Uchida is properly qualified for the post of Outside Director and Audit & Supervisory Committee member.

Outside Director and Audit & Supervisory Committee member Mika Masuyama possesses an abundance of consulting experience, knowledge, and global expertise in management and economics related to corporate governance, human resources and organizational management, M&A, and other fields. As an Outside Director and Audit & Supervisory Committee member, she offers effective advice and performs audit and supervisory duties from an objective and neutral standpoint during deliberation of agenda items at meetings of the Board of Directors and in other settings. Accordingly, SBF believes that Ms. Masuyama is properly qualified for the post of Outside Director and Audit & Supervisory Committee member.

2. Interests between SBF and outside directors

Outside Director Yukari Inoue serves as Managing Director of Kellogg Japan G.K. and Outside Director for JC Comsa Corporation. While beverage-related transactions occur between the SBF Group and Kellogg Japan G.K. parent company Kellogg Company, such transactions do not represent significant financial amounts. The SBF Group has no transactional relationships with JC Comsa Corporation. Accordingly, there are no special related-party interests between SBF and the two aforementioned companies.

Outside Director and Audit & Supervisory Committee member Harumichi Uchida serves as an attorney with Mori Hamada & Matsumoto and as Outside Audit & Supervisory Board member for Sumitomo Dainippon Pharma Co., Ltd. While the SBF Group engages Mori Hamada & Matsumoto as attorneys, such transactions do not represent significant financial amounts. Accordingly, there are no special related-party interests between SBF and Mori Hamada & Matsumoto. Outside Director and Audit & Supervisory Committee member Mika Masuyama serves as Representative Partner of Masuyama & Company G.K. The SBF Group has no transactional relationships with Masuyama & Company G.K. Accordingly, there are no special related-party interests between SBF Masuyama & Company G.K.

3. Selection standards for outside directors

SBF believes outside directors must have the ability to use expertise and experience from their fields to contribute to management strategy and supervise operations.

SBF views outside directors as independent if they do not fall into the categories below.

- (1) A close relative (of first or second degree) of the relevant outside director is currently or has in the past been an executive director of SBF or its subsidiaries.
- (2) A company where the relevant outside director currently serving as an executive officer or employee has transactions with the Group and the monetary amount of such transactions was greater than 2% of consolidated net sales for either company in the past three business years.
- (3) The relevant director has, as an expert or consultant in the field of law, accounting, or tax, received remuneration of over ¥10 million directly from SBF in the past three business years. This excludes remuneration as a director of SBF and remuneration paid to the organization or business to which the relevant outside director belongs.
- (4) A nonprofit organization of which the relevant director is an executive director that has received donations from SBF of over ¥10 million and this amount exceeded 2% of the relevant organization's total business income in the past three business years.

SBF has registered outside directors Yukari Inoue and Mika Masuyama as independent directors with the Tokyo Stock Exchange, Inc.

Guidelines on Measures to Protect Minority Shareholders When Conducting Transactions and Other Business with the Controlling Shareholders

- (1) Transactions between the Suntory Group, including SBF parent company Suntory Holdings Limited, are examined by SBF General Affairs Department and Accounting Department beforehand to confirm the necessity of the transaction, the appropriateness of the relevant terms and conditions, and the decision-making process. Working to ensure independence from the parent company, the Board of Directors, including outside directors, deliberate the necessity and appropriateness of transactions deemed particularly important between the parent company and other Suntory Group members.
- (2) In addition to these prior deliberations, the Internal Audit Department conducts a post-transaction review of details of the transaction to determine whether it was in accordance with the contents of the deliberation. Also, the Audit & Supervisory Committee conducts an audit to assess the soundness and appropriateness of the transaction.

Compensation of Members of the Board of Directors and Audit & Supervisory Committee

By resolution of the Ordinary General Meeting of Shareholders held on March 27, 2015, remuneration for directors (excluding directors who are Audit & Supervisory Committee members) has been established as ¥1,000 million or less per year (not including the employee portion of salaries of directors who are concurrently employees). Remuneration for outside directors was established as ¥100 million or less per year. The limit for Audit & Supervisory Committee member remuneration was set at ¥150 million per year according to a resolution passed at the same meeting.

The allocation of remuneration to each director (excluding directors who are Audit & Supervisory Committee members) is entrusted to the Board of Directors, while the allocation of remuneration to each Audit & Supervisory Committee member is entrusted to the Audit & Supervisory Committee. The details on remuneration amounts are as follows.

1. Total amount of compensation, total amount by type of compensation, and number of recipients by director category

Title	Millions of yen			Number of Eligible Directors
	Total Compensation and Other Remuneration	Basic Compensation	Bonuses	
Directors (excluding Audit & Supervisory Committee members) (excluding Outside Directors)	352	178	174	9
Outside Directors (excluding Audit & Supervisory Committee members)	12	12	—	1
Directors (Audit & Supervisory Committee members) (excluding Outside Directors)	46	26	19	2
Outside Directors (Audit & Supervisory Committee members)	24	24	—	2

Note: Not including employee salary

2. Total compensation amounts for persons receiving total compensation of ¥100 million or more

Name	Title	Millions of yen		
		Basic compensation	Bonuses	Total Compensation
Saburo Kogo	Director	67	63	130

3. Policy on determining the amount of compensation for executive officers

Remuneration for directors is structured to be at levels corresponding to roles and responsibilities. This structure provides directors with motivation to improve SBF performance and corporate value, while also designed to attract outstanding personnel.

Compensation for executive directors is comprised of a basic salary (a monthly, fixed amount) and bonuses (annual, performance-based). Compensation levels are determined based on the role and responsibility of each director. Bonuses are primarily determined by a benchmark based on SBF consolidated operating income.

In principle, non-executive director compensation is comprised of a basic salary only (monthly, fixed amount). Full-time Audit & Supervisory Committee member compensation consists of a basic salary and a bonus (annual, performance-based), paid in consideration of the contribution to SBF performance. Compensation levels are determined based on roles and responsibilities. Bonuses are primarily determined by a benchmark based on SBF consolidated operating income.

SBF does not have a retirement benefit system or a stock option system.

Independent Auditor Compensation

Details of compensation for certified public accountants and other staff of the Independent Auditor

Classification	Millions of yen			
	Fiscal Year Ended December 2015		Fiscal Year Ended December 2016	
	Audit Certification Services	Non-Audit Services	Audit Certification Services	Non-Audit Services
Suntory Beverage & Food Limited	50	48	50	77
Consolidated subsidiaries	39	—	45	—
Total	89	48	95	77

Investor Relations Activities

The Investor Relations Department within the Corporate Strategy Division directs investor relations activities. SBF holds presentations on financial results (second-quarter and year-end) given by the president and representative director or the chief financial officer. In addition, SBF holds several one-on-one meetings with institutional investors in major cities in Europe, the United States, and Asia each year. Presentations at these meetings are given by the president and representative director, the chief financial officer or members of the Investor Relations Department. In principle, important disclosure materials for investors are provided entirely in English and are posted on the SBF website at the same time as Japanese-language materials, or shortly thereafter.

Board of Directors

As of May 1, 2017



President & Chief Executive Officer
Member of the Board
Representative Director
Saburo Kogo



Executive Vice President
Chief Operating Officer
Member of the Board
Hideo Tsujimura



Senior Managing Director
Member of the Board
Nobuhiro Kurihara



Senior Managing Director
Member of the Board
Yukio Okizaki



Director
Member of the Board
Nobuhiro Torii



Outside Director
Member of the Board
Yukari Inoue



Director
Member of the Audit &
Supervisory Committee
Kozo Chiji



Outside Director
Member of the Audit &
Supervisory Committee
Harumichi Uchida



Outside Director
Member of the Audit &
Supervisory Committee
Mika Masuyama

FINANCIAL SECTION

Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations	42
Business and Other Risks	48
Consolidated Balance Sheet	56
Consolidated Statement of Income	58
Consolidated Statement of Comprehensive Income	59
Consolidated Statement of Changes in Equity	60
Consolidated Statement of Cash Flows	62
Notes to Consolidated Financial Statements	63
Independent Auditor's Report	93

Management's Discussion and Analysis of Financial Condition and Results of Operations

Operating Environment and Initiatives in the Fiscal Year Ended December 31, 2016

During the fiscal year ended December 2016, the global economy experienced a gradual recovery overall, despite weaknesses in certain sectors. While the Japanese economy saw weakness in consumer spending and some corporate earnings, the economy continues to grow at a moderate pace.

Amid these circumstances, the Suntory Beverage & Food Group continued in its efforts to enrich the lives of consumers by delivering products created under the two key concepts of *Natural and Healthy* and *Unique and Premium*. While bolstering existing brands and creating new demand, we are using the expertise of Group companies for cost innovations leading to stronger earnings capacity and improved Group-wide quality. We have also taken measures to build stronger business infrastructures in every region toward sustained growth in the future.

Our Japan segment is finding ways to create new demand. Here, we have added to the strength of our

core brands, including the *Suntory Tennensui* and *Boss*. We have also introduced *Blood Orangina* and other products offering new value to the market, while building up *Iyemon Tokucha* and other high-value-added products.

Our Overseas segment has fortified core brands in every region, while implementing cost reduction measures at the same time. In Europe, we continue to focus on the *Orangina*, *Oasis*, *Schweppes*, *Lucozade*, and *Ribena*. Meanwhile, we are growing our Europe-wide brand portfolio and expanding our on-premise sales channels. In Asia, we focused on further building our business infrastructure, including sales and production systems.

Analysis of Results of Operations

Net sales for the fiscal year ended December 2016 amounted to ¥1,410.8 billion, a 2.2% increase compared to the prior fiscal year. Gross profit grew 3.8% to ¥781.5 billion.

The Group recorded ¥688.0 billion in selling, general and administrative expenses. This amount consisted mainly of ¥313.5 billion in promotion expenses and sales commissions, ¥50.3 billion in advertising costs, and ¥125.1 billion in labor expenses. As a result, operating income amounted to ¥93.5 billion, a 1.6% increase.

The Group recorded ¥10.3 billion in other expenses-net, including ¥5.4 billion in restructuring charges and ¥4.4 billion in interest expense.

As a result, net income attributable to owners of the parent amounted to ¥46.1 billion, which was an increase of 8.5% compared to the prior fiscal year. Basic net income per share was ¥149.5 for the year.

The Group uses EBITDA (calculated as the aggregate of [i] operating income, [ii] depreciation and amortization, and [iii] amortization of goodwill) as a key performance indicator to monitor trends in the Group's operating results. For the fiscal year ended December 2016, EBITDA was ¥180.8 billion, up 3.0% year on year. EBITDA for the Japan segment was ¥91.4 billion, an increase of 14.5%. For the Overseas segment, EBITDA amounted to ¥89.4 billion, a decrease of 8.1%.

Segment Performance

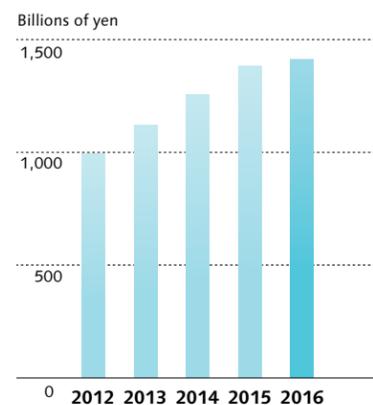
Japan Segment

Sales: ¥890.0 billion (+10.3% YoY)
 Segment Profit: ¥54.7 billion (+17.1% YoY)
 EBITDA: ¥91.4 billion (+14.5% YoY) (Reference)

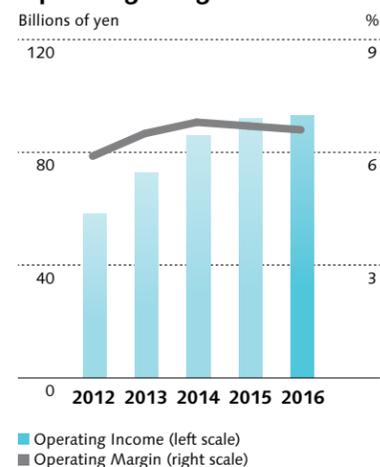
To drive new demand in Japan, we took measures to build core brands, while also committing to Foods for Specified Health Uses (FOSHU) drinks. As a result, we were able to achieve higher year-on-year sales volumes.

Marketing for our *Suntory Tennensui* brand products emphasized unique brand value by communicating the message of *Clear and Tasty* and *Natural and Healthy*. Sales of *Suntory Yogurina & Minami-Alps Tennensui* were particularly strong, growing significantly year on year and becoming the first of our brands to exceed annual sales volume of 100 million cases. We concentrated efforts in *Boss* for core 185g can products *Premium Boss*, *Rainbow Mountain Blend*, *Zeitaku Bito*, *Muto Black*, and *Café au Lait*. In addition, we saw significant sales growth for *Premium Boss Black* and *Premium Boss Bito*, both packaged in bottle-shaped cans. These brands in particular drove growth for the overall line. In September, we launched a new 185g can product *Premium Boss Limited* and new bottle-shaped can products *Premium Boss - the Mild*

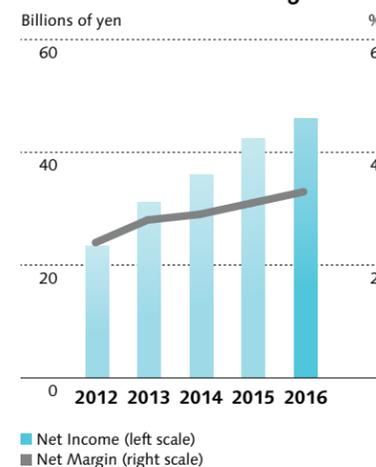
Net Sales



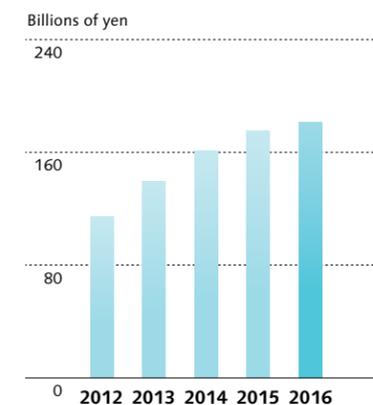
Operating Income and Operating Margin



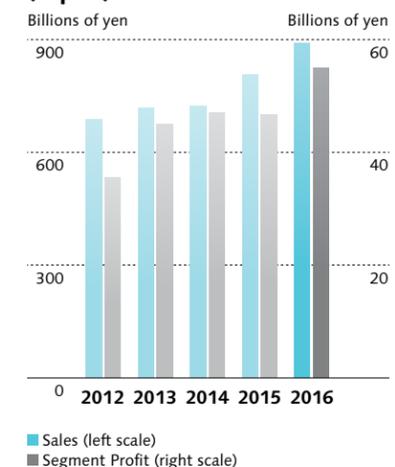
Net Income Attributable to Owners of the Parent and Net Margin



EBITDA



Sales and Segment Profit (Japan)



and *Premium Boss - the Latte (sugar-free)* extensions of the *Premium Boss* brand line. These additions have expanded our lineup to meet the diversifying tastes of our consumers. We continued to offer different flavors of *Iyemon* beverages matched to the seasons as a means to strengthen the brand. Sales of *Tokucha* (FOSHU) grew significantly as did sales volume of the brand as a whole.

We contributed to market expansion of FOSHU drinks, which are attracting attention on the back of increasing health consciousness, and is establishing a strong position in this market. We continued to market *Iyemon Tokucha*, *Suntory Black Oolong Tea*, *Suntory Goma Mugicha*, and other products actively throughout the year. In August, we introduced *Suntory Tokucha Caffeine Zero* as an extension of the *Iyemon Tokucha* brand. As a result, total sales of our FOSHU drinks were significantly higher year on year.

We also engaged in efforts to achieve higher profitability. In March, we introduced products that offer new value, such as *Premium Boss - the Latte* and *Blood Orangina*. We also focused on high-value-added beverages, including FOSHU products, as well as small format products such as 500ml PET bottle products. These measures improved our product mix and resulted in higher profits. We continued to reduce packaging costs and manufacturing costs, leading

to lower production costs compared to the prior fiscal year. While sales promotion and advertising costs were higher than the prior fiscal year, efficient investments in these costs led to lower expenses as a ratio of sales.

We interact directly with consumers through our vending machine, fountain drink, and water dispenser businesses. In April, we began operations at Suntory Beverage Solution Limited to ensure that we offer even greater value to consumers through these businesses. Together with Suntory Foods Limited (retail specialty), these two companies are increasing our ability to respond and sell to their respective customer bases.

Overseas Segment

Sales: ¥520.7 billion (-9.3% YoY)
 Segment profit: ¥67.4 billion (-8.9% YoY)
 EBITDA: ¥89.4 billion (-8.1% YoY) (Reference)

In Europe, we engaged in heightened marketing for core brands *Orangina*, *Oasis*, *Schweppes*, *Lucozade*, and *Ribena*. Despite a challenging business environment in France, sales of *Orangina* and *Schweppes* were level year on year. On the other hand, sales of *Oasis* fell below last year's results. In the United Kingdom, we recorded strong sales of *Lucozade Zero*, a zero-calorie drink introduced in May, and sales volume of *Lucozade* outperformed prior year. Sales

volume of *Ribena* rose slightly. In Spain, we made further progress in our collaboration with PepsiCo, Inc. to develop our on-premise business that we started in 2015. As more consumers become health conscious, we have put more energy into expanding our brand portfolio. In the United Kingdom, we worked to grow sales of *Highland Spring*, a spring water brand we began selling in December 2015. In France, we introduced a low-sugar premium iced tea, *May Tea* in May.

To bolster our business in Africa, we took over the manufacturing and sales infrastructure for *Lucozade* and *Ribena* from GlaxoSmithKline Consumer Nigeria Plc on September 30. At present, Nigeria boasts the largest economy in Africa.

In Asia, we built a stronger business infrastructure in each country, engaging in marketing activities for our core brands. In our health supplement business, we recorded strong sales of *BRAND'S Essence of Chicken* in our main Asian market of Thailand. Our soft drink business outperformed prior-year results. Despite a continued slowdown in the Vietnam soft drink market during the second half of the year, expanded marketing of our *TEA+ MATCHA* (green tea beverage launched in April) and PepsiCo brand products helped push sales higher. In Indonesia, we restructured our sales systems and redesigned our marketing strategy.

In our business in Oceania, we launched *V Pure* in New Zealand in May as an extension of our core energy drink brand *V*. *V Pure* features a blend of natural ingredients. We also engaged in active marketing for both our *Maximus* sports drink and *OVI*, a hydration drink containing a blend of antioxidants from green tea.

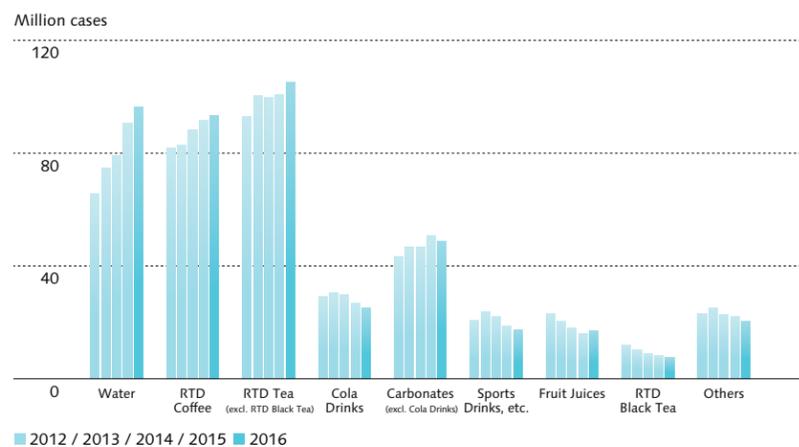
In the Americas, we pushed for stronger sales of PepsiCo brand products in North Carolina. We also gained greater efficiencies by consolidating our logistics centers. In January, we introduced *OVI* to the market.

While we worked to grow sales in every region, we made efforts to share expertise among group companies to improve research and development technologies and make cost improvements, looking to raise our quality and earnings capacity as a corporate group.

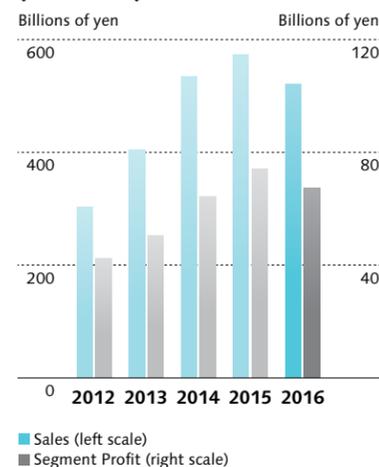
R&D Activities

Our research and development divisions believe that great taste, underpinned by safety and reliability, lies at the heart of the value of each product. Accordingly, research and development divisions and departments established in Japan and overseas are working to develop high-value-added products.

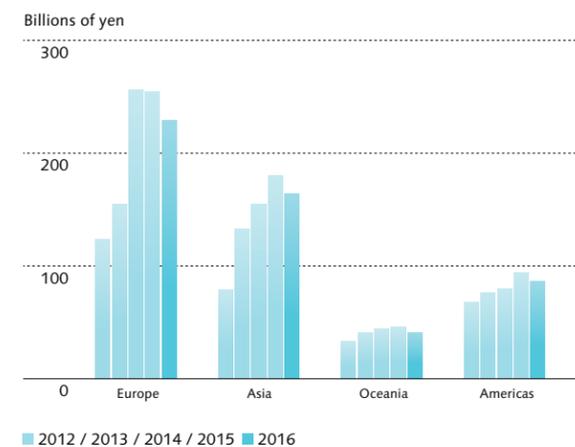
Sales Volume by Category (Japan)



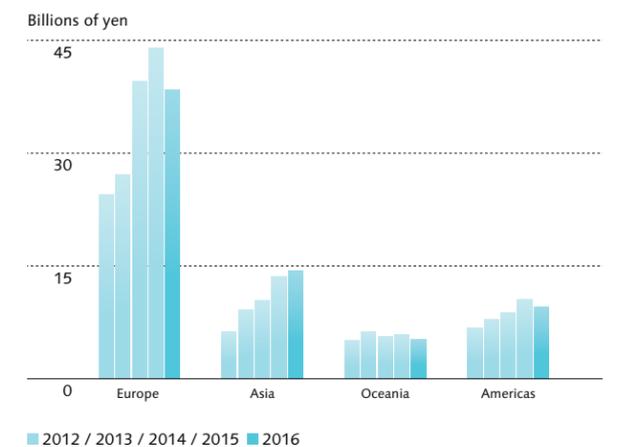
Sales and Segment Profit (Overseas)



Sales by Geographic Area (Overseas)



Segment Profit by Geographic Area (Overseas)



Research and development costs for the consolidated fiscal year totaled ¥9.4 billion, consisting of ¥6.5 billion in our Japan segment and ¥2.9 billion in our Overseas segment.

Analysis of Financial Condition

Total assets as of the end of the consolidated fiscal year amounted to ¥1,366.0 billion, a decrease of ¥118.4 billion compared to the end of the prior fiscal year. This decrease was mainly due to the impact of lower goodwill and trademarks resulting from foreign currency exchange at subsidiaries located outside Japan.

Liabilities amounted to ¥763.6 billion, a decrease of ¥94.0 billion. This decrease was mainly due to lower interest-bearing debt.

Equity stood at ¥602.4 billion as of the end of the fiscal year, a decrease of ¥24.4 billion. This decrease was mainly due to decreases in retained earnings stemming from payments of cash dividends and a decrease in foreign currency translation adjustments. This decrease more than offset the positive impact on retained earnings from the recording of net income attributable to owners of the parent. As a result, shareholders' equity ratio was 40.4% and equity per share was ¥1,787.15 at the end of the year.

Cash Flows

Cash and cash equivalents as of December 2016 amounted to ¥84.1 billion, a decrease of ¥13.6 billion compared to end of the prior fiscal year.

Net cash provided by operating activities was ¥161.9 billion, an increase of ¥16.1 billion compared to the previous fiscal year. This result was mainly due to income before income taxes and minority interests of ¥83.1 billion and depreciation and amortization of ¥58.7 billion.

Net cash used in investing activities amounted to ¥57.8 billion, a decrease of ¥131.0 billion compared to the prior fiscal year. This result was mainly due to the absence this year of ¥134.3 billion incurred last year related to purchases of investments in subsidiaries with changes in consolidation scope. This decrease more than offset ¥51.8 billion in purchases of property, plant and equipment and intangible fixed assets.

Net cash used in financing activities amounted to ¥115.5 billion, compared to net cash provided of ¥38.5 billion in the prior fiscal year. This result was mainly due to ¥105.1 billion in repayments of long-term debt.

Capital Expenditures

For fiscal year ended December 2016, the SBF Group invested a total of ¥60.2 billion in capital expenditures to increase manufacturing capacity, strengthen sales capabilities, improve product quality, and streamline businesses.

In the Japan segment, the Group invested ¥29.4 billion in capital expenditures, primarily to increase manufacturing capacity, streamline businesses, and install new vending machines.

In the Overseas segment, the Group invested ¥30.8 billion in capital expenditures, primarily to increase manufacturing capacity and streamline businesses.

while interim dividends are determined by the Board of Directors. For the fiscal year under review, the SBF Group declared an annual dividend of ¥73 per share, including an interim dividend of ¥34 per share. As noted above, we use internal reserves for strategic investments in future business expansion and capital expenditures to strengthen core businesses.

Our Articles of Incorporation provide that interim dividends with a record date of June 30 of every year may be declared by a resolution of the Board of Directors.

The dividend payments for the fiscal year under review are as follows.

Date of determination	Total dividend (millions of yen)	Dividends per share (yen)
August 4, 2016 Board of Director resolution	10,506	34
March 30, 2017 Ordinary general meeting of shareholders	12,051	39

Dividend Policy

The SBF Group believes that giving priority to strategic and capital investment leads to sustained profit growth and improved corporate value, benefiting both our business and our shareholders. In addition, we view an appropriate shareholder return as one of our core management tasks. While giving due consideration to providing a stable return and maintaining robust internal reserves for the future, the SBF Group intends to pursue a comprehensive shareholder return policy that also takes into account our business results and future funding needs. More specifically, we have set a target consolidated payout ratio of 30% or more of net income attributable to owners of the parent before amortization of goodwill*. While our aim is for a stable increase in dividends through profit growth, we will consider increasing our payout ratio over the medium and long term in light of the need for capital funds and profit growth.

* This figure represents the sum of net income attributable to owners of the parent and amortization of goodwill.

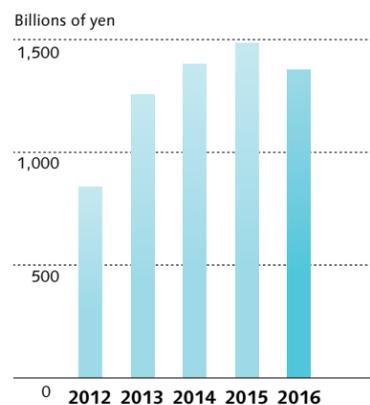
Our basic policy is to declare dividends twice a year in the form of interim and year-end dividends. Determinations regarding year-end dividends are made at the annual general meeting of shareholders,

Outlook for the Fiscal Year Ending December 31, 2017

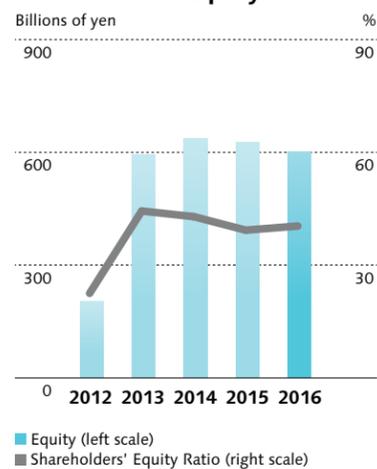
The SBF Group has strengthened our business foundation by listing shares on the Tokyo Stock Exchange and by engaging in various mergers and acquisitions. Utilizing this business foundation, we aim to accelerate self-sustainable growth in each area of operations, creating synergies and expanding in an integrated manner. To this end, we formulated management strategies for fiscal years 2015 through 2017. To make these strategies a success, we will continue to build up our business foundation in Japan and overseas throughout fiscal 2017, aiming for sales and profit growth in every region. For more about these initiatives, see P.8 and 9.

In the fiscal year ending December 31, 2017, the Group expects consolidated net sales of ¥1,430.0 billion, up 1.4% year on year, operating income of ¥98.0 billion, up 4.8%, ordinary income of ¥95.5 billion, up 4.7%, and net income attributable to owners of the parent of ¥47.0 billion, up 2.0%.

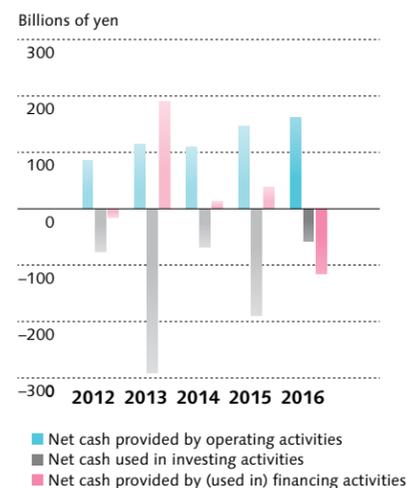
Total Assets



Equity and Shareholders' Equity Ratio



Cash Flows



Business and Other Risks

Our business, financial condition, and operating results could be materially adversely affected by the factors discussed below. The risks outlined below are those identified by Suntory Beverage & Food Limited and its consolidated subsidiaries as of March 31, 2017.

(1) Risks related to product development and supply

The beverage and food industry is highly susceptible to changes in consumer preferences. In order to generate revenues and profits, we must have product offerings that appeal to consumers. Although we strive to effectively monitor changes in the markets for our products, there is no assurance that we will develop new products that appeal to consumers. In particular, one element of our product strategy is to introduce products that appeal to health-conscious consumers, but we may face increased competition as other manufacturers also focus on products that emphasize health. Any significant changes in consumer preferences or any inability on our part to anticipate or react to such changes could result in reduced demand for our products and erosion of our competitiveness, and impact our operating results and financial position.

In regard to product supply, while we make predictions for consumer demand and design plans related to supply and demand based on such factors as consumer preferences, there is a possibility that we will not be able to appropriately respond to demand in the event that it exceeds the Group's estimations. In such an event, the Group would lose opportunities for sales, and the Group's brand image would also be adversely affected. There is also a possibility that demand for the Group's products would decrease. Such circumstances could have an impact on the Group's business performance and financial position.

In addition, the Group's continued success is also dependent on its ability to innovate, which includes maintaining a robust pipeline of new products and improving the effectiveness of product packaging and marketing efforts. While we devote significant resources

to promoting our brands and new product launches, changes in the consumer environment may impede our ability to effectively execute our marketing programs. Any failure on our part to implement effective sales policies that respond to market trends and technological innovations, achieve appropriate innovation, or successfully launch new products could decrease demand for our products by negatively affecting consumer perception of our brands, as well as result in inventory write-offs and other costs.

(2) Risks related to competition

The beverage and food industry is highly competitive. We compete with major international beverage companies that, like us, operate in multiple geographic areas, as well as numerous companies that are primarily local in operation. Large competitors can use their resources and scale to rapidly respond to competitive pressures and changes in consumer preferences by introducing new products, reducing prices or increasing promotional activities. We also compete with a variety of regional and private label manufacturers that may have historical strengths in particular geographic markets or product categories. Our inability to compete effectively could have an impact on our operating results and financial condition.

(3) Risks related to potential acquisitions and joint ventures

Identifying and taking advantage of additional acquisition and market entry opportunities in Japan, other developed markets, and emerging markets is an important part of our growth strategy. Accordingly, we regularly evaluate potential acquisitions and joint ventures, some of which are large in size or otherwise substantial. Acquisitions and joint ventures entail several potential issues, including those described below:

- We may be unable to identify appropriate acquisitions and other opportunities, or may be unable to agree to terms with potential counterparties due to competing bids or other reasons;
- We may fail to receive necessary consents, clearances, or approvals in connection with an acquisition or joint venture;

- We may be unable to raise necessary capital on favorable terms;
- In entering new geographic markets or product segments, we may change our business profile and face challenges with which we are unfamiliar or fail to anticipate; and
- We may be unable to realize the full extent of the profits or cost savings that we forecast as a result of an acquisition or the formation of a joint venture.

If we do not successfully execute our acquisition and joint venture strategy, we may be unable to realize our medium- and long-term growth objectives.

(4) Risks related to international operations

Our global operations and ongoing investment in developed and especially emerging markets mean we are subject to risks involved in international operations generally, which include the following:

- The need to comply with differing or undeveloped legal, regulatory and tax regimes;
- Negative economic or political developments;
- Fluctuations in exchange rates; and
- Disruptions from extraordinary events such as terrorism, political instability, civil unrest or epidemics.

We also intend to leverage our product development expertise and existing product portfolio in Japan and key overseas Group companies to expand our product offerings in other markets. However, there can be no assurance that our existing products, variants of our existing products or new products that we make, manufacture, market or sell will be accepted or successful in other markets, due to local competition, product price, cultural differences or other factors. If we are unable to develop products that appeal to consumers in new markets in which we have little or no prior experience, our ability to realize our growth objectives could be adversely affected.

(5) Risks related to business plans and management strategies

We have developed medium-term management strategies and established certain long-term business strategies and goals. Although we believe that our plan and these strategies and goals will help us achieve medium- and long-term growth, there can be no assurance that we will be successful in implementing our plan, executing our strategies or achieving our goals. In order to reach our medium- and long-term goals, we will need to achieve growth organically and through acquisitions and joint ventures. In addition to the risks we face in sourcing acquisition and joint venture opportunities and executing and integrating acquisitions and joint ventures as noted in Item (3) above, we also face risks in achieving organic growth in our existing operations. For example, we may not succeed in implementing business strategies to introduce high-value-added products or to achieve targeted supply chain cost efficiencies.

(6) Risks related to our product safety

As a beverage and food manufacturer, the safety of our products is vital to our business and we strive to comply with applicable rules and regulations and ensure that our products meet all required quality standards. In addition, we have adopted various quality, environmental, and health and safety standards in our operations. However, despite our efforts, our products may not meet these standards or could otherwise become contaminated. Such failure to meet our standards or contamination of our products could occur in our own operations or those of third-party manufacturers, distributors or suppliers, who we do not control. This could result in expensive production interruptions, recalls or liability claims and harm the affected brand and our corporate reputation. Moreover, negative publicity could be generated from unfounded or nominal liability claims or limited recalls.

(7) Risks related to distribution channels

We sell our products through multiple channels, including wholesalers and major retail groups. In Japan, our vending machine network, among others, is also an important distribution channel. Challenges we face with respect to our distribution channels include:

- Consolidation among retail groups in many markets resulting in large, sophisticated retailers with strong bargaining power in terms of pricing and sales promotions, and leading to the loss of significant customers, or unfavorable changes to pricing and other terms of business;
- Independent retailing groups, including those in Japan, introducing competitively priced private label products that contribute to intensifying price competition; and
- Saturation in the Japanese vending machine market, resulting in increased price competition. In addition, sales per machine may decrease due to increased competition from an increase in convenience store locations.

These risks related to our distribution channels could impact our results of operations and financial condition.

(8) Risks related to economic conditions

Unfavorable economic conditions, such as a future recession or economic slowdown in Japan or in other major markets, could negatively affect the affordability of, and consumer demand for, our products. Under challenging economic conditions, consumers may seek to reduce discretionary spending by foregoing purchases of our products or by shifting away from our products to lower-priced offerings from other companies. Weak consumer demand for our products in Japan or in other major markets could reduce our profitability and negatively affect our results of operations and financial position.

The Japanese government plans to increase the rate of consumption tax from the current 8% to 10% in October 2019. It is unclear what impact these increases will have on our sales in Japan or whether we will be able to maintain current margin levels following such increases. Furthermore, Japan's long-term demographic trends generally point to an aging and declining population. This could have a negative impact on consumer demand. If the tax increases or Japan's demographic trends result in decreased demand for our products or

increased pricing pressure, they may have a negative effect on our results of operations and financial position.

(9) Risks related to foreign exchange rate fluctuations

We purchase certain raw materials internationally using currencies other than the Japanese yen, principally the U.S. dollar. Although we use derivative financial instruments to reduce our net exposure to exchange rate fluctuations, such hedging instruments do not protect us against all fluctuations and our business and financial performance could be adversely affected. In addition, because our consolidated financial statements are presented in Japanese yen, we must translate revenues, income and expenses, as well as assets and liabilities, of overseas subsidiaries into Japanese yen at exchange rates in effect during or at the end of each reporting period. Therefore, foreign exchange rate fluctuations could impact our results of operations and financial position.

(10) Risks related to interest rate fluctuations

We finance a portion of our operations through interest-bearing loans and in the future we may conduct debt financing through loans, the issuance of corporate bonds or other means. In addition, we may engage in fundraising to finance future acquisitions. Although we use fixed-interest transactions and derivative instruments to manage our interest rate exposure, large increases in interest rates could have an adverse effect on our financial condition and results of operations.

(11) Risks related to goodwill and trademarks

As of December 31, 2016, the Group's consolidated intangible fixed assets stood at ¥622.3 billion. Of this amount, goodwill totaled ¥407.3 billion and trademarks totaled ¥150.8 billion. The majority of goodwill is related to the acquisition of shares in the Orangina Schweppes Group and Japan Beverage Holdings Inc., etc. Furthermore, most trademarks are related to the manufacturing and sales business of *Lucozade* and *Ribena*, which were acquired from GlaxoSmithKline plc.

We may record additional goodwill and trademarks as a result of conducting new acquisitions and joint ventures in the future. We are required to regularly assess our

consolidated intangible fixed assets for any signs of impairment. In cases where we determine that these consolidated intangible fixed assets are impaired, we are required to post an impairment loss. The recording of such an impairment loss could have an adverse effect on our results of operations and financial position.

(12) Risks related to procurement of raw materials

The principal raw materials we use in our business are aluminum, steel cans and ends, glass bottles, PET bottles and caps, paperboard packaging, coffee beans, tea leaves, juice, fruit, sweeteners and other ingredients.

The price of these materials is affected by changes in weather patterns and supply and demand in the relevant global markets. Additionally, conversion of raw materials into our products for sale also uses electricity and natural gas. The cost of the raw materials and energy can fluctuate substantially. Continued increases in the prices of these raw materials and energy could exert pressure on our costs and we may not be able to pass along any such increases to the sales price of our products, which could negatively affect our business, results of operations and financial position.

In addition, some raw materials we use are sourced from industries characterized by a limited supply base. Although we believe we have strong relationships with our suppliers, we could suffer raw material shortages if they are unable to meet our requirements. The failure of our suppliers to meet our needs could occur for many reasons, including climate change, weather, natural disasters, fires, crop failures, disease, strikes, manufacturing problems, transportation issues, supply interruptions, government regulation, political instability, and terrorism. Some of these risks may be more acute in cases in which the supplier or its facilities are located in countries or regions where there is a high risk that the aforementioned circumstances will occur. Changing suppliers can require long lead times and any significant interruption to supply over an extended period of time could substantially harm our business, results of operations, and financial position.

(13) Risks related to water supply

Water is the main ingredient in substantially all our products, and water resources in many parts of the world are facing unprecedented challenges from population pressures, pollution, poor management and the impact of climate change. As demand for water resources increases around the world, companies that depend on abundant water resources, including us, may face increased production costs or capacity constraints which could adversely affect our profitability or growth strategy over the long term.

(14) Risks related to weather conditions

Sales of certain types of our products are significantly influenced by weather conditions. We ordinarily record our highest sales volume levels during hotter weather in the spring and summer months, but unseasonably cool weather conditions during this period could depress demand for our products and negatively impact our results of operations and financial position.

(15) Risks related to environmental problems

Recognizing that the global natural environment constitutes one of our management resources, we are working in earnest to implement environmental preservation activities, in an effort to hand a sustainable society to future generations. We are striving to thoroughly reduce water usage, cut CO₂ emissions, convert waste materials into useful resources and recycle containers. In the course of executing business operations, we comply with various related environmental regulations. However, in the event of global environmental problems due to global climate change, resource depletion and other issues; environmental pollution caused by accidents, mishaps and other events; and higher cost outlays for investment in new equipment mainly due to amendments in relevant laws and regulations, our results of operations and financial position could be negatively affected.

(16) Risks related to supply chains

We and our business partners source materials and conduct manufacturing activities globally. Using supply chain management techniques to lower costs and improve profitability is one element of our business strategy, but we may not be able to achieve the targeted efficiencies, due to factors beyond our control. Damage or disruption to our manufacturing or distribution capabilities due to any of the following could impair our ability to make, manufacture, distribute or sell our products: climate change, weather, natural disasters, fires, crop failures, disease, strikes, manufacturing problems, transportation problems, supply interruptions, government regulations, government actions, pandemics, industrial accidents or other occupational health and safety issues, labor shortages, political instability, or acts of terrorism. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our Group businesses or financial condition and results of operations, as well as require additional resources to restore our supply chain.

(17) Risks related to management team and employees

Our continued growth requires us to hire, retain and develop our leadership driven management team and highly skilled workforce. We must hire talented new employees, train them, and develop their skills and competencies. Any unplanned turnover or our failure to develop an adequate succession plan for current management positions could deplete our institutional knowledge base and erode our competitive advantage.

Our operating results and financial position could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. Operating results and financial position could also be affected adversely due to an inability to manage labor properly, resulting in an adverse impact on employee health and wellness.

(18) Risks related to employee retirement benefit obligations

Our costs related to employee retirement obligations are calculated based on actuarial assumptions and estimates such as an assumed discount rate and estimated returns from employee retirement plan assets. A divergence of actual results from our assumptions or estimates, or a change in those assumptions and estimates, could adversely affect our results of operations and financial position.

(19) Risks related to information systems and services

We depend on key information systems and services to accurately and efficiently transact our business, interface with customers, provide information to management, and prepare financial reports, among other activities. In addition, we rely on third-party providers, including a subsidiary of Suntory Holdings Limited, for a number of key information systems and business processing services. Although we have implemented policies and procedures to increase the security of these systems and services, they are vulnerable to interruptions or other failures resulting from, among other things, hardware, software, equipment, or telecommunications defects and failures, processing errors, earthquakes and other natural disasters, terrorists attacks, computer virus infections, computer hacking, unauthorized access with malicious intentions, or any other security issues or supplier defaults. Security, backup, and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures. Such difficulties or failures could affect our operating results and financial position.

(20) Risks related to legal compliance

We are subject to a variety of national and local laws and regulations in Japan, Europe, Asia, Oceania, the Americas and the other regions in which we do business. These laws and regulations apply to many aspects of our business activities including the manufacture, labeling, transportation, advertising and sale of our products. In particular, if an accident or non-compliance with these laws or regulations results in environmental pollution, we could be subject to claims or sanctions and incur increased costs. Due to our global operations, we must

also comply with anti-corruption provisions of Japanese law or foreign statutes. Violations of applicable laws or regulations could damage our reputation or result in regulatory or private actions with substantial penalties or damages. In addition, any significant change in such laws or regulations or their interpretation, or the introduction of higher standards or more stringent laws or regulations, could result in increased compliance costs.

Recently, a number of jurisdictions have introduced or have been considering measures such as special excise taxes and new labeling requirements, serving sizes or other restrictions on the sale of sweetened soft drinks including carbonated soft drinks on health grounds. Although we believe our product portfolio has a much higher proportion of non-carbonated and healthy products as compared to other global beverage firms, any such regulatory measures could adversely affect our results of operations and financial position.

(21) Risks related to the reputation of our brands

Maintaining a good reputation globally is critical to selling our branded products. Product contamination or tampering; the failure to maintain high standards for product quality, safety and integrity, including with respect to raw materials and ingredients obtained from suppliers; or allegations of product quality issues, mislabeling or contamination, even if untrue, may harm our reputation and reduce demand for our products or cause production and sales disruptions. If any of our products fail to meet health or safety standards, cause injury to consumers or are mislabeled, we may have to engage in a product recall and/or be subject to liability. Furthermore, Suntory Holdings Limited and other Suntory Group companies not under our control also use the *Suntory* brand. Similar problems or compliance failures on the part of Suntory Holdings Limited and other Suntory Group companies could also contribute to negative perceptions of our brand. Damage to our reputation or loss of consumer confidence in our products for any of these or other reasons could result in decreased demand for our products and could have a material adverse effect on our business, financial condition and results of operations, as well as require additional resources to rebuild our reputation.

(22) Risks related to intellectual property

We license the *Suntory* brand from our parent, Suntory Holdings Limited, and expect to continue to do so in the future. If our license is terminated, including because we are no longer a subsidiary of our parent, our corporate image and marketing efforts could be impacted, and we could be required to make a significant investment in rebranding.

We also license various other trademarks from third parties and license our own trademarks to third parties.

For trademarks licensed from third parties, the licensor may terminate the license arrangement or other agreements. Consequently, we may no longer be able to manufacture or sell the related products. The termination of any material license arrangement or other agreements could adversely affect our results of operations and financial position.

For trademarks licensed to third parties, problems could occur with respect to the use of trademarks and related products by these third parties. This could have an impact on our use of the trademarks and the reputation of our brands.

In regions where we have not registered our trademarks, third parties may own or use the same or similar trademarks to our own. In the event that problems occur with respect to the use of trademarks or related products by these third parties, this could adversely affect our brands, and could have an impact on our results of operations and financial position.

We also possess other intellectual property that is important to our business. This intellectual property includes trademarks, copyrights, patents, and other trade secrets. We and third parties could come into conflict over intellectual property rights. Conflict could disrupt our business and cost a substantial amount to protect our rights or defend ourselves against claims. We cannot be certain that the steps we take to protect our rights will be sufficient or that others will not infringe or misappropriate our rights. If we are unable to protect our intellectual property rights, our brands, products and business could be harmed.

(23) Risks associated with control by the parent

As of March 31, 2017, our parent, Suntory Holdings Limited, owns 59.48% of the outstanding shares of our common stock, and accordingly, has control or veto rights with respect to fundamental decisions such as election and removal of our directors, the approval of joint ventures or other business reorganizations, the transfer of material businesses, amendments to our

Articles of Incorporation and the declaration of dividends. Suntory Holdings Limited could continue to influence the determination of all matters that require the approval of the general meeting of shareholders, regardless of the intentions of other shareholders. Our management makes decisions independently of our parent, with no matters requiring the parent's prior approval.

1) Details on our main relationships with Suntory Holdings Limited and other subsidiaries are as follows:

Type of transaction	Counterparty	Amount (millions of yen)	Method used to determine transaction terms
Outsourcing of product shipping	Suntory Logistics Ltd.	23,803	Determined by discussions between the parties after considering the quality and market price of similar services
Payment of brand royalties	Suntory Holdings Limited	19,726	The rate of royalty was determined by discussions between the parties after considering the brand value and other factors
Purchase of coffee beans	Suncaf� Ltd. (Suntory Coffee Roastery LTD.)	12,290	Determined by discussions between the parties after considering the quality and market price of similar products.
Outsourcing of indirect services (logistics, procurement, customer relations, etc.)	Suntory Business Expert Limited	12,093	Determined by discussions between the parties after considering the quality of operations and market price of similar services

With respect to transactions with the Suntory Group, the General Affairs Department and the Accounting Department confirm in advance the necessity of a transaction as well as the validity of its terms and conditions and the method of determination. In addition, from the standpoint of ensuring our independence from Suntory Holdings Limited, we engage in ample deliberation at Board of Directors meetings, attended by several independent Outside Directors, in regard to transactions that are deemed particularly important. These deliberations address the necessity and validity of such a transaction, and decisions are made upon the completion of the deliberations. Moreover, in regard to whether or not transactions based on the content of these deliberations are actually being carried out, the Internal Audit Division conducts ex-post evaluations of the transaction's content and the Audit & Supervisory Committee performs audits. In this way, we have developed a framework to ensure sound and appropriate terms for transactions with the Suntory Group.

2) Posts held concurrently at Suntory Holdings Limited by our officers

Among our directors, Director Nobuhiro Torii concurrently serves as executive vice president of Suntory Holdings Limited. This appointment was made to further strengthen the function of the SBF Board of Directors, leveraging Mr. Torii's experience in Group management as an SBF representative director through March 2016, as well as his abundant knowledge and experience in general management.

3) Acceptance of seconded personnel (employees) from Suntory Holdings Limited

Among our personnel, a certain number of full-time employees other than employees at the managerial level and above are seconded from Suntory Holdings Limited. As of December 31, 2016, there were approximately 260 employees seconded to us from Suntory Holdings Limited. In addition, all employees at the managerial level and above are SBF employees. Employees seconded from Suntory Holdings Limited will become SBF employees upon promotion to the managerial level and above.

4) Trademarks, patents, and comprehensive licensing agreements

We have entered into a licensing agreement with Suntory Holdings Limited regarding our use of the *Suntory* corporate brand. Based on this agreement, we are licensed to use the *Suntory* name and brand. Under the terms of the agreement, our use of the *Suntory* brand remains effective as long as we remain part of the Suntory Group. Based on the agreement, we are paying brand royalties to Suntory Holdings Limited.

We own the patents, designs, and trademarks that we use exclusively in our businesses. However, considering that the *Suntory* corporate brand is an asset that belongs to the entire Suntory Group, Suntory Holdings Limited will continue to own trademarks and other intellectual property that contain the *Suntory* corporate brand.

Consolidated Balance Sheet

Suntory Beverage & Food Limited and Consolidated Subsidiaries
December 31, 2015 and 2016

ASSETS	Millions of Yen		Thousands of
	2015	2016	U.S. Dollars (Note 1)
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 97,718	¥ 84,096	\$ 721,917
Short-term investments (Note 5)	27	31	272
Notes and accounts receivable (Note 15):			
Trade	156,110	159,785	1,371,671
Other	25,547	29,029	249,201
Allowance for doubtful accounts	(352)	(217)	(1,867)
Inventories (Note 6)	82,590	74,738	641,584
Deferred tax assets (Note 10)	12,269	11,605	99,625
Other current assets	16,640	15,474	132,842
Total current assets	390,553	374,544	3,215,247
PROPERTY, PLANT, AND EQUIPMENT:			
Land	43,335	42,971	368,886
Buildings and structures	120,365	126,471	1,085,681
Machinery, equipment, and other	519,021	529,962	4,549,428
Construction in progress	13,387	14,648	125,752
Lease assets (Note 14)	39,213	36,509	313,414
Total	735,323	750,564	6,443,164
Accumulated depreciation	(387,473)	(411,788)	(3,534,968)
Net property, plant, and equipment	347,850	338,775	2,908,196
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries and associates (Note 15)	4,337	4,516	38,770
Investment securities (Notes 5 and 15)	5,591	5,773	49,564
Long-term receivables	75	57	494
Long-term guarantee deposit	5,228	5,356	45,981
Goodwill (Note 12)	454,212	407,283	3,496,299
Trademarks	188,517	150,827	1,294,767
Asset for retirement benefits (Note 8)	1,101	708	6,083
Deferred tax assets (Note 10)	3,632	2,714	23,305
Other	83,880	76,024	652,624
Allowance for doubtful accounts	(547)	(582)	(4,999)
Total investments and other assets	746,031	652,680	5,602,891
TOTAL	¥1,484,434	¥1,366,000	\$11,726,335

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of
	2015	2016	U.S. Dollars (Note 1)
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 15)	¥ 16,327	¥ 10,415	\$ 89,408
Current portion of long-term debt (Notes 7, 14, and 15)	104,968	68,898	591,450
Notes and accounts payable (Note 15):			
Trade	122,099	119,072	1,022,165
Other	101,208	105,175	902,868
Consumption taxes payable (Note 15)	6,471	8,143	69,903
Accrued income taxes (Notes 10 and 15)	13,138	15,849	136,062
Accrued expenses (Note 15)	54,916	58,333	500,757
Other current liabilities	19,749	24,491	210,247
Total current liabilities	438,881	410,378	3,522,863
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 14, and 15)	315,337	250,953	2,154,296
Liability for employees' retirement benefits (Note 8)	6,887	8,784	75,412
Retirement allowances for directors and Audit and Supervisory Board members	321	246	2,120
Long-term deposits payable	10,677	10,922	93,759
Deferred tax liabilities (Note 10)	76,821	74,796	642,081
Other	8,616	7,470	64,130
Total long-term liabilities	418,662	353,174	3,031,801
COMMITMENTS (Notes 14 and 16)			
EQUITY (Notes 9 and 18):			
Common stock, authorized – 480,000,000 shares, and issued – 309,000,000 shares in 2015 and 2016	168,384	168,384	1,445,480
Capital surplus	192,323	183,628	1,576,344
Retained earnings	176,537	199,116	1,709,302
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	1,894	2,020	17,343
Deferred gain on derivatives under hedge accounting	376	130	1,116
Foreign currency translation adjustments	46,993	2,973	25,523
Defined retirement benefit plans	(3,013)	(4,023)	(34,539)
Total	583,495	552,229	4,740,570
Noncontrolling interests	43,395	50,218	431,100
Total equity	626,890	602,447	5,171,670
TOTAL	¥1,484,434	¥1,366,000	\$11,726,335

See notes to consolidated financial statements.

Consolidated Statement of Income

Suntory Beverage & Food Limited and Consolidated Subsidiaries
Year Ended December 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
NET SALES	¥1,381,007	¥1,410,765	\$12,110,614
COST OF SALES (Note 11)	628,429	629,276	5,401,978
Gross profit	752,577	781,489	6,708,635
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 11, 12, 13, and 14)	660,570	688,007	5,906,146
Operating income	92,007	93,481	802,489
OTHER INCOME (EXPENSES):			
Interest and dividend income	2,034	498	4,280
Interest expense	(5,059)	(4,379)	(37,599)
Gain on step acquisitions	15,698	—	—
Loss on disposal of property, plant, and equipment	(2,619)	(2,564)	(22,011)
Restructuring charges	(3,901)	(5,420)	(46,531)
Other – net (Note 19.(7))	(18,702)	1,519	13,043
Other expenses – net	(12,550)	(10,346)	(88,817)
INCOME BEFORE INCOME TAXES	79,456	83,135	713,671
INCOME TAXES (Note 10):			
Current	27,030	27,518	236,227
Deferred	7,346	2,851	24,479
Total income taxes	34,377	30,369	260,707
NET INCOME	45,079	52,765	452,963
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	2,616	6,708	57,591
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 42,462	¥ 46,056	\$ 395,371

	Yen		U.S. Dollars (Note 1)
	2015	2016	2016
AMOUNTS PER SHARE (Note 2.(v)):			
Net income – basic	¥137.42	¥149.05	\$1.27
Cash dividends applicable to the year	68.00	73.00	0.62

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Suntory Beverage & Food Limited and Consolidated Subsidiaries
Year Ended December 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2016	2016
NET INCOME	¥ 45,079	¥ 52,765	\$ 452,963
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain on available-for-sale securities	600	123	1,062
Deferred loss on derivatives under hedge accounting	(283)	(200)	(1,721)
Foreign currency translation adjustments	(38,125)	(44,799)	(384,577)
Defined retirement benefit plans	(1,034)	(1,042)	(8,946)
Share of other comprehensive loss in associates	(467)	(200)	(1,724)
Total other comprehensive losses	(39,311)	(46,119)	(395,907)
COMPREHENSIVE INCOME	¥ 5,767	¥ 6,646	\$ 57,056
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 4,884	¥ 908	\$ 7,796
Noncontrolling interests	883	5,738	49,259

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Suntory Beverage & Food Limited and Consolidated Subsidiaries
Year Ended December 31, 2015 and 2016

	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Accumulated Other Comprehensive Income (Loss) on Derivatives under Hedge Accounting
BALANCE, JANUARY 1, 2015 (as previously reported)	309,000,000	¥168,384	¥192,701	¥150,463	¥1,316	¥ 606
Cumulative effect of accounting change (Note 2.(l))	—	—	—	3,326	—	—
BALANCE, JANUARY 1, 2015 (as restated)	309,000,000	168,384	192,701	153,790	1,316	606
Net income attributable to owners of the parent	—	—	—	42,462	—	—
Cash dividends, ¥64.00 per share	—	—	—	(19,776)	—	—
Changes in the parent's ownership interest due to transactions with noncontrolling interests	—	—	(474)	—	—	—
Put option granted to noncontrolling interests	—	—	—	60	—	—
Other	—	—	96	—	—	—
Net change in the year	—	—	—	—	577	(230)
BALANCE, DECEMBER 31, 2015 (January 1, 2016 as previously reported)	309,000,000	168,384	192,323	176,537	1,894	376
Cumulative effect of accounting change (Note 2.(d))	—	—	211	(2,157)	—	—
BALANCE, JANUARY 1, 2016 (as restated)	309,000,000	168,384	192,535	174,380	1,894	376
Net income attributable to owners of the parent	—	—	—	46,056	—	—
Cash dividends, ¥69.00 per share	—	—	—	(21,321)	—	—
Changes in the parent's ownership interest due to transactions with noncontrolling interests	—	—	(8,907)	—	—	—
Net change in the year	—	—	—	—	126	(245)
BALANCE, DECEMBER 31, 2016	309,000,000	¥168,384	¥183,628	¥199,116	¥2,020	¥ 130

	Millions of Yen				
	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 1, 2015 (as previously reported)	¥ 83,801	¥(1,897)	¥595,377	¥40,247	¥635,624
Cumulative effect of accounting change (Note 2.(l))	—	—	3,326	8	3,334
BALANCE, JANUARY 1, 2015 (as restated)	83,801	(1,897)	598,703	40,255	638,959
Net income attributable to owners of the parent	—	—	42,462	—	42,462
Cash dividends, ¥64.00 per share	—	—	(19,776)	—	(19,776)
Changes in the parent's ownership interest due to transactions with noncontrolling interests	—	—	(474)	—	(474)
Put option granted to noncontrolling interests	—	—	60	—	60
Other	—	—	96	—	96
Net change in the year	(36,808)	(1,116)	(37,578)	3,139	(34,438)
BALANCE, DECEMBER 31, 2015 (January 1, 2016 as previously reported)	46,993	(3,013)	583,495	43,395	626,890
Cumulative effect of accounting change (Note 2.(d))	(26)	—	(1,971)	—	(1,971)
BALANCE, JANUARY 1, 2016 (as restated)	46,966	(3,013)	581,523	43,395	624,918
Net income attributable to owners of the parent	—	—	46,056	—	46,056
Cash dividends, ¥69.00 per share	—	—	(21,321)	—	(21,321)
Changes in the parent's ownership interest due to transactions with noncontrolling interests	—	—	(8,907)	—	(8,907)
Net change in the year	(43,993)	(1,009)	(45,123)	6,823	(38,299)
BALANCE, DECEMBER 31, 2016	¥ 2,973	¥(4,023)	¥552,229	¥50,218	¥602,447

See notes to consolidated financial statements.

	Thousands of U.S. Dollars (Note 1)					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Accumulated Other Comprehensive Income (Loss) on Derivatives under Hedge Accounting
BALANCE, DECEMBER 31, 2015 (January 1, 2016 as previously reported)	309,000,000	\$1,445,480	\$1,650,989	\$1,515,477	\$16,261	\$ 3,227
Cumulative effect of accounting change (Note 2.(d))	—	—	1,817	(18,518)	—	—
BALANCE, JANUARY 1, 2016 (as restated)	309,000,000	1,445,480	1,652,806	1,496,958	16,261	3,227
Net income attributable to owners of the parent	—	—	—	395,371	—	—
Cash dividends, \$0.59 per share	—	—	—	(183,028)	—	—
Changes in the parent's ownership interest due to transactions with noncontrolling interests	—	—	(76,462)	—	—	—
Net change in the year	—	—	—	—	1,082	(2,111)
BALANCE, DECEMBER 31, 2016	309,000,000	\$1,445,480	\$1,576,344	\$1,709,302	\$17,343	\$ 1,116

	Thousands of U.S. Dollars (Note 1)				
	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE AT DECEMBER 31, 2015 (January 1, 2016 as previously reported)	\$ 403,408	\$(25,870)	\$5,008,973	\$372,522	\$5,381,496
Cumulative effect of accounting change (Note 2.(d))	(223)	—	(16,924)	—	(16,924)
BALANCE AT JANUARY 1, 2016 (as restated)	403,184	(25,870)	4,992,048	372,522	5,364,571
Net income attributable to owners of the parent	—	—	395,371	—	395,371
Cash dividends, \$0.59 per share	—	—	(183,028)	—	(183,028)
Changes in the parent's ownership interest due to transactions with noncontrolling interests	—	—	(76,462)	—	(76,462)
Net change in the year	(377,661)	(8,668)	(387,358)	58,577	(328,781)
BALANCE AT DECEMBER 31, 2016	\$ 25,523	\$(34,539)	\$4,740,570	\$431,100	\$5,171,670

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Suntory Beverage & Food Limited and Consolidated Subsidiaries
Year Ended December 31, 2015 and 2016

	2015	2016	2016
		Millions of Yen	Thousands of U.S. Dollars (Note 1)
OPERATING ACTIVITIES:			
Income before income taxes	¥ 79,456	¥ 83,135	\$ 713,671
Adjustments for:			
Depreciation and amortization	56,301	58,654	503,514
Amortization of goodwill	27,226	28,680	246,205
Loss on disposal of property, plant, and equipment	2,619	2,564	22,011
Net gain on sales of property, plant, and equipment	(616)	(1,253)	(10,760)
Gain on step acquisitions	(15,698)	—	—
Decrease (increase) in notes and accounts receivable – trade	634	(9,897)	(84,961)
(Increase) decrease in inventories	(4,232)	5,585	47,947
Increase in notes and accounts payable – trade	569	1,383	11,872
Decrease in interest and dividends receivable	2	1	14
Increase (decrease) in interest payable	19	(453)	(3,890)
Income taxes paid	(28,047)	(24,724)	(212,247)
Other – net	27,506	18,184	156,103
Net cash provided by operating activities	145,741	161,860	1,389,479
INVESTING ACTIVITIES:			
Purchases of property, plant, and equipment	(59,089)	(51,793)	(444,619)
Proceeds from sales of property, plant, and equipment	2,262	2,651	22,765
Purchases of investment securities	(17)	(81)	(696)
Proceeds from sales of investment securities	9	65	565
Proceeds from refunds of investment securities	3,411	—	—
Purchases of investments in subsidiaries with changes in consolidation scope – net of cash acquired (Note 4)	(134,317)	—	—
Payments for transfer of business	—	(8,088)	(69,431)
Other – net	(1,105)	(604)	(5,186)
Net cash used in investing activities	(188,847)	(57,849)	(496,603)
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	(15,505)	(1,291)	(11,085)
Proceeds from long-term debt	103,760	27,790	238,565
Repayments of long-term debt	(21,697)	(105,128)	(902,466)
Repayments of lease obligations	(3,876)	(7,898)	(67,807)
Cash dividends	(19,776)	(21,321)	(183,028)
Cash dividends to noncontrolling interests	(4,422)	(3,858)	(33,120)
Purchases of investments in subsidiaries without changes in consolidation scope	—	(3,808)	(32,693)
Other – net	20	—	—
Net cash provided by (used in) financing activities	38,504	(115,515)	(991,637)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(3,184)	(2,118)	(18,183)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,786)	(13,622)	(116,944)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	105,505	97,718	838,861
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 97,718	¥ 84,096	\$ 721,917

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Suntory Beverage & Food Limited and Consolidated Subsidiaries

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 the 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 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Suntory Beverage & Food 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 ¥116.49 to \$1, the exchange rate at December 31, 2016. 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.

Japanese yen figures less than a million yen are rounded down to the nearest million yen and U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars in the presentation of these consolidated financial statements, except for per share data. As a result, the totals in Japanese yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

The Company is a 59.48% owned subsidiary of Suntory Holdings Limited (the "Parent"), a pure holding company that was established on February 16, 2009, through a stock transfer from Suntory Limited (now, Suntory Spirits Limited), a company founded in Osaka in 1899. The Parent and its subsidiaries (together, the "Suntory Group") produce and distribute various popular brands of beverages in various alcoholic and nonalcoholic beverage categories. The Company was established on January 23, 2009, and commenced the nonalcoholic beverage and food business among the Suntory Group on April 1, 2009. The Company was transferred such business by way of corporate split in connection with the reorganization of Suntory Group, which adopted the holding company structure mentioned above.

2. Summary of Significant Accounting Policies

(a) Consolidation – The consolidated financial statements as of December 31, 2016, include the accounts of the Company and its 95 (93 in 2015) subsidiaries (collectively, the "Group").

Under the control and influence concepts, 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 seven (seven in 2015) associates are accounted for by the equity method in 2016.

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

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over periods of mainly 20 years or, if immaterial, is 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 test.

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 (the "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," which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that 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. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that 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 recorded in equity through other comprehensive income; 3) expensing capitalized development costs of research and development ("R&D"); and 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.

(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," which was subsequently revised in line with the revisions to PITF No. 18 above. The standard requires adjustments to be made to conform 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 adjustments.

In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or FASB ASC 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 recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; and 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.

(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 R&D costs acquired in a business combination are 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. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 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:

(a) Transactions with noncontrolling interest – A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet – In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income – In the consolidated statement of income, "net income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination – 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 provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is 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.

(e) Acquisition-related costs – Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application. The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income

shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Group applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective January 1, 2016, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after January 1, 2016. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied retrospectively for all applicable transactions which occurred in the past.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

In the consolidated statement of cash flows for the year ended December 31, 2016, cash flows for purchases or sales of investments in subsidiaries without changes in consolidation scope are presented under financing activities, and cash flows for acquisition-related costs are presented under operating activities.

The cumulative effects from the retrospective application for (a) and (e) above at January 1, 2016, have been reflected within capital surplus and retained earnings at January 1, 2016.

As a result, as of the beginning of the fiscal year ended December 31, 2016, goodwill and foreign currency translation adjustments decreased by ¥1,971 million (\$16,924 thousand) and ¥26 million (\$223 thousand), respectively, capital surplus increased by ¥211 million (\$1,817 thousand), and retained earnings decreased by ¥2,157 million (\$18,518 thousand). The impact from the accounting change on

operating income and income before income taxes of the fiscal year ended December 31, 2016 was immaterial.

In addition, there was no material impact on basic net income per share for the year ended December 31, 2016.

(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 and 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 and cash equivalents. Generally, such time deposits can also 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 cost 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, and 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, and 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 the related expense 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 using the straight-line method. The range of useful lives is principally from five to 50 years for buildings and structures,

and from two to 17 years for machinery, equipment, and other. 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 using the straight-line method except for acquired intangible assets with indefinite useful lives. Trademarks whose useful lives are not determinable are not amortized and subject to impairment test. Purchased software for internal use and software development costs are amortized based on the straight-line method over an estimated useful life of up to 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, defined contribution pension plans, and unfunded retirement benefit plans for employees (see Note 8).

The Group accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis mainly over 15 years within the average remaining service period. Past service costs are amortized on a straight-line basis mainly over 15 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance,

and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 17).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in prior annual period, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective December 31, 2014, and for (c) above, effective January 1, 2015.

With respect to (c) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using different discount rates according to the estimated timing of benefit payment, and recorded the effect of (c) above as of January 1, 2015, in retained earnings. As a result, asset for retirement benefits as of January 1, 2015, increased by ¥826 million liability for retirement benefits as of January 1, 2015, decreased by ¥4,361 million, and retained earnings as of January 1, 2015, increased by ¥3,326 million and there was no material impact on operating income, ordinary income, and income before income taxes and noncontrolling interests for the fiscal year ended December 31, 2015. There was no material impact on net income per share.

(m) Retirement Allowances for Directors and Audit and Supervisory Board Members – Upon retirement, directors and Audit and Supervisory Board members of the Company's certain domestic subsidiaries and directors of certain foreign subsidiaries are also qualified to receive lump-sum payments based on each 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 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 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) Research and Development Costs – Research and development 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.

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 on the 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.

(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 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 Consolidated 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 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" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese 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, but the unrealized gains/losses are deferred until the underlying transactions are completed.

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

Interest rate and currency 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.

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

(v) Per Share Information – Basic net income per share (EPS) is computed by dividing net income attributable 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 represent dividends applicable to the respective year, including dividends to be paid after the end of the year.

(w) Accounting Changes and Error Corrections – In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies – When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions; (2) Changes in Presentation – When the presentation of consolidated financial statements is changed, prior-period consolidated financial statements are reclassified in accordance with the new presentation; (3) Changes in Accounting Estimates – A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively

if the change affects both the period of the change and future periods; and (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) New Accounting Pronouncements

Tax Effect Accounting – On March 28, 2016, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on a company's classification in respect of its profitability, taxable profit and temporary differences, etc. The new guidance does not change such basic framework

but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Group expects to apply the new guidance on recoverability of deferred tax assets effective January 1, 2017, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. Business Combination

Establishment of a New Subsidiary of Full-line Beverage Service Business

The Company established a new subsidiary (the "New Company"), which was to take over operations of the vending machine business, fountain business, and water business (collectively the "Full-line Beverage Service Business") all of which were operated by the Company's consolidated subsidiary, Suntory Foods Limited.

[Overview of Business Combination]

(1) Name of business and major businesses

Name of business: Full-line Beverage Service Business
Major businesses: Soft drink vending machine business, fountain business, water business, etc., in Japan

(2) Date of the business combination

April 1, 2016

(3) Legal form of business combination

A company split followed by an absorption-type company split under which Suntory Foods Limited is the splitting company and Suntory Beverage Solution Limited is the successor company.

(4) Name of the company after the business combination
Suntory Beverage Solution Limited

(5) Other related information

The business combination was conducted to expedite the Group's decision-making process for the Full-line Beverage Service Business, to improve customer satisfaction, and to increase management efficiency.

Moreover, the Group aims to accelerate the expansion of its customer base even further by unifying its strategy to further enhance customer response capabilities and sales capabilities, as well as providing higher added value to customers through the development of new products and services.

(6) Overview of accounting treatment planned to implement

The absorption-type company split was executed as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, as announced on September 2013) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, as announced on September 2013).

4. Additional Information on Statement of Cash Flows

The Group acquired Japan Beverage Holdings Inc. and JT A-Star Co., Ltd. (currently A-Star Co., Ltd.) etc., on July 31, 2015. Assets and liabilities of the acquired companies and net cash used for the acquisition were as follows:

	Millions of Yen
	2015
Current assets	¥ 42,097
Noncurrent assets	173,287
Current liabilities	(35,626)
Long-term liabilities	(23,368)
Noncontrolling interests	(6,713)
Total acquisition costs	149,676
Cash and cash equivalents	(15,359)
Net cash used for acquisition	¥134,317

5. Short-Term Investments and Investment Securities

Short-term investments and investment securities as of December 31, 2015 and 2016, consisted of the following:

	2015	2016	2016
		Millions of Yen	Thousands of U.S. Dollars
Short-term investments:			
Time deposits	¥ 27	¥ 31	\$ 272
Investment securities:			
Equity securities	¥5,591	¥5,773	\$49,564

The costs and aggregate fair values of marketable securities included in short-term investments and investment securities as of December 31, 2015 and 2016, were as follows:

	2015			2016		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Available-for-sale securities:						
Carrying amounts exceeding their acquisition cost:						
Equity securities	¥1,728	¥4,770	¥3,041	¥1,818	¥4,974	¥3,155
Acquisition costs exceeding their carrying amounts:						
Equity securities	86	77	(9)	69	53	(15)
Total	¥1,815	¥4,847	¥3,032	¥1,887	¥5,027	¥3,140

	2016		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Available-for-sale securities:			
Carrying amounts exceeding their acquisition cost:			
Equity securities	\$15,610	\$42,700	\$27,089
Acquisition costs exceeding their carrying amounts:			
Equity securities	592	460	(132)
Total	\$16,203	\$43,160	\$26,957

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2015 and 2016, were as follows:

	Carrying Amounts	
	Millions of Yen	Thousands of U.S. Dollars
	2015	2016
Available-for-sale:		
Equity securities	¥743	¥746
		\$6,404

Sales of securities classified as available-for-sale securities for the years ended December 31, 2015 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Amount sold	¥9	¥65	\$565
Total gain on sale	1	55	475
Total loss on sale	0	—	—

6. Inventories

Inventories as of December 31, 2015 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Finished products	¥47,844	¥46,378	\$398,131
Work in process	6,753	4,406	37,827
Raw materials and supplies	27,992	23,953	205,625
Total	¥82,590	¥74,738	\$641,584

7. Short-Term Bank Loans and Long-Term Debt

The weighted-average interest rates applicable to the short-term bank loans were 2.94% and 2.19% as of December 31, 2015 and 2016, respectively.

Long-term debt as of December 31, 2015 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Publicly offered corporate bonds, due 2019 or 2024, rates ranging from 0.26% to 0.70%	¥ 40,000	¥ 40,000	\$ 343,377
Loans, from banks and other financial institutions, due through 2025, 0.62% and 0.76% of weighted-average interest rates as of December 31, 2015 and 2016, respectively:			
Unsecured	356,064	261,107	2,241,456
Obligations under finance leases	24,240	18,744	160,913
Total	420,305	319,852	2,745,747
Less current portion	(104,968)	(68,898)	(591,450)
Long-term debt – less current portion	¥ 315,337	¥250,953	\$2,154,296

Annual maturities of long-term debt excluding finance leases, as of December 31, 2016, were as follows:

Years Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 61,824	\$ 530,723
2018	60,292	517,580
2019	51,362	440,917
2020	44,955	385,919
2021	17,672	151,704
2022 and thereafter	65,000	557,987
Total	¥301,107	\$2,584,833

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. Employees are entitled to larger payments if the termination is involuntary, by

retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans, defined contribution pension plans, and unfunded retirement benefit plans for employees. Several subsidiaries account for their defined benefit obligations and related past service costs using the simplified valuation method.

Years Ended December 31, 2015 and 2016

Defined Benefit Plan

(1) The changes in defined benefit obligation for the years ended December 31, 2015 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Balance at beginning of year (as previously reported)	¥29,708	¥35,675	\$306,253
Cumulative effect of accounting change	(5,187)	—	—
Balance at beginning of year (as restated)	24,520	35,675	306,253
Current service cost	2,106	2,590	22,241
Interest cost	339	378	3,252
Actuarial (gains) losses	(535)	1,921	16,493
Benefits paid	(906)	(1,071)	(9,200)
Past service cost	(213)	—	—
Amounts due to changes of valuation method	(104)	—	—
Increase due to change in scope of consolidation	10,633	—	—
Others	(163)	(186)	(1,601)
Balance at end of year	¥35,675	¥39,308	\$337,439

(2) The changes in plan assets for the years ended December 31, 2015 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Balance at beginning of year	¥19,233	¥29,889	\$256,585
Expected return on plan assets	586	672	5,771
Actuarial losses	(2,401)	(94)	(810)
Contributions from the employer	1,470	1,593	13,677
Benefits paid	(525)	(783)	(6,723)
Increase due to change in scope of consolidation	11,630	—	—
Others	(103)	(45)	(390)
Balance at end of year	¥29,889	¥31,232	\$268,110

(3) Reconciliation between the liabilities recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of December 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Funded defined benefit obligation	¥ 28,787	¥ 31,278	\$ 268,506
Plan assets	(29,889)	(31,232)	(268,110)
	(1,101)	46	396
Unfunded defined benefit obligation	6,887	8,029	68,932
Net liability arising from defined benefit obligation	¥ 5,785	¥ 8,076	\$ 69,329

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Liability for employees' retirement benefits	¥ 6,887	¥8,784	\$75,412
Asset for retirement benefits	(1,101)	(708)	(6,083)
Net liability arising from defined benefit obligation	¥ 5,785	¥8,076	\$69,329

(4) The components of net periodic benefit costs for the years ended December 31, 2015 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Service cost	¥2,106	¥2,590	\$22,241
Interest cost	339	378	3,252
Expected return on plan assets	(586)	(672)	(5,771)
Recognized actuarial losses	317	720	6,184
Amortization of past service cost	(74)	(74)	(642)
Loss due to changes of valuation method	(104)	—	—
Net periodic benefit costs	¥1,997	¥2,943	\$25,265

The loss due to changes of valuation method was included in other expenses in the consolidated statement of income for the year ended December 31, 2015.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended December 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Past service cost	¥ (138)	¥ 94	\$ 813
Actuarial losses	1,548	1,293	11,105
Total	¥1,409	¥1,388	\$11,919

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of December 31, 2015 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Unrecognized past service cost	¥ (969)	¥ (883)	\$ (7,583)
Unrecognized actuarial losses	5,416	6,686	57,400
Total	¥4,446	¥5,803	\$49,816

(7) Plan assets as of December 31, 2015 and 2016, were as follows:

(a) Components of planned assets

Plan assets consisted of the following:

	2015	2016
Debt investments	41%	38%
Equity investments	19	18
Insurance assets (general account)	16	16
Cash and cash equivalents	2	2
Others	22	26
Total	100%	100%

(b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions mainly used for the years ended December 31, 2015 and 2016, were set forth as follows:

	2015	2016
Discount rate	1.2%	0.8%
Expected rate of return on plan assets	2.5%	2.5%

(Note) Expected salary increase rate is determined by the age-specific salary increase index calculated with a reference date of March 31, 2012.

Defined Contribution Plan

Contributions to the defined contribution plans made by the Group were ¥1,877 million and ¥1,846 million (\$15,852 thousand) for the years ended December 31, 2015 and 2016, respectively.

9. Equity

The 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:

(1) 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. Additionally, for companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year 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. With respect to the third condition above, the Board of Directors of companies with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by their nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective May 1, 2015. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

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.

(2) 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 within equity under certain conditions upon resolution of the shareholders.

(3) 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 a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.6% and 33.1% for the years ended December 31, 2015 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of December 31, 2015 and 2016, were as follows:

	2015	2016	Thousands of U.S. Dollars 2016
Deferred tax assets:			
Accounts payable – other	¥ 5,967	¥ 5,168	\$ 44,364
Unrealized profit	4,830	3,918	33,635
Temporary difference in investments in subsidiaries	3,821	3,634	31,198
Liability for employees' retirement benefits	2,039	2,157	18,521
Tax loss carryforwards	1,324	1,624	13,946
Accrued expenses	1,167	1,448	12,434
Other	5,924	5,841	50,149
Total gross deferred tax assets	25,074	23,793	204,249
Valuation allowance	(5,218)	(5,169)	(44,372)
Net deferred tax assets	19,856	18,624	159,876
Deferred tax liabilities:			
Intangible assets	(47,189)	(43,899)	(376,855)
Investments in subsidiaries	(23,927)	(26,620)	(228,519)
Property, plant, and equipment	(3,948)	(3,154)	(30,759)
Reserves for advanced depreciation of noncurrent assets	(1,280)	(1,162)	(6,307)
Other	(4,957)	(4,753)	(40,803)
Total deferred tax liabilities	(81,303)	(79,591)	(683,245)
Net deferred tax liabilities	¥(61,447)	¥(60,967)	\$(523,368)

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended December 31, 2015 and 2016, was as follows:

	2015	2016
Normal effective statutory tax rate	35.6%	33.1%
Differences in tax rates of overseas consolidated subsidiaries	(3.6)	(5.3)
Amortization of goodwill	10.8	10.3
Gain on step acquisitions	(7.0)	—
Other – net	7.5	(1.6)
Actual effective tax rate	43.3%	36.5%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, from approximately 32.3% to 30.9% for the year beginning on or after January 1, 2017 and to approximately 30.6% for the years beginning on or after January 1, 2019. The effect of these changes has no material impact on the consolidated financial statements.

11. Research and Development Costs

Research and development costs charged to income were ¥9,479 million and ¥9,420 million (\$80,868 thousand) for the years ended December 31, 2015 and 2016, respectively.

12. Amortization of Goodwill

Amortization of goodwill was ¥27,226 million and ¥28,680 million (\$246,205 thousand) for the years ended December 31, 2015 and 2016, respectively.

13. Advertising Costs

Advertising costs were ¥57,005 million and ¥50,284 million (\$431,663 thousand) for the years ended December 31, 2015 and 2016, respectively.

14. Lease Transactions

As Lessee

The Group leases certain machinery, vending machines, computer equipment, office space, and other assets. Total rental expenses, including lease payments under finance leases for the years ended December 31, 2015 and 2016, included in selling, general, and administrative expenses amounted to ¥10,825 million and ¥13,329 million (\$114,424 thousand), respectively.

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

ASBJ Statement No. 13 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			
	Buildings and Structures	Machinery and Equipment	Others	Total
	2015			
Acquisition cost	¥ 186	¥ 9,422	¥ 1	¥ 9,609
Accumulated depreciation	(164)	(6,398)	(1)	(6,563)
Net leased property	¥ 21	¥ 3,023	¥ 0	¥ 3,045
	2016			
Acquisition cost	¥ 186	¥ 9,284	¥ 1	¥ 9,471
Accumulated depreciation	(182)	(6,925)	(1)	(7,109)
Net leased property	¥ 3	¥ 2,358	¥ 0	¥ 2,361

Thousands of U.S. Dollars

	Thousands of U.S. Dollars			
	Buildings and Structures	Machinery and Equipment	Others	Total
Acquisition cost	\$ 1,596	\$ 79,704	\$ 10	\$ 81,311
Accumulated depreciation	(1,570)	(59,455)	(9)	(61,034)
Net leased property	\$ 26	\$ 20,249	\$ 0	\$ 20,276

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Due within one year	¥ 690	¥ 211	\$ 1,814
Due after one year	2,385	2,173	18,662
Total	¥3,076	¥2,385	\$20,479

Depreciation expense and interest expense for finance leases as of December 31, 2015 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Depreciation expense	¥667	¥658	\$5,651
Interest expense	16	14	124

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

Minimum rental commitments under noncancelable operating leases as of December 31, 2015 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Due within one year	¥ 5,765	¥ 5,994	\$ 51,457
Due after one year	22,812	22,113	189,830
Total	¥28,577	¥28,107	\$241,287

15. Financial Instruments and Related Disclosures

(1) Group Policy for Financial Instruments

The Company primarily invests cash surpluses, if any, in low-risk financial instruments and does not invest for trading or speculative purposes. The Company, 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.

Consolidated subsidiaries in Japan utilize the finance system provided by the Company. The system satisfies the subsidiaries' short-term cash demands and investments of cash surplus, if any.

Consolidated overseas subsidiaries primarily invest cash surpluses, if any, in low-risk financial instruments and do not invest for trading or speculative purposes. The overseas subsidiaries utilize either (or both) the finance system provided by the Company, or (and) bank loans, depending on the market condition at the time, to satisfy their 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 associates 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 are exposed to liquidity risk. Bank loans are used to fund the Group's ongoing operations or investments. A part of such debt is 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 of changes in foreign currency exchange rates or changes in market price fluctuations of goods, payables derived from the Group's normal business such as purchases of raw or packaging materials, and imports of goods; risks from changes in foreign currency exchange rates of capital transactions denominated in foreign currencies and dividends receivable; and risks from changes in variable interest rates and foreign exchange rates of bank loans. The Group does not enter into derivatives for trading or speculative purposes. Please see Note 16 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from the 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 counterparties to high-credit rating financial institutions. Please see Note 16 for details 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 and interest rate and currency swaps are used to manage exposure to market risks from changes in interest rates.

Commodity price swap contracts are considered to hedge risks of fluctuations in raw material prices.

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

The Group executes derivative transactions based on internal guidelines, which prescribe the counterparties and the quantity and profit/loss limit for each transaction. Each transaction is approved by management before and after the execution. The Group also reviews consolidated subsidiaries' derivative transactions based on the internal guidelines reports from those subsidiaries after the execution of the transaction. The Group has established segregation of duties in the Group by separating execution of derivative transactions from a back office that performs reconciliation and risk evaluation. Finance and other related departments comprehensively review the balance and risk status of the transactions, including consolidated subsidiaries.

Liquidity Risk Management

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

(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 16 for the information on the fair value of derivatives.

(a) Fair value of financial instruments

December 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 97,718	¥ 97,718	¥ —
Notes and accounts receivable – trade	156,110	156,110	—
Notes and accounts receivable – other	25,547	25,547	—
Investment securities	4,847	4,847	—
Total	¥284,224	¥284,224	¥ —
Short-term bank loans	¥ 16,327	¥ 16,327	¥ —
Current portion of long-term debt	104,968	105,361	(393)
Notes and accounts payable – trade	122,099	122,099	—
Notes and accounts payable – other	101,208	101,208	—
Consumption taxes payable	6,471	6,471	—
Accrued income taxes	13,138	13,138	—
Accrued expenses	54,916	54,916	—
Long-term debt	315,337	319,375	(4,038)
Total	¥734,469	¥738,901	¥(4,432)

December 31, 2016	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 84,096	¥ 84,096	¥ —
Notes and accounts receivable – trade	159,785	159,785	—
Notes and accounts receivable – other	29,029	29,029	—
Investment securities	5,027	5,027	—
Total	¥277,939	¥277,939	¥ —
Short-term bank loans	¥ 10,415	¥ 10,415	¥ —
Current portion of long-term debt	68,898	69,143	(245)
Notes and accounts payable – trade	119,072	119,072	—
Notes and accounts payable – other	105,175	105,175	—
Consumption taxes payable	8,143	8,143	—
Accrued income taxes	15,849	15,849	—
Accrued expenses	58,333	58,333	—
Long-term debt	250,953	255,469	(4,515)
Total	¥636,840	¥641,601	¥(4,760)

December 31, 2016	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	\$ 721,917	\$ 721,917	\$ —
Notes and accounts receivable – trade	1,371,671	1,371,671	—
Notes and accounts receivable – other	249,201	249,201	—
Investment securities	43,160	43,160	—
Total	\$2,385,950	\$2,385,950	\$ —
Short-term bank loans	\$ 89,408	\$ 89,408	\$ —
Current portion of long-term debt	591,450	593,560	(2,109)
Notes and accounts payable – trade	1,022,165	1,022,165	—
Notes and accounts payable – other	902,868	902,868	—
Consumption taxes payable	69,903	69,903	—
Accrued income taxes	136,062	136,062	—
Accrued expenses	500,757	500,757	—
Long-term debt	2,154,296	2,193,055	(38,759)
Total	\$5,466,912	\$5,507,781	\$(40,868)

Cash and cash equivalents, receivables and payables, short-term bank loans, consumption taxes payable, accrued expenses, and accrued income taxes

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

Investment securities

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

Long-term debt

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

Derivatives

Information on the fair value of derivatives is included in Note 16.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Investments in unconsolidated subsidiaries and associates	¥4,337	¥4,516	\$38,770
Investments in equity instruments that do not have a quoted market price in an active market	743	746	6,404

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

December 31, 2015	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 97,718	¥—	¥—	¥—
Notes and accounts receivable – trade	156,110	—	—	—
Notes and accounts receivable – other	25,547	—	—	—
Total	¥279,377	¥—	¥—	¥—

December 31, 2016	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 84,096	¥—	¥—	¥—
Notes and accounts receivable – trade	159,785	—	—	—
Notes and accounts receivable – other	29,029	—	—	—
Total	¥272,911	¥—	¥—	¥—

December 31, 2016	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	\$ 721,917	\$—	\$—	\$—
Notes and accounts receivable – trade	1,371,671	—	—	—
Notes and accounts receivable – other	249,201	—	—	—
Total	\$2,342,789	\$—	\$—	\$—

Please see Note 7 for annual maturities of long-term debt and Note 14 for obligations under finance leases.

16. 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 is not to 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, interest, and commodity price contract; however, the Group does not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

The contract or notional amounts of derivatives, which are shown in the table below, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(1) Derivative Transactions to which Hedge Accounting Is Not Applied

(a) Foreign currency-related derivatives

December 31, 2015	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts to:				
Buy:				
USD	¥4,399	¥31	¥ 65	¥ 65
EUR	704	—	(12)	(12)
SGD	2,393	—	(1)	(1)
AUD	2,057	—	(17)	(17)
Other	299	—	3	3
Sell:				
USD	213	—	0	0
AUD	668	—	7	7
NZD	28	—	(0)	(0)
Currency swaps:				
JPY payment, NZD receipt	1,491	—	(12)	(12)
JPY payment, SGD receipt	170	—	3	3
JPY payment, HKD receipt	155	—	2	2

December 31, 2016	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts to:				
Buy:				
USD	¥5,812	¥186	¥ 80	¥ 80
EUR	280	—	1	1
SGD	838	—	(8)	(8)
AUD	1,822	—	(44)	(44)
Other	118	—	1	1
Sell:				
AUD	617	—	(12)	(12)
HKD	475	—	(6)	(6)
Currency swaps:				
JPY payment, NZD receipt	973	—	(4)	(4)

Thousands of U.S. Dollars				
December 31, 2016	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts to:				
Buy:				
USD	\$49,895	\$1,600	\$ 690	\$ 690
EUR	2,412	—	16	16
SGD	7,197	—	(69)	(69)
AUD	15,642	—	(383)	(383)
Other	1,014	—	15	15
Sell:				
AUD	5,299	—	(107)	(107)
HKD	4,079	—	(54)	(54)
Currency swaps:				
JPY payment, NZD receipt	8,360	—	(42)	(42)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

(2) Derivative Transactions to which Hedge Accounting Is Applied

(a) Foreign currency-related derivatives

Millions of Yen				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	¥11,607	¥ —	¥(142)
EUR	Payable	3,577	—	111
Sell:				
AUD	Receivable	5,283	—	177
Currency swaps:				
USD payment, IDR receipt	Long-term debt	3,486	3,486	61

Millions of Yen				
December 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	¥5,738	¥—	¥187
EUR	Payable	1,995	—	12
Sell:				
AUD	Receivable	1,209	—	37
USD	Receivable	338	—	(17)

Thousands of U.S. Dollars				
December 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	\$49,262	\$—	\$1,609
EUR	Payable	17,129	—	108
Sell:				
AUD	Receivable	10,379	—	317
USD	Receivable	2,901	—	(146)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

The following foreign currency forward contracts were not measured at fair value, but the hedged items (payable) denominated in a foreign currency are translated at the contracted rates as described in Note 2(u). The fair values of such foreign currency forward contracts are included in those of the hedged items in Note 15 and are not shown in the table below:

Millions of Yen				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	¥1,150	¥—	¥—

Millions of Yen				
December 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	¥484	¥—	¥—

Thousands of U.S. Dollars				
December 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	\$4,162	\$—	\$—

(b) Interest-related derivatives

The following interest rate swaps were not measured 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 those of hedged items (long-term debt) in Note 15, and were not shown in the table below:

Millions of Yen				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Fixed-rate payment and floating-rate receipt	Long-term debt	¥21,453	¥21,453	¥—

Millions of Yen				
December 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Fixed-rate payment and floating-rate receipt	Long-term debt	¥17,160	¥17,160	¥—

Thousands of U.S. Dollars				
December 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Fixed-rate payment and floating-rate receipt	Long-term debt	\$147,308	\$147,308	\$—

(c) Interest and currency-related derivatives

Millions of Yen					
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	
Interest and currency swaps:					
Buy IDR, sell USD					
	Fixed-rate payment and floating-rate receipt	Long-term debt	¥1,090	¥1,090	¥149

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The following interest rate and currency swaps that qualify for hedge accounting and meet specific matching criteria were not measured at market value but the differential paid or received under the swap agreements was recognized and included in interest expense or income. In addition, the fair values of such interest rate swaps were included in those of hedged items (long-term debt) in Note 15.

Millions of Yen					
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	
Interest rate and currency swaps:					
Buy JPY, sell USD					
	Fixed-rate payment and floating-rate receipt	Long-term debt	¥29,503	¥19,561	¥—
Buy EUR, sell USD					
	Fixed-rate payment and floating-rate receipt	Long-term debt	27,729	—	—
Buy GBP, sell USD					
	Fixed-rate payment and floating-rate receipt	Long-term debt	67,936	58,997	—

Millions of Yen					
December 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	
Interest rate and currency swaps:					
Buy JPY, sell USD					
	Fixed-rate payment and floating-rate receipt	Long-term debt	¥19,561	¥19,561	¥—
Buy EUR, sell USD					
	Fixed-rate payment and floating-rate receipt	Long-term debt	21,966	21,966	—
Buy GBP, sell USD					
	Fixed-rate payment and floating-rate receipt	Long-term debt	47,190	32,890	—

Thousands of U.S. Dollars					
December 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	
Interest rate and currency swaps:					
Buy JPY, sell USD					
	Fixed-rate payment and floating-rate receipt	Long-term debt	\$167,921	\$167,921	\$—
Buy EUR, sell USD					
	Fixed-rate payment and floating-rate receipt	Long-term debt	188,570	188,570	—
Buy GBP, sell USD					
	Fixed-rate payment and floating-rate receipt	Long-term debt	405,099	282,341	—

17. Other Comprehensive Income (Loss)

The components of other comprehensive income for the years ended December 31, 2015 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 797	¥ 151	\$ 1,296
Reclassification adjustments to profit or loss	(1)	(55)	(475)
Amount before income tax effect	795	95	821
Income tax effect	(195)	28	240
Total	¥ 600	¥ 123	\$ 1,062
Deferred loss on derivatives under hedge accounting:			
Losses arising during the year	¥ (315)	¥ (484)	\$ (4,162)
Reclassification adjustments to profit or loss	(107)	227	1,956
Amount before income tax effect	(423)	(256)	(2,205)
Income tax effect	139	56	484
Total	¥ (283)	¥ (200)	\$ (1,721)
Foreign currency translation adjustments:			
Losses arising during the year	¥(38,239)	¥(44,851)	\$(385,022)
Reclassification adjustments to profit or loss	113	51	444
Total	¥(38,125)	¥(44,799)	\$(384,577)
Defined retirement benefit plans:			
Losses arising during the year	¥ (1,699)	¥ (1,954)	\$ (16,780)
Reclassification adjustments to profit or loss	289	566	4,861
Amount before income tax effect	(1,409)	(1,388)	(11,919)
Income tax effect	374	346	2,973
Total	¥ (1,034)	¥ (1,042)	\$ (8,946)
Share of other comprehensive losses in associates:			
Losses arising during the year	¥ (467)	¥ (200)	\$ (1,724)
Total other comprehensive losses	¥(39,311)	¥(46,119)	\$(395,907)

18. Subsequent Event

Appropriation of Retained Earnings

The following appropriation of retained earnings as of December 31, 2016, is expected to be approved at the Company's shareholders' meeting to be held on March 30, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥39.00 (\$0.33) per share	¥12,051	\$103,450

19. Segment Information

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

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of "Japan" and "Overseas."

(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 with 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				
	2015				
	Japan	Overseas	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥806,937	¥574,069	¥1,381,007	¥ —	¥1,381,007
Intersegment sales or transfers	18	1,714	1,732	(1,732)	—
Total	¥806,955	¥575,784	¥1,382,740	¥ (1,732)	¥1,381,007
Segment profit	¥ 46,739	¥ 74,014	¥ 120,753	¥(28,746)	¥ 92,007
Segment assets	¥561,515	¥922,919	¥1,484,434	¥ —	¥1,484,434
Others:					
Depreciation and amortization	¥ 33,084	¥ 23,217	¥ 56,301	¥ —	¥ 56,301
Amortization of goodwill	2,888	24,337	27,226	—	27,226
Investments in associates accounted for by the equity method	—	3,721	3,721	—	3,721
Increase in property, plant, and equipment and intangible assets	31,804	31,731	63,535	—	63,535

	Millions of Yen				
	2016				
	Japan	Overseas	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥890,048	¥520,716	¥1,410,765	¥ —	¥1,410,765
Intersegment sales or transfers	6	1,817	1,823	(1,823)	—
Total	¥890,054	¥522,533	¥1,412,588	¥ (1,823)	¥1,410,765
Segment profit	¥ 54,731	¥ 67,431	¥ 122,162	¥(28,680)	¥ 93,481
Segment assets	¥544,733	¥821,267	¥1,366,000	¥ —	¥1,366,000
Others:					
Depreciation and amortization	¥ 36,692	¥ 21,961	¥ 58,654	¥ —	¥ 58,654
Amortization of goodwill	6,769	21,911	28,680	—	28,680
Investments in associates accounted for by the equity method	—	3,745	3,745	—	3,745
Increase in property, plant, and equipment and intangible assets	29,354	37,748	67,103	—	67,103

Thousands of U.S. Dollars

	2016				
	Japan	Overseas	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	\$7,640,560	\$4,470,053	\$12,110,614	\$ —	\$12,110,614
Intersegment sales or transfers	51	15,600	15,652	(15,652)	—
Total	\$7,640,612	\$4,485,654	\$12,126,266	\$ (15,652)	\$12,110,614
Segment profit	\$ 469,837	\$ 578,856	\$ 1,048,694	\$(246,205)	\$ 802,489
Segment assets	\$4,676,228	\$7,050,107	\$11,726,335	\$ —	\$11,726,335
Others:					
Depreciation and amortization	\$ 314,985	\$ 188,528	\$ 503,514	\$ —	\$ 503,514
Amortization of goodwill	58,109	188,095	246,205	—	246,205
Investments in associates accounted for by the equity method	—	32,151	32,151	—	32,151
Increase in property, plant, and equipment and intangible assets	251,992	324,049	576,041	—	576,041

"Reconciliations" in the segment profit represents amortization of goodwill and adjustment that was not allocated to each reportable segment. "Segment profit" represents operating income before the amortization of goodwill.

"Increase in property, plant, and equipment and intangible assets" does not include the amount of newly acquired companies.

The following table shows reconciliations from segment profit to earnings before interest, taxes, depreciation, and amortization ("EBITDA") by reportable segments for the years ended December 31, 2015 and 2016:

	Millions of Yen			
	2015			
	Japan	Overseas	Reconciliations (Note)	Total
Segment profit	¥46,739	¥74,014	¥ —	¥120,753
Add: Depreciation and amortization	33,084	23,217	—	56,301
Adjustment	—	—	(1,520)	(1,520)
EBITDA	¥79,824	¥97,231	¥(1,520)	¥175,535

	Millions of Yen		
	2016		
	Japan	Overseas	Total
Segment profit	¥54,731	¥67,431	¥122,162
Add: Depreciation and amortization	36,692	21,961	58,654
EBITDA	¥91,424	¥89,392	¥180,816

	Thousands of U.S. Dollars		
	2016		
	Japan	Overseas	Total
Segment profit	\$469,837	\$578,856	\$1,048,694
Add: Depreciation and amortization	314,985	188,528	503,514
EBITDA	\$784,823	\$767,384	\$1,552,208

(Note) "Adjustment" resulted from a one-off adjustment due to Japan Beverage Holdings Inc. being newly included in the scope of consolidation.

(4) Overseas Information about Sales and Reconciliations from Segment Profit to EBITDA by Geographic Area is as Follows:

The "overseas" segment is divided into four areas, each corresponding to where the headquarters of the overseas subsidiaries are located.

Europe: Europe, Africa
 Asia: East Asia, Southeast Asia
 Oceania: Oceania
 Americas: North America

	Millions of Yen				
	Europe	Asia	Oceania	Americas	Total
Sales:					
Sales to external customers	¥254,202	¥180,530	¥45,602	¥93,734	¥574,069
Intersegment sales or transfers	1,714	—	—	—	1,714
Total	¥255,916	¥180,530	¥45,602	¥93,734	¥575,784
Segment profit	¥ 44,021	¥ 13,600	¥ 5,853	¥10,538	¥ 74,014
Add: Depreciation and amortization	9,604	8,244	1,703	3,664	23,217
EBITDA	¥ 53,625	¥ 21,845	¥ 7,557	¥14,202	¥ 97,231

	Millions of Yen				
	Europe	Asia	Oceania	Americas	Total
Sales:					
Sales to external customers	¥229,374	¥164,333	¥40,781	¥86,227	¥520,716
Intersegment sales or transfers	1,671	145	—	—	1,817
Total	¥231,045	¥164,478	¥40,781	¥86,227	¥522,533
Segment profit	¥ 38,393	¥ 14,317	¥ 5,150	¥ 9,569	¥ 67,431
Add: Depreciation and amortization	9,036	7,938	1,569	3,416	21,961
EBITDA	¥ 47,429	¥ 22,256	¥ 6,720	¥12,986	¥ 89,392

	Thousands of U.S. Dollars				
	Europe	Asia	Oceania	Americas	Total
Sales:					
Sales to external customers	\$1,969,045	\$1,410,705	\$350,088	\$740,214	\$4,470,053
Intersegment sales or transfers	14,349	1,251	—	—	15,600
Total	\$1,983,394	\$1,411,956	\$350,088	\$740,214	\$4,485,654
Segment profit	\$ 329,587	\$ 122,908	\$ 44,212	\$ 82,147	\$ 578,856
Add: Depreciation and amortization	77,569	68,149	13,477	29,332	188,528
EBITDA	\$ 407,156	\$ 191,057	\$ 57,689	\$111,480	\$ 767,384

(5) Relevant Information

Sales by geographic area were as follows:

	Millions of Yen					
	Japan	Europe	Asia	Oceania	Americas	Total
Sales	¥806,937	¥254,548	¥147,211	¥78,575	¥93,734	¥1,381,007

	Millions of Yen					
	Japan	Europe	Asia	Oceania	Americas	Total
Sales	¥890,048	¥229,641	¥133,584	¥71,262	¥86,227	¥1,410,765

	Thousands of U.S. Dollars					
	Japan	Europe	Asia	Oceania	Americas	Total
Sales	\$7,640,560	\$1,971,344	\$1,146,748	\$611,745	\$740,214	\$12,110,614

Sales were classified by country or region based on the location of customers.

(6) Property, Plant, and Equipment by Geographic Area were as Follows:

	Millions of Yen					
	Japan	Europe	Asia	Oceania	Americas	Total
Property, plant, and equipment	¥172,319	¥67,624	¥61,012	¥22,968	¥23,924	¥347,850

	Millions of Yen					
	Japan	Europe	Asia	Oceania	Americas	Total
Property, plant, and equipment	¥163,392	¥65,717	¥61,670	¥23,804	¥24,190	¥338,775

	Thousands of U.S. Dollars					
	Japan	Europe	Asia	Oceania	Americas	Total
Property, plant, and equipment	\$1,402,631	\$564,145	\$529,408	\$204,351	\$207,658	\$2,908,196

(7) Impairment Loss on Noncurrent Assets

	Millions of Yen		
	Japan	Overseas	Total
Impairment losses on noncurrent assets	¥1,152	¥11,174	¥12,326

	Millions of Yen		
	Japan	Overseas	Total
Impairment losses on noncurrent assets	¥63	¥976	¥1,039

	Thousands of U.S. Dollars		
	Japan	Overseas	Total
Impairment losses on noncurrent assets	\$542	\$8,379	\$8,921

(Note) In the overseas segment, the Group has recorded impairment loss on goodwill, etc., as it no longer expects to obtain revenues that it originally forecasted due to the effect of the economic slowdown in Indonesia. The amount of this impairment loss recorded in the fiscal year ended December 31, 2015, was ¥9,635 million. In addition, for the goodwill equivalent related to equity method affiliates associated with the aforementioned segment, the Group recognized impairment losses and recorded ¥5,779 million in equity in losses of affiliates of other expenses (other – net) in the fiscal year ended December 31, 2015. The total amount of the aforementioned impairment loss and equity in losses of affiliates recorded in the fiscal year ended December 31, 2015, was ¥15,415 million.

(8) Information Regarding Balance of Goodwill by Reportable Segment

	Millions of Yen		
	Japan	Overseas	Total
Goodwill	¥131,413	¥322,798	¥454,212

	Millions of Yen		
	Japan	Overseas	Total
Goodwill	¥124,410	¥282,872	¥407,283

	Thousands of U.S. Dollars		
	Japan	Overseas	Total
Goodwill	\$1,067,996	\$2,428,302	\$3,496,299

20. Related-Party Transactions

The balances with related parties for the years ended December 31, 2015 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2016	2016
Accounts payable:			
Suntory Business Expert Limited	¥59,892	¥60,121	\$516,112
Accrued expenses:			
Suntory Business Expert Limited	5,552	6,947	59,643

Suntory Business Expert Limited ("SBE") is a wholly owned subsidiary of the Parent and no shares are held by the Company. SBE acts as a shared-service business company among the Suntory Group, and makes payments to the

Group's suppliers on behalf of the Group. Such payments are not transactions between the Group and SBE, and not included in the transaction information above, whereas the balances due to SBE are disclosed.

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1 Imabashi, Chuo-ku
Osaka 541-0042
Japan
Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Suntory Beverage & Food Limited:

We have audited the accompanying consolidated balance sheet of Suntory Beverage & Food Limited and its consolidated subsidiaries as of December 31, 2016, 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 Beverage & Food Limited and its consolidated subsidiaries as of December 31, 2016, 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.

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 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

March 17, 2017

Member of
Deloitte Touche Tohmatsu Limited

Corporate Overview

Company Name:	Suntory Beverage & Food Limited
President & Chief Executive Officer:	Saburo Kogo
Head Office:	3-1-1 Kyobashi, Chuo-ku, Tokyo 104-0031, Japan
Established:	January 2009
Capital:	¥168,384 million
Employees:	23,850 (as of December 31, 2016)

Group Companies

Japan

Suntory Foods Limited
 Suntory Foods Okinawa Limited
 Suntory Beverage Solution Limited
 Suntory Beverage Service Limited
 Japan Beverage Holdings Inc.
 A-Star Co., Ltd.
 Sunvend Co., Ltd.
 Suntory Products Limited

Europe

Suntory Beverage & Food Europe
 Orangina Schweppes Group
 Lucozade Ribena Suntory Group

Asia

Suntory Beverage & Food Asia
 BRAND'S Suntory
 Suntory Garuda Group
 Suntory PepsiCo Vietnam Beverage

Oceania

Frucor Suntory Group
 Cerebos Group

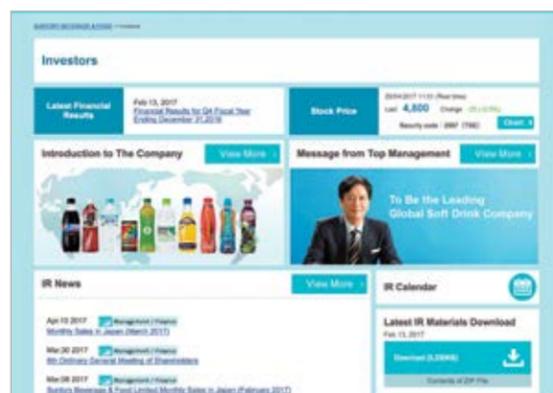
Americas

Pepsi Bottling Ventures Group

Suntory Beverage & Food

<http://www.suntory.com/sbf/>

The SBF corporate website lists information about our products, in addition to IR materials including financial information and investor briefings for shareholders and other investors.



Investors site: <http://www.suntory.com/softdrink/ir/>

Stock Overview

As of December 31, 2016

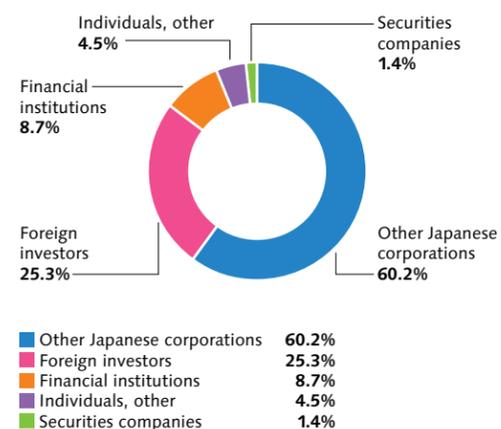
Stock Code:	2587
Date of Listing:	July 3, 2013
Stock Listing:	First Section of Tokyo Stock Exchange
Fiscal Year:	January 1 – December 31
Authorized Shares:	480,000,000 shares
Issued Shares:	309,000,000 shares
Number of Shareholders:	49,941
Ordinary General Meeting of Shareholders:	March (Record date: December 31)
Shareholder Registry Administrator:	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo

Major Shareholders

Shareholders	Number of shares held (thousands)	Percentage of shareholding
Suntory Holdings Limited	183,800	59.4
HSBC BANK PLC A/C ABU DHABI INVESTMENT AUTHORITY	5,590	1.8
Japan Trust Services Bank, Ltd. (Trust Account)	5,409	1.7
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	4,799	1.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,773	1.5
STATE STREET BANK WEST CLIENT - TREATY 505234	3,270	1.0
CITIBANK, N.A. -NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	3,220	1.0
THE BANK OF NEW YORK 133522	2,882	0.9
JP MORGAN CHASE BANK 385632	2,823	0.9
JPMorgan Securities Japan Co.,Ltd.	2,685	0.8

Composition of Shareholders

As of December 31, 2017



SUNTORY
SUNTORY BEVERAGE & FOOD