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March 8, 2017

To: Our Shareholders

Notice of Convocation of the 8th Ordinary General Meeting of Shareholders

Dear Shareholder:

You are hereby notified that the 8th Ordinary General Meeting of Shareholders (the “Meeting”) of Suntory Beverage & Food Limited (the “Company”) will be held as described below. Your attendance would be much appreciated.

If you are unable to attend the Meeting, you may exercise your voting rights by any of the following methods. Please review the attached Reference Document for the General Meeting of Shareholders and exercise your voting rights before 5:30 p.m. Wednesday, March 29, 2017.

**Exercising voting rights by mail**

Please indicate “For” or “Against” with respect to each proposal on the enclosed voting form and send it by mail to arrive before the above-mentioned voting deadline.

**Exercising voting rights by the Internet, etc.**

*[Translation omitted]*

1. Date and Time: March 30, 2017 (Thursday) at 10:00 a.m.
2. Place: Grand Prince Hotel New Takanawa  
“International Convention Center PAMIR”  
13-1, Takanawa 3-chome, Minato-ku, Tokyo
3. Purpose:  
Items to be reported:
  1. Business Report and the Consolidated Financial Statements for the 8th business term (from January 1, 2016 to December 31, 2016), the audit reports on the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
  2. The Financial Statements for the 8th business term (from January 1, 2016 to December 31, 2016)

Items to be resolved:

- Proposal 1: Appropriation of Surplus
- Proposal 2: Election of Six (6) Directors (excluding Directors Serving on the Audit and Supervisory Committee)
- Proposal 3: Election of Two (2) Directors Serving on the Audit and Supervisory Committee
- Proposal 4: Election of One (1) Substitute Director Serving on the Audit and Supervisory Committee

4. Exercise of Voting Rights:

If you exercise your voting rights both by sending the voting form by mail and via the Internet, etc., the vote exercised via the Internet, etc. will be taken as valid. If you exercise your voting rights more than once via the Internet, etc., or twice by using both your personal computer and mobile phone, only the final vote will be taken as valid.

Sincerely yours,

Saburo Kogo  
Representative Director and President

Suntory Beverage & Food Limited  
1-1, Kyobashi 3-chome, Chuo-ku, Tokyo

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- If attending the Meeting in person, please present the enclosed voting form to the reception desk. Please note that persons other than shareholders who can exercise voting rights, such as proxies who are not shareholders or accompanying persons, shall not be permitted entry even if they hold the enclosed voting form. Also, if attending the Meeting in person, please bring this Notice of Convocation to save resources.
  - If revisions are made to the Reference Document for the General Meeting of Shareholders, the Business Report, the Financial Statements or the Consolidated Financial Statements, we will post the revised versions on the Company's website:  
<http://www.suntory.com/softdrink/ir/stock/meeting.html>

Reference Document for the General Meeting of Shareholders

Proposals and Reference Information

**Proposal 1:** Appropriation of Surplus

Considering the business performance and business environment, we propose to pay a year-end dividend for the current business term of ¥39 per share of common stock of the Company in accordance with our dividend policy.

Accordingly, including the interim dividend of ¥34 already paid, the annual dividend for the current business term will be ¥73 per share. The details are as follows.

- (i) Type of dividend property: Cash
- (ii) Matters concerning the allotment of dividend property to shareholders and the total amount of the allotment:  
¥39 per share of common stock of the Company  
Total cash dividends of ¥12,051,000,000
- (iii) Date on which the dividend of surplus will become effective: March 31, 2017

We believe our prioritization of strategic investments as well as capital expenditures for sustainable revenue growth and increasing the corporate value will benefit our shareholders. In addition, we view an appropriate shareholder return as one of our core management principles. While giving due consideration to providing a stable return and maintaining robust internal reserves for the future, we intend to pursue a comprehensive shareholder return policy that also takes into account our business results and future funding needs.

Specifically, we aim to stably increase dividends on the basis of profit growth with a targeted consolidated payout ratio of 30% or more of net income attributable to owners of the parent before amortization of goodwill (i.e. the sum of net income attributable to owners of the parent and 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.

**Proposal 2:** Election of Six (6) Directors (excluding Directors Serving on the Audit and Supervisory Committee)

At the close of the Meeting, the term of office of all eight (8) Directors (excluding Directors serving on the Audit and Supervisory Committee; the same applies hereafter in this proposal) will expire. In that regard, we request the election of six (6) Directors, lowering the number of Directors by two (2), to further enhance the flexibility of the Board of Directors.

Moreover, this proposal has been considered by the Audit and Supervisory Committee, but they have expressed no opinion.

The candidates for Directors to be elected are as follows:

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 1</p> <p>Saburo Kogo (August 27, 1954)</p>	<p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1977.</p> <p>Assumed the office of Chief Operating Officer, Supply Chain Management Division and Senior General Manager, Supply Chain Management Department of such company in September 2004.</p> <p>Assumed the office of Director of such company in March 2006.</p> <p>Assumed the office of Chief Operating Officer, Sales &amp; Marketing Division Kinki Area of such company in March 2008.</p> <p>Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009.</p> <p>Assumed the office of Managing Director of Suntory Beer &amp; Spirits Limited (Present: Suntory Liquors Limited) in April 2009.</p> <p>Assumed the office of Chief Operating Officer, Sales &amp; Marketing Division Kinki Area of such company in April 2009.</p> <p>Assumed the office of Chief Operating Officer, Metropolitan Sales &amp; Marketing Division of such company in September 2009.</p> <p>Assumed the office of Senior Managing Director of Suntory Beverage &amp; Food Limited in January 2011.</p> <p>Assumed the office of Chief Operating Officer, Marketing &amp; Development Division of such company in January 2011.</p> <p>Assumed the office of Managing Executive Officer of Suntory Holdings Limited in January 2011.</p> <p>Assumed the office of Chief Operating Officer, Beverage &amp; Food Business Division of Suntory Beverage &amp; Food Limited in May 2012.</p> <p>Assumed the office of Executive Vice President of such company in December 2012.</p> <p>Has occupied the office of Representative Director and President of such company from March 2016 to date (incumbent).</p> <p>&lt;Responsibilities&gt; Overall Group Management</p>	<p>2,100</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	<p>&lt;Important Concurrent Positions&gt; Director of Suntory Beverage &amp; Food Asia Pte. Ltd. Director of FRUCOR BEVERAGES LIMITED Director of FRUCOR BEVERAGES (AUSTRALIA) PTY LTD Director of Pepsi Bottling Ventures LLC</p> <p>&lt;Reason for the Selection&gt; Mr. Kogo has borne management responsibility of the Suntory Beverage &amp; Food Limited Group (the "Group") in his role as Representative Director and President of the Company. In consideration not only of his track record in directing the entire Group through his strong leadership but also his keen insight derived from his wide-ranging experience, notably in the marketing division and also in the sales and SCM divisions, we judge him well qualified to continue in the role of Director.</p> <p>&lt;Board of Directors Meeting Attendance&gt; 16/16</p>	

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 2</p> <p>Hideo Tsujimura (June 6, 1954)</p>	<p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1980.</p> <p>Assumed the office of Senior General Manager, Institute for Beverage &amp; Food Development of such company in October 2003.</p> <p>Assumed the office of Director of such company in March 2004.</p> <p>Assumed the office of Managing Director of such company in March 2008.</p> <p>Assumed the office of Managing Executive Officer of Suntory Holdings Limited in April 2009.</p> <p>Assumed the office of Senior General Manager, R&amp;D Planning Division and in charge of Intellectual Property Department of such company in April 2009.</p> <p>Assumed the office of Senior Managing Director of Suntory Business Expert Limited in January 2011.</p> <p>Assumed the office of Chief Operating Officer, Engineering &amp; Process Development Division of such company in January 2011.</p> <p>In charge of Intellectual Property Department and R&amp;D Planning Division of Suntory Holdings Limited in April 2011.</p> <p>In charge of Intellectual Property Department of such company in April 2013.</p> <p>Has occupied the office of Senior Managing Director of such company from March 2015 to date (incumbent).</p> <p>Has occupied the office of Representative Director and President of Suntory Business Expert Limited from March 2015 to date (incumbent).</p> <p>In charge of Intellectual Property Department and R&amp;D Division of Suntory Holdings Limited from April 2015 to date (incumbent).</p> <p>Has occupied the office of Chief Operating Officer, R&amp;D Support Division of Suntory Business Expert Limited from September 2015 to date (incumbent).</p> <p>&lt;Important Concurrent Positions&gt; Senior Managing Director of Suntory Holdings Limited Representative Director and President of Suntory Business Expert Limited</p> <p>&lt;Reason for the Selection&gt; As Representative Director and President of Suntory Business Expert Limited, Mr. Tsujimura has made a significant contribution to strengthening the business foundation of the entire Suntory Group. In consideration of this and his abundant experience in the beverage business, especially in the R&amp;D division, we judge him well qualified for the role of Director.</p>	<p>—</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 3</p> <p>Nobuhiro Kurihara</p> <p>(January 23, 1955)</p>	<p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1979.</p> <p>Assumed the office of Senior General Manager, Human Resources Department of such company in March 2002.</p> <p>Assumed the office of Director of such company in March 2005.</p> <p>Assumed the office of Senior General Manager, Human Resources Department and in charge of Carrier Planning &amp; Development Department of such company in March 2005.</p> <p>Assumed the office of Representative Director and President of Suntory Foods Limited in March 2009.</p> <p>Assumed the office of Director of Suntory Beverage &amp; Food Limited in April 2009.</p> <p>Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009.</p> <p>Assumed the office of Managing Executive Officer of such company in January 2011.</p> <p>Has occupied the office of Senior Managing Director of Suntory Beverage &amp; Food Limited from December 2012 to date (incumbent).</p> <p>Assumed the office of Chief Operating Officer, Business Administration Division and in charge of Finance &amp; Accounting Division of such company in January 2013.</p> <p>Assumed the office of Chief Operating Officer, Business Administration Division of such company in April 2014.</p> <p>Has occupied the office of Chief Operating Officer, Business Administration Division and in charge of Risk Management of such company from March 2016 to date (incumbent).</p> <p>&lt;Responsibilities&gt; Chief Operating Officer, Business Administration Division and Risk Management</p> <p>&lt;Important Concurrent Positions&gt; Director of Japan Beverage Holdings Inc.</p> <p>&lt;Reason for the Selection&gt; Hitherto Mr. Kurihara, in his role as Chief Operating Officer, Business Administration Division, has been in charge of the human resources division, the general affairs/legal affairs division, risk management and so on. In consideration of his success in driving forward the reform of corporate culture, including the globalization of the Company, and the abundant experience he has acquired particularly in the sales division of the beverage and liquor businesses, we judge him well qualified to continue in the role of Director.</p> <p>&lt;Board of Directors Meeting Attendance&gt; 16/16</p>	<p>2,500</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 4</p> <p>Yukio Okizaki (October 10, 1957)</p>	<p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1980.</p> <p>Assumed the office of Senior General Manager, Sales Development &amp; Marketing Promotion Department 2 of such company in April 2008.</p> <p>Assumed the office of Executive Officer of Suntory Beer &amp; Spirits Limited (Present: Suntory Liquors Limited) in April 2009.</p> <p>Assumed the office of Senior General Manager, Sales Development &amp; Marketing Promotion Department 2 of such company in April 2009.</p> <p>Assumed the office of Executive Officer of Suntory Beverage &amp; Food Limited in April 2011.</p> <p>Assumed the office of Deputy Chief Operating Officer, Marketing &amp; Development Division of such company in April 2011.</p> <p>Assumed the office of Managing Director of Suntory Business Expert Limited in March 2012.</p> <p>Assumed the office of Chief Operating Officer, Supply Chain Management Division of such company in March 2012.</p> <p>Assumed the office of Executive Officer of Suntory Holdings Limited in April 2012.</p> <p>Assumed the office of Senior Managing Director of Suntory Business Expert Limited in March 2014.</p> <p>Assumed the office of Managing Executive Officer of Suntory Holdings Limited in April 2014.</p> <p>Has occupied the office of Senior Managing Director of Suntory Beverage &amp; Food Limited from March 2016 to date (incumbent).</p> <p>Has occupied the office of Chief Operating Officer, Beverage &amp; Food Business Division of such company from March 2016 to date (incumbent).</p> <p>&lt;Responsibilities&gt;</p> <p>Chief Operating Officer, Beverage &amp; Food Business Division</p> <p>&lt;Important Concurrent Positions&gt;</p> <p>Director of Suntory Foods Limited Director of Suntory Beverage Solution Limited Director of Suntory Products Limited</p> <p>&lt;Reason for the Selection&gt;</p> <p>In his role as Chief Operating Officer of the Beverage &amp; Food Business Division of the Company, Mr. Okizaki has a track record in using his strong leadership to drive the domestic business divisions. In consideration of this and of his keen insight derived from his wide-ranging experience, notably in business planning and SCM divisions in the beverage business, we judge him well qualified to continue in the role of Director.</p> <p>&lt;Board of Directors Meeting Attendance&gt;</p> <p>13/13</p> <p>* This is his attendance at Board of Directors meetings since assuming his post on March 30, 2016.</p>	<p>1,300</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 5</p> <p>Nobuhiro Torii (March 10, 1966)</p>	<p>Joined The Industrial Bank of Japan, Limited (Present: Mizuho Bank, Ltd.) in July 1991.</p> <p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1997.</p> <p>Assumed the office of Senior General Manager, Overall Sales &amp; Marketing Division of such company in September 2005.</p> <p>Assumed the office of Director of such company in March 2007.</p> <p>Assumed the office of Chief Operating Officer, Corporate Development Division of such company in April 2008.</p> <p>Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009.</p> <p>Assumed the office of Chief Operating Officer, Corporate Development Division of such company in April 2009.</p> <p>Assumed the office of Managing Executive Officer of such company in April 2010.</p> <p>Assumed the office of Chief Operating Officer, International Strategy Division of such company in April 2010.</p> <p>Assumed the office of Representative Director and President of Suntory Beverage &amp; Food Limited in January 2011.</p> <p>Assumed the office of Chief Operating Officer, International Division of such company in January 2011.</p> <p>Assumed the office of Senior Managing Director of Suntory Holdings Limited in January 2011.</p> <p>Assumed the office of Senior General Manager, Corporate Development Department of Suntory Beverage &amp; Food Limited in January 2013.</p> <p>Assumed the office of Director of Suntory Holdings Limited in January 2013.</p> <p>Assumed the office of Chief Operating Officer, International Division of Suntory Beverage &amp; Food Limited in April 2013.</p> <p>Has occupied the office of Representative Director and President of Kotobuki Realty Co., Ltd. from March 2016 to date (incumbent).</p> <p>Has occupied the office of Representative Director and Executive Vice President of Suntory Holdings Limited from March 2016 to date (incumbent).</p> <p>Has occupied the office of Director of Suntory Beverage &amp; Food Limited from March 2016 to date (incumbent).</p> <p>Has occupied the office of Regional CEO and in charge of Japan Group Mid-long term Strategy of Suntory Holdings Limited from April 2016 to date (incumbent).</p> <p>&lt;Important Concurrent Positions&gt; Representative Director and Executive Vice President of Suntory Holdings Limited</p>	<p>9,000</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	<p>&lt;Reason for the Selection&gt; Up until March 2016, Mr. Torii bore management responsibility of the Group in his role as Representative Director of the Company. With this track record, his rich resources of insight and his experience over the entire range of management, which will contribute to further strengthening of the function of the Board of Directors, we judge him well qualified to continue in the role of Director.</p> <p>&lt;Board of Directors Meeting Attendance&gt; 16/16</p>	

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
Candidate 6  Yukari Inoue (April 4, 1962)	<p>Joined Procter &amp; Gamble Far East, Inc. in April 1985.</p> <p>Assumed the office of Marketing Director of Procter &amp; Gamble North America in October 1995.</p> <p>Assumed the office of Marketing Director, Feminine Care of Procter &amp; Gamble Northeast Asia in October 1998.</p> <p>Assumed the office of General Manager, Feminine Care of Procter &amp; Gamble Northeast Asia in March 2000.</p> <p>Assumed the office of Managing Director of Jardine Wines and Spirits K.K. (Present: MHD Moët Hennessy Diageo K.K.) in March 2003.</p> <p>Assumed the office of Representative Director and President of Cadbury Japan Limited (Present: Mondelēz Japan Limited) in November 2005.</p> <p>Assumed the office of Outside Director of AXA Life Insurance Co., Ltd. in June 2010.</p> <p>Has occupied the office of Managing Director of Kellogg Japan G.K. from July 2013 to date (incumbent).</p> <p>Has occupied the office of Outside Director of JC Comsa Corporation from June 2014 to date (incumbent).</p> <p>Has occupied the office of Outside Director of Suntory Beverage &amp; Food Limited from March 2015 to date (incumbent).</p> <p>&lt;Important Concurrent Positions&gt;            Managing Director of Kellogg Japan G.K.            Outside Director of JC Comsa Corporation</p> <p>&lt;Reason for the Selection&gt;            Ms. Inoue has a plentiful track record in corporate management for many years and keen insight derived mainly from professional experience overseas. In consideration of this, and her record of appropriate advice and proposals on important management decisions of the Company in her role as an Outside Director to date, we judge her well qualified to continue in the role of Director.</p> <p>&lt;Board of Directors Meeting Attendance&gt;            15/16</p>	3,000

- Notes:
1. There is no special interest between the Company and each candidate.
  2. The positions and responsibilities held at the parent company, etc. at present and in the last five years for Messrs. Saburo Kogo, Hideo Tsujimura, Nobuhiro Kurihara, Yukio Okizaki and Nobuhiro Torii are as listed in the "Career Summary, Position and Responsibilities and Important Concurrent Positions" column.
  3. Ms. Yukari Inoue is a candidate for Outside Director.
  4. Ms. Inoue is presently serving as Outside Director of the Company and her term of office as an Outside Director shall be two years as of the close of the Meeting.
  5. The Company has concluded a limited liability agreement with Mr. Torii and Ms. Inoue, pursuant to Article 427, Paragraph 1 of the Companies Act of Japan. Based on this agreement, Mr. Torii and Ms. Inoue's liability as a Director is limited to the minimum liability amount stipulated by Article 425, Paragraph 1 of the Companies Act of Japan. The Company plans to continue this agreement with Mr. Torii and Ms. Inoue if they are reelected at the Meeting.
  6. The Company designated Ms. Inoue as an Independent Officer and reported this designation

to the Tokyo Stock Exchange. Ms. Inoue currently serves as Managing Director of Kellogg Japan G.K. The Group conducts transactions with Kellogg Company (U.S.), the parent company of the aforesaid company including transactions relating to beverages. However, the monetary amount of these transactions is less than 1% of consolidated net sales of either company, and the Company believes that this has no material effect on Ms. Inoue's independence. Ms. Inoue currently serves as an Outside Director of JC Comsa Corporation. However, the Group does not conduct any transactions with the aforesaid company.

**Proposal 3:** Election of Two (2) Directors Serving on the Audit and Supervisory Committee

At the close of the Meeting, the terms of office of Directors serving on the Audit and Supervisory Committee Mr. Yukihiko Uehara and Mr. Harumichi Uchida will expire. Accordingly, we request the election of two (2) Directors serving on the Audit and Supervisory Committee.

The Audit and Supervisory Committee has already given their consent to this proposal. This proposal has been considered by the Directors serving on the Audit and Supervisory Committee, but they have expressed no opinion.

The candidates for Directors serving on the Audit and Supervisory Committee to be elected are as follows:

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 1</p> <p>Harumichi Uchida (April 7, 1947)</p>	<p>Registered as Attorney in April 1973.</p> <p>Joined Mori Sogo Law Offices (Present: Mori Hamada &amp; Matsumoto) in April 1973 (incumbent).</p> <p>Registered as Attorney in New York State, USA in October 1980.</p> <p>Assumed the office of Professor of Keio University Law School in April 2004.</p> <p>Assumed the office of Outside Audit &amp; Supervisory Board Member of Daifuku Co., Ltd. in June 2004.</p> <p>Assumed the office of Outside Board Director of Hitachi High-Technologies Corporation in June 2005.</p> <p>Has occupied the office of Lecturer of Keio University Law School from April 2007 to date (incumbent).</p> <p>Has occupied the office of Outside Audit &amp; Supervisory Board Member of Sumitomo Dainippon Pharma Co., Ltd. from June 2010 to date (incumbent).</p> <p>Has occupied the office of Auditor of KEIDANREN (Japan Business Federation) from April 2012 to date (incumbent).</p> <p>Has occupied the office of Outside Audit &amp; Supervisory Board Member of Suntory Beverage &amp; Food Limited from December 2012 to date (incumbent).</p> <p>Has occupied the office of Outside Director serving on the Audit and Supervisory Committee of such company from May 2015 to date (incumbent).</p> <p>&lt;Important Concurrent Positions&gt;                      Attorney of Mori Hamada &amp; Matsumoto                      Outside Audit &amp; Supervisory Board Member of Sumitomo Dainippon Pharma Co., Ltd.</p>	<p>—</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	<p>&lt;Reason for the Selection&gt; Mr. Uchida has abundant experience and keen insight as an attorney. In his role as a Director serving on the Audit and Supervisory Committee, he has used his specialist perspective to audit the execution of business at the Company. In consideration of this, and his record of appropriate advice and proposals on important management decisions of the Company, we judge him well qualified to continue in the role of Outside Director serving on the Audit and Supervisory Committee.</p> <p>&lt;Board of Directors Meeting Attendance&gt; 16/16</p> <p>&lt;Audit and Supervisory Committee Meeting Attendance&gt; 16/16</p>	
Name (Date of Birth)	Career Summary and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 2</p> <p>Mika Masuyama (January 6, 1963)</p>	<p>Joined the Bank of Japan in April 1985.</p> <p>Assumed the office of International Marketing Director of Cap Gemini Sogeti in September 1991.</p> <p>Assumed the office of Senior Consultant of Gemini Consulting Japan in November 1992.</p> <p>Joined Egon Zehnder in June 1997</p> <p>Assumed the office of Partner of such company in January 2004.</p> <p>Has occupied the office of President and Representative Partner of Masuyama &amp; Company LLC. from October 2016 to date (incumbent).</p> <p>&lt;Important Concurrent Positions&gt; President and Representative Partner of Masuyama &amp; Company LLC.</p> <p>&lt;Reason for the Selection&gt; Ms. Masuyama has a wealth of consulting experience and keen insight in fields such as corporate governance, human resources and organizations, and M&amp;A. In consideration of this, as well as her global knowledge of management and economics, we judge her well qualified for the role of Outside Director serving on the Audit and Supervisory Committee.</p>	<p>—</p>

- Notes:
1. There is no special interest between the Company and Mr. Harumichi Uchida and Ms. Mika Masuyama.
  2. Mr. Uchida and Ms. Masuyama are candidates for Outside Director.
  3. Although Mr. Uchida has not been directly involved in corporate management in ways other than being an Outside Director or Outside Audit & Supervisory Board Member, as noted in the <Reason for the Selection> pertaining to him, we judge him well qualified to perform his duties as an Outside Director serving on the Audit and Supervisory Committee.
  4. Mr. Uchida is presently serving as Outside Director on the Audit and Supervisory Committee of the Company and his term of office as an Outside Director serving on the Audit and Supervisory Committee shall be one year and eleven months as of the close of the Meeting.
  5. The Company has concluded a limited liability agreement with Mr. Uchida pursuant to Article 427, Paragraph 1 of the Companies Act of Japan. Based on this agreement, Mr. Uchida's liability as a Director is limited to the minimum liability amount stipulated by

Article 425, Paragraph 1 of the Companies Act of Japan. The Company plans to continue this agreement with Mr. Uchida if he is reelected at the Meeting.

6. If Ms. Masuyama assumes office as a Director serving on the Audit and Supervisory Committee, the Company will conclude a limited liability agreement with her pursuant to Article 427, Paragraph 1 of the Companies Act of Japan. Based on this agreement, Ms. Masuyama's liability as a Director would be limited to the minimum liability amount stipulated by Article 425, Paragraph 1 of the Companies Act of Japan.
7. The Company plans to designate Ms. Masuyama as an Independent Officer and report this designation to the Tokyo Stock Exchange. Ms. Masuyama currently serves as a President and Representative Partner of Masuyama & Company LLC. However, the Group does not conduct any transactions with the aforesaid company.

**Proposal 4:** Election of One (1) Substitute Director Serving on the Audit and Supervisory Committee

At the 7th Ordinary General Meeting of Shareholders held on March 30, 2016, Mr. Mitsuhiro Amitani was elected as a Substitute Director serving on the Audit and Supervisory Committee. As the effect of his election will expire at the commencement of the Meeting, we request the election of one (1) Substitute Director serving on the Audit and Supervisory Committee as a substitute for all the Directors serving on the Audit and Supervisory Committee, to prepare for a situation where the number of Directors serving on the Audit and Supervisory Committee does not satisfy the number prescribed by laws and regulations.

The Audit and Supervisory Committee has already given their consent to this proposal. This proposal has been considered by the Directors serving on the Audit and Supervisory Committee, but they have expressed no opinion.

The candidate for Substitute Director serving on the Audit and Supervisory Committee to be elected is as follows:

Name (Date of Birth)	Career Summary and Important Concurrent Positions	Number of Company's Shares Held (shares)
Mitsuhiro Amitani (June 2, 1956)	<p>Registered as Attorney in April 1985.</p> <p>Joined Hashidate Law Office in April 1985.</p> <p>Joined Wakita Law Office in November 1989.</p> <p>Has occupied the office of Attorney of Shimada, Seno &amp; Amitani Law Office (Present: SAH &amp; Co.) from March 1990 to date (incumbent).</p> <p>Has occupied the office of Outside Audit &amp; Supervisory Board Member of STANLEY ELECTRIC CO., LTD. from June 2006 to date (incumbent).</p> <p>Has occupied the office of Outside Audit &amp; Supervisory Board Member of HUB CO., LTD. from May 2013 to date (incumbent).</p> <p>Has occupied the office of Outside Director of Accordia Golf Co., Ltd. from June 2016 to date (incumbent).</p> <p>&lt;Important Concurrent Positions&gt;                      Attorney (Partner) of SAH &amp; Co.                      Outside Audit &amp; Supervisory Board Member of STANLEY ELECTRIC CO., LTD.                      Outside Audit &amp; Supervisory Board Member of HUB CO., LTD.                      Outside Director of Accordia Golf Co., Ltd.</p> <p>&lt;Reason for the Selection&gt;                      Based on his high-level specialized knowledge of the field of law as an attorney, we expect Mr. Amitani to provide appropriate opinions from a reasonable and fair perspective on the Company's decision making as it relates to the execution of its business, and we judge him well qualified for the role of Substitute Outside Director serving on the Audit</p>	-

Name (Date of Birth)	Career Summary and Important Concurrent Positions	Number of Company's Shares Held (shares)
	and Supervisory Committee.	

- Notes:
1. There is no special interest between the Company and Mr. Mitsuhiro Amitani.
  2. Mr. Amitani is a candidate for Substitute Outside Director.
  3. Although Mr. Amitani has not been directly involved in corporate management in ways other than being an Outside Director or Outside Audit & Supervisory Board Member, as noted in the <Reason for the Selection> pertaining to him, we judge him well qualified to perform his duties as a Director serving on the Audit and Supervisory Committee.
  4. In November 2013, STANLEY ELECTRIC CO., LTD., where Mr. Amitani currently serves as Outside Audit & Supervisory Board Member, concluded a plea agreement with the United States Department of Justice in connection with a violation of antitrust laws concerning automotive HID lamp ballasts. Mr. Amitani regularly makes appropriate comments at meetings of the Board of Directors and the like at that company regarding the importance of compliance with laws and regulations and thoroughly instilling such compliance. In addition, after the relevant incident was discovered, Mr. Amitani carried out checks and provided opinions as necessary regarding maintenance and enhancement of that company's compliance system in order to prevent such illegal conduct in advance.
  5. If Mr. Amitani assumes office as a Director serving on the Audit and Supervisory Committee, the Company will conclude a limited liability agreement with him pursuant to Article 427, Paragraph 1 of the Companies Act of Japan. Based on this agreement, Mr. Amitani's liability as a Director would be limited to the minimum liability amount stipulated by Article 425, Paragraph 1 of the Companies Act of Japan.

**(Reference) Standard for Independence of Outside Directors**

**The Company views outside directors as independent if they do not fall into the categories below.**

- 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 the Company or its subsidiaries.
- A company where the relevant outside director currently serves 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.
- 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 the Company in the past three business years. This excludes remuneration as a director of the Company and remuneration paid to the organization or business to which the relevant outside director belongs.
- A nonprofit organization of which the relevant director is an executive director has received donations from the Company of over ¥10 million and this amount exceeded 2% of the relevant organization's total business income in the past three business years.

End

## 1. Matters Concerning the Present Condition of the Group

### (1) Progress and Achievement of Business

In the fiscal year under review, there was a gradual recovery in the global economy overall despite signs of weakness in some areas. The Japanese economy also continued to follow a path of gradual recovery although there were signs of weakness in consumer spending and corporate earnings in some areas.

Amid these circumstances, Suntory Beverage & Food Limited Group (the Group) put efforts into brand reinforcement and new demand creation under its philosophy of proposing products based on the concept of “natural and healthy” and “unique and premium,” and enriching consumers’ lives. By utilizing the expertise of each company, the Group also worked to strengthen earning capacity through cost reductions and to improve quality of products throughout the Group. Furthermore, with the aim of achieving sustainable future growth, the Group concentrated on strengthening its business foundation in each area.

In the Japan segment, in addition to reinforcing core brands with a focus on the *Suntory Tennensui* brand and *Boss* coffee brand, the Group launched products with new value such as *Blood Orangina*, and strengthened sales of high-value-added products such as *Iyemon Tokucha* as part of efforts to create new demand. In the overseas segment, the Group further reinforced core brands and reduced costs in each area. In Europe, in addition to efforts centering on core brands such as *Orangina*, *Oasis*, *Schweppes*, *Lucozade* and *Ribena*, the Group took steps to expand the brand portfolio and to grasp more opportunity in on-premise channel. Furthermore, in Asia, the Group made focused efforts to further strengthen its business foundation, such as sales and production structures.

As a result of the above, for the fiscal year under review, the Group reported consolidated net sales of ¥1,410.8 billion, up 2.2% year on year, consolidated operating income of ¥93.5 billion, up 1.6%, consolidated ordinary income of ¥91.2 billion, up 10.1%, and net income attributable to owners of the parent of ¥46.1 billion, up 8.5%. An extraordinary loss of ¥3.3 billion related to the 2016 Kumamoto Earthquake was posted, but the Group received insurance payments of ¥3.2 billion against these losses and recorded the amount as extraordinary income.

Results by segment are as follows:

#### < Japan segment >

In Japan, as well as strengthening core brands, by focusing on high-value-added products such as FOSHU (a Food for Specified Health Uses) drink products, the Group worked on creating new demand, and consequently achieved a year-on-year increase in sales volume.

In the *Suntory Tennensui* brand, the Group promoted the brand’s original value by emphasizing its qualities of “clear and tasty” and “natural and healthy.” Especially, sales of *Suntory Yogurina & Minami-Alps Tennensui* were strong. As a result, annual sales volume for the brand as a whole grew considerably year on year to exceed 100 million cases, a first for one of the Company’s brands.

In the *Boss* coffee brand, in addition to continuing efforts focused on 185g canned coffee *Premium Boss*, *Rainbow Mountain Blend*, *Zeitaku Bito*, *Muto Black* and *Café au Lait*, which are our core products, sales volume of *Premium Boss Black* and *Premium Boss Bito* increased significantly in the growing bottle-shaped

canned coffee range and drove growth of the brand. In September, the Group further expanded its product lineup by launching new product of 185g canned coffee *Premium Boss Limited*, as well as bottle-shaped canned coffee *Premium Boss - The Mild*, and *Premium Boss - The Latte (sugar-free)*, in order to fulfil the increasingly diversified tastes of consumers.

In the *Iyemon* brand, the Group made focused efforts to reinforce the brand by continuously making proposals for adjusting flavors to suit the season. Furthermore, sales volume of the FOSHU green tea *Iyemon Tokucha* grew significantly. As a result, sales volume for the brand as a whole grew considerably.

The Company contributed to market expansion of FOSHU drink products, which are attracting attention on the back of increasing health consciousness, and is establishing a strong position in this market. In addition to conducting further aggressive marketing activities for *Iyemon Tokucha*, *Suntory Black Oolong Tea* and *Suntory Goma Mugicha* etc., in the *Iyemon Tokucha* brand, the Group launched in August *Suntory Tokucha Caffeine Zero*, which provides new added value through being caffeine-free, winning support from even greater numbers of consumers than before. As a result, the total sales volume of FOSHU drink products rose considerably year on year.

The Group also focused on its initiatives to improve profitability. By launching products with new value such as *Premium Boss - The Latte* and *Blood Orangina* in March, and by strengthening sales of high-value-added products such as FOSHU drink products and small-size format products such as 500 ml PET bottles, the product mix improved, which resulted in an increase in profit. The Group also continued to work on reducing packaging material costs and manufacturing expenses, etc., and as a result, production costs reduced year on year. Sales promotion and advertising costs rose year on year, but the Group continued to make efficient investment in marketing to net sales.

Suntory Beverage Solution Limited started its operations in April in order to provide even higher added value to consumers in those businesses that have direct contact with the consumer, such as the vending machine business, fountain business and water dispenser business. Together with Suntory Foods Limited, which specializes in retail channel operations, the company worked on initiatives to strengthen the customer response capabilities and sales capabilities of each.

As a result of these activities, net sales and segment profit of the Japan segment are as follows.

Japan segment net sales: ¥890.0 billion (up 10.3% year on year)

Japan segment profit: ¥54.7 billion (up 17.1% year on year)

< Overseas segment >

In Europe, aggressive marketing activities were conducted centering on core brands such as *Orangina*, *Oasis*, *Schweppes*, *Lucozade* and *Ribena*. In France, where the business environment is unfavorable, although the sales volume of *Orangina* was at the same level as the previous year, the sales volume of *Oasis* declined year on year. In the UK, sales of zero calorie *Lucozade Zero*, which was launched in May, were strong, and sales volume of *Lucozade* rose year on year. Sales volume of *Ribena* rose slightly year on year. In Spain, the Group pursued successfully its collaboration with PepsiCo, Inc. regarding the on-premise channel that began in 2015. Also, amid increasing health consciousness, the Group worked to bolster its brand portfolio with less sugar products. In the UK, *Highland Spring*

water distribution in impulse channel has been successfully integrated while in France the Group launched the premium low-sugar iced tea *May Tea* in May with good start.

Furthermore, on September 30, the Group acquired from GlaxoSmithKline Consumer Nigeria Plc the manufacturing and sales activities of the two brands *Lucozade* and *Ribena* in Nigeria, where the economic scale is the largest in Africa, in order to reinforce its business in the region.

In Asia, the Group worked to strengthen its business foundation and conducted marketing activities centering on core brands in each country. In the health supplement business, sales of *BRAND'S Essence of Chicken*, etc. continued to be steady in the core market Thailand. In the beverage business, in Vietnam, despite continued slowdown in the beverage market in the latter half of the year, the Group took steps to strengthen marketing for Suntory brand products such as green tea *TEA+ MATCHA*, which was launched in April, and sales rose year on year along with PepsiCo brands. In Indonesia, the Group made efforts to redevelop the sales structure and the marketing strategy.

In Oceania, the Group worked to expand sales by launching *V Pure* in May in New Zealand, which is made with natural ingredients and related to its mainstay energy drink *V*, and conducting aggressive marketing activities for sports drink *Maximus* and the hydration beverage *OVI*, which contains the same antioxidant component as green tea.

In the Americas, the Group further promoted PepsiCo brand products in North Carolina, and improved business efficiency by warehousing optimization. In addition, the Group started sales operations for *OVI*.

In addition to activities to expand sales in each area, the Group strove to further improve quality and strengthen earning capacity by sharing the R&D technology and knowhow for the reduction of costs among all Group companies.

As a result of these activities, net sales and segment profit of the overseas segment are as follows.

Overseas segment net sales: ¥520.7 billion (down 9.3% year on year)

Overseas segment profit: ¥67.4 billion (down 8.9% year on year)

## (2) Issues to Address

The type of value the Group wants to offer to the consumers is encapsulated in the slogan, “A quest for the best tastes & quality to bring happiness & wellness into everyday life,” while the Group’s goal is encapsulated in the slogan, “To be the leading global soft drink company recognized for our premium and unique brands.” With these slogans in mind, we consistently develop products that match the tastes and needs of consumers in order to offer them “tasty and healthy products,” “safe and reliable products” and “popular products that are appealing to many people,” primarily in the field of soft drinks. Through the products we offer, we aim to be a group of companies that consistently offers new value to consumers around the world.

The Group has expanded its business foundation by such means as stock listings on the Tokyo Stock Exchange and M&As. With the aim of evolving toward integrated development by utilizing this business foundation not only to accelerate self-sustaining growth in each area around the world but also to create synergies,

we have formulated the following management strategies for 2015 to 2017.

1. Focus on core areas

We will concentrate management resources on approximately 20 countries that include new areas in Asia and Africa, in addition to our existing areas of operation, which we will continue to strengthen.

2. Establish a position with a strong presence in each area

- (i) We will not only continue to reinforce existing core brands in each area but also create demand by proposing products that match the needs of consumers and bring new value. To realize these aims, we will strive to implement constant innovations in research and development, marketing and production technology.
- (ii) We will make focused efforts to further strengthen our distribution and production capabilities in ways that are tailored to different areas.
- (iii) We will continue to reduce costs and secure the funds necessary for growth investment.

3. Evolve toward integrated development

We will create synergies among areas and Group companies in terms of both sales and costs and aim for integrated development. In addition, we will determine and distribute brands with sales potential in the global market.

The targets for the Group's existing businesses are as follows (each in comparison to 2014 figures and on a currency-neutral basis).

Operating income:	Mid single-digit or above Compound Annual Growth Rate (CAGR) growth
ROE:	Further improve ratio of operating income to net sales Maintain at 10% or above based on net income before amortization of goodwill * and improve it further through profit growth
Net sales:	Aim for continued growth

\*The presentation method for "net income" has been changed to "net income attributable to owners of the parent" as of the 2016 fiscal year.

In the 2017 fiscal year, the Group will continuously work to strengthen business foundations both in its Japanese and overseas businesses and aim for sales and profit growth in each area.

In the Japan segment, the Group expects to see further changes in the consumer environment surrounding the beverage industry due to such factors as rising health consciousness and awareness of quality among consumers. Focusing on innovation and on reinforcing its brands, the Company will promote various initiatives in order to respond to these changes and to achieve further growth. Specifically, the Group will invest primarily in the *Suntory Tennensui*, *Boss*, *Iyemon*, and *Suntory Oolong Tea* brands and conduct marketing activities to further raise the value of these long-selling brands. Furthermore, in order to be

able to provide stable supply of products to consumers, the Group will move ahead to raise production capacity at its Suntory Okudaisen Bunanomori Water Plant and the Suntory Kyushu Kumamoto Plant.

In addition, the Group will continue to introduce new products like *Iyemon Tokucha* and *Suntory Yogurina & Minami-Alps Tennensui* with the Company's unique added-value in order to create new demand. To achieve these aims, the Group will actively channel investment into marketing, research and development and production facilities, and launch innovative initiatives throughout the operations, in such areas as reducing costs in order to create the resources needed for the investment.

In the vending machine business, fountain business and water dispenser businesses that have direct contact with the consumer, in addition to strengthening the customer response capabilities and sales capabilities, the Group will push ahead with active proposal activities to capture demand in offices to further develop its "full-line beverage service business."

In all of these initiatives, the Group will take action while keeping higher profitability in mind.

In the overseas segment, political and economic uncertainty is increasing as experienced in 2016 with the referendum decision of the UK to leave the EU, and with the result of the presidential election in the US. Moreover, in the beverage industry, social awareness about sugar intake is heightening around the world. Amid these circumstances, the Group will boost profitability by reinforcing core brands, strengthening its business foundation and reducing costs in each area, and reinforce collaboration among Group companies and strengthen area-based management control toward integrated development.

Looking at Europe, the Group will reinforce brands such as the core products *Orangina*, *Oasis*, *Schweppes*, *Lucozade* and *Ribena*, and work to expand sales by launching new products in the categories of growth, strengthening sales activities in major retail channels and further accelerating efforts to develop on-premise channels. In France, the Group will work on reinforcing storefront activities and focus on gaining distribution of smaller size packs. In the UK the Group will actively roll out products with reduced sugar content. In Spain, the Group will continue to reinforce its business in on-premise channels. In addition, the Group will strive to reinforce the business foundation in Africa centered on Nigeria. In Asia, in addition to focusing on core brands, the Group will enhance its route-to-market capabilities and drive high growth in each country. In the health food business, while working to expand sales of the mainstay *BRAND'S Essence of Chicken* by reinforcing the sales and distribution structures in the core market of Thailand, the Group will strengthen efforts to develop business in the new growth market. In the beverages business, in Vietnam, the Group will carry out marketing that emphasizes its high quality, while at the same time further exploring untapped new area opportunities. Meanwhile in Indonesia, the Group will redevelop the sales and distribution structures and marketing strategy while continuing to focus on vitalizing the core brands. Moreover, in areas including Malaysia, the Group will expand its business, concentrating on *Ribena* and *Lucozade*.

In Oceania, the Group will continue to reinforce mainstay energy drink *V* and sports drink *Maximus* and take aggressive steps to develop new products and improve operation efficiency in order to boost profitability.

In the Americas, while maintaining its solid market position in the carbonated beverage category, the Group will concentrate on the rapidly growing non-carbonated beverage category and work on expanding sales by introducing new products. The Group will also work on improving operations efficiency in areas such as distribution and push ahead with cost reductions.

The Suntory Group, which is led by the Company's parent company Suntory Holdings Limited, promotes environmental management based on the philosophy of "In Harmony with People and Nature" and carries out various activities to reduce environmental impact through such activities as "Natural Water Sanctuaries," which are aimed at developing a sustainable global environment. Also, as a member of the Suntory Group, the Group is continuing active measures to reduce environmental impact such as through activities to reduce CO<sub>2</sub> emissions that include saving resources with regard to containers and packaging and reducing the amount of electric power consumed in vending machines, as well as reducing water usage in plants.

We appreciate and value your ongoing cooperation and support.

## (3) Status of Assets and Profit and Loss

Category	The 5th Fiscal Year 2013	The 6th Fiscal Year 2014	The 7th Fiscal Year 2015	The 8th Fiscal Year 2016 (fiscal year under review)
Net Sales (Millions of yen)	1,121,361	1,257,280	1,381,007	1,410,765
Operating Income (Millions of yen)	72,715	85,949	92,007	93,481
Ordinary Income (Millions of yen)	67,257	82,272	82,869	91,224
Net Income Attributable to Owners of the Parent (Millions of yen)	31,196	36,239	42,462	46,056
Net Income per Share (Yen)	118.79	117.28	137.42	149.05
Total Equity (Millions of yen)	592,968	635,624	626,890	602,447
Equity per Share (Yen)	1,806.48	1,926.79	1,888.33	1,787.15
Total Assets (Millions of yen)	1,256,701	1,389,096	1,484,434	1,366,000
EBITDA (Millions of yen)	139,644	161,057	175,535	180,816

## Notes:

1. Due to applying the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), from the fiscal year under review, the presentation of “net income” has been presented to “net income attributable to owners of the parent.”
2. The Company conducted a share split at a ratio of 500 to 1 with April 16, 2013 as the effective date. However, the amount of net income per share has been calculated on the assumption that the aforesaid share split was conducted at the beginning of the 5th fiscal year.
3. EBITDA is the sum of operating income, depreciation and amortization, and amortization of goodwill.

## (4) Summary of Principal Businesses (as of December 31, 2016)

The Group manufactures and sells beverages and food including mineral water, coffee beverages, tea beverages, carbonated beverages, sports beverages, and FOSHU.

(5) Status of Significant Parent Company and Subsidiaries

1) Status of Significant Parent Company

Name	Shares Held	Ratio of Voting Rights	Business Relationship
Suntory Holdings Limited	183,800,000 shares	59.4 %	Payment of brand royalties, etc.

2) Status of Significant Subsidiaries, etc.

Name	Paid-in Capital	Ratio of Voting Rights (%)	Principal Business Purpose
Suntory Foods Limited	(Million) ¥1,000	100.0	Sale of non-alcoholic beverages
Suntory Beverage Solution Limited	(Million) ¥1,000	100.0	Sale of non-alcoholic beverages
Suntory Beverage Service Limited	(Million) ¥100	99.0	Sale of non-alcoholic beverages
Japan Beverage Holdings Inc.	(Million) ¥500	82.6	Sale of non-alcoholic beverages
Suntory Products Limited	(Million) ¥1,000	100.0	Manufacture of non-alcoholic beverages
Orangina Schweppes Holding B.V.	(Thousand) €18	100.0	Manufacture and sale of non-alcoholic beverages
Lucozade Ribena Suntory Limited	(Million) £755	100.0	Manufacture and sale of non-alcoholic beverages
Suntory Beverage & Food Asia Pte. Ltd.	(Thousand) S\$1,543,648	100.0	Strategic planning and group supervision for beverage and food businesses in South East Asia
Cerebos Pacific Limited	(Thousand) S\$75,649	100.0	Manufacture and sale of health foods and processed foods
PT SUNTORY GARUDA BEVERAGE	(Million) IDR198,048	75.0	Manufacture and sale of non-alcoholic beverages
Suntory PepsiCo Vietnam Beverage Co., Ltd.	(Million) VND5,597,429	100.0	Manufacture and sale of non-alcoholic beverages
FRUCOR BEVERAGES LIMITED	(Thousand) NZ\$446,709	100.0	Manufacture and sale of non-alcoholic beverages
FRUCOR BEVERAGES (AUSTRALIA) PTY LTD	A\$2	100.0	Sale of non-alcoholic beverages
Pepsi Bottling Ventures LLC	(Thousand) US\$215,554	65.0	Manufacture and sale of non-alcoholic beverages

Notes:

1. The ratio of voting rights includes indirect holdings.
2. As of April 1, 2016, Suntory Beverage Solution Limited has succeeded the

vending machine business, fountain business, and water business (“full-line beverage service business”) previously operated by Suntory Foods Limited by means of a company split, and has newly started business operations related to these businesses. Accordingly, from the fiscal year under review, Suntory Beverage Solution Limited has been newly recognized as a significant subsidiary.

3. The Company holds 51.0% of the issued shares of Suntory PepsiCo Investment B.V., which holds all of the issued shares of Suntory PepsiCo Vietnam Beverage Co., Ltd.

(6) Principal Offices and Plants, etc. (as of December 31, 2016)

1) The Company

Head Office:	1-1, Kyobashi 3-chome, Chuo-ku, Tokyo
Research Institute:	New Products Development Center (Kawasaki-shi, Kanagawa)

2) Subsidiaries

Name of Segment	Name	Major Business Sites	
Japan	Suntory Foods Limited	Head Office	Chuo-ku, Tokyo
		Office	Metropolitan Marketing Office (Chuo-ku, Tokyo), etc.
	Suntory Beverage Solution Limited	Head Office	Chuo-ku, Tokyo
		Office	Metropolitan Marketing Office (Chuo-ku, Tokyo), etc.
	Suntory Beverage Service Limited	Head Office	Shinjuku-ku, Tokyo
		Office	Metropolitan Area Sales Division (Shinjuku-ku, Tokyo), etc.
	Japan Beverage Holdings Inc.	Head Office	Shinjuku-ku, Tokyo
		Office	Tokyo branch (Bunkyo-ku, Tokyo), etc.
Suntory Products Limited	Head Office	Chuo-ku, Tokyo	
	Plant	Haruna Plant (Shibukawa-shi, Gunma), etc.	
Overseas	Orangina Schweppes Holding B.V.	Head Office	Amsterdam, the Netherlands
	Lucozade Ribena Suntory Limited	Head Office	London, U.K.
	Suntory Beverage & Food Asia Pte. Ltd.	Head Office	Singapore

Name of Segment	Name	Major Business Sites	
	Cerebos Pacific Limited	Head Office	Singapore
	PT SUNTORY GARUDA BEVERAGE	Head Office	Jakarta, Indonesia
	Suntory PepsiCo Vietnam Beverage Co., Ltd.	Head Office	Ho Chi Minh, Viet Nam
	FRUCOR BEVERAGES LIMITED	Head Office	Auckland, New Zealand
	FRUCOR BEVERAGES (AUSTRALIA) PTY LTD	Head Office	New South Wales, Australia
	Pepsi Bottling Ventures LLC	Head Office	North Carolina, U.S.A.

(7) Status of Employees (as of December 31, 2016)

Name of Segment	Number of Employees	Increase(Decrease) from Previous Fiscal Year
Japan	9,811 [979]	(115) [(161)]
Overseas	14,039 [952]	(268) [121]
Total	23,850 [1,931]	(383) [(40)]

Notes: The number of employees refers to the number of current workers while the number in the brackets [ ] is the average number of temporary employees for the most recent one-year period, which is not included in the number of current workers.

(8) Status of Company's Principal Lenders (as of December 31, 2016)

Name of Lender	Amount of Loan (Millions of yen)
Mizuho Bank, Ltd.	54,448
Mitsubishi UFJ Trust and Banking Corporation	51,162
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	40,439
The Norinchukin Bank	30,000
Sumitomo Mitsui Banking Corporation	24,774
Sumitomo Mitsui Trust Bank, Limited	22,160
Shinkin Central Bank	15,000

(9) Status of Fund Procurement

No items to report.

(10) Status of Capital Investment

Capital investment in the fiscal year under review was ¥60.2 billion. A breakdown of capital investment by segment is as follows.

Name of Segment	Capital investment (Millions of yen)
Japan	29,354
Overseas	30,817
Total	60,172

1) Major Plant and Equipment Completed in the Fiscal Year under Review

No items to report.

2) New Construction etc. of Major Plant and Equipment in Progress or Planning in the Fiscal Year under Review

Name of Segment	Content of capital investment
Japan	Expansion of production line at Okudaisen Bunanomori Water Plant of Suntory Products Limited
Overseas	Relocation of the Dien Ban Plant of Suntory PepsiCo Vietnam Beverage Co., Ltd.

(11) Status of Significant Business Realignment

The Company's subsidiary Suntory Foods Limited transferred the full-line beverage service business that it was operating to Suntory Beverage Solutions Limited in a company split with an effective date of April 1, 2016.

2. Matters Concerning Shares (as of December 31, 2016)

- (1) Total Number of Shares Authorized to be Issued: 480,000,000 shares  
 (2) Total Number of Issued and Outstanding Shares: 309,000,000 shares  
 (3) Number of Shareholders: 49,941

(decreased by 5,089 from the previous fiscal year)

(4) Major Shareholders (Top 10 shareholders):

Name of Shareholder	Shares Held (Thousands)	Ratio of Shareholding (%)
Suntory Holdings Limited	183,800	59.4
HSBC BANK PLC A/C ABU DHABI INVESTMENT AUTHORITY	5,590	1.8
Japan Trustee 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

3. Status of Directors

(1) Names, etc. of Directors (as of December 31, 2016)

Position	Name	Responsibilities and Important Concurrent Positions
Representative Director and President	Saburo Kogo	Overall Group Management Director of Suntory Beverage & Food Asia Pte. Ltd. Director of FRUCOR BEVERAGES LIMITED Director of FRUCOR BEVERAGES (AUSTRALIA) PTY LTD Director of Pepsi Bottling Ventures LLC
Senior Managing Director	Nobuhiro Kurihara	Chief Operating Officer, Business Administration Division Risk Management Director of Japan Beverage Holdings Inc.
Senior Managing Director	Yukio Okizaki	Chief Operating Officer, Beverage & Food Business Division Director of Suntory Foods Limited Director of Suntory Beverage Solution Limited Director of Suntory Products Limited
Director	Nobuhiro Torii	Representative Director and Executive Vice President of Suntory Holdings Limited
Director	Yoshihiko Kakimi	Representative Director and President of Suntory Products Limited
Director	Masato Tsuchida	Representative Director and President of Suntory Beverage Solution Limited Director of Suntory Foods Limited Director of Suntory Beverage Service Limited Director of Japan Beverage Holdings Inc.
Director	Hachiro Naiki	Representative Director and President of Suntory Foods Limited Director of Suntory Beverage Solution Limited
Director	Yukari Inoue	Managing Director of Kellogg Japan G.K. Outside Director of JC Comsa Corporation
Full-time Audit and Supervisory Committee Member	Kozo Chiji	Audit & Supervisory Board Member of Suntory Foods Limited Audit & Supervisory Board Member of Suntory Beverage Solution Limited Audit & Supervisory Board Member of Suntory Products Limited

Position	Name	Responsibilities and Important Concurrent Positions
Audit and Supervisory Committee Member	Yukihiko Uehara	Representative Director and President of Comtec22 Co., Ltd. Specially Appointed Professor of Institute of Current Business Studies, Showa Women's University
Audit and Supervisory Committee Member	Harumichi Uchida	Attorney of Mori Hamada & Matsumoto Outside Audit & Supervisory Board Member of Sumitomo Dainippon Pharma Co., Ltd.

Notes:

- Ms. Yukari Inoue and Messrs. Yukihiko Uehara and Harumichi Uchida are Outside Directors.
- The Company designated Outside Directors Ms. Yukari Inoue and Mr. Yukihiko Uehara as Independent Officers and reported this designation to the Tokyo Stock Exchange.
- The Company has concluded limited liability agreements with Mr. Nobuhiro Torii, Ms. Yukari Inoue, Mr. Kozo Chiji, Mr. Yukihiko Uehara and Mr. Harumichi Uchida pursuant to Article 427, Paragraph 1 of the Companies Act of Japan. Based on these agreements, if any of them causes the Company to suffer loss through neglect of duties, then providing that he/she was fulfilling his/her duties in good faith with no gross negligence, the liability to the Company shall be limited to the minimum liability amount stipulated by Article 425, Paragraph 1 of the Companies Act of Japan.
- Mr. Kozo Chiji has experience of involvement in the management of Suntory Group companies, primarily as Managing Executive Officer and Chief Operating Officer, Finance & Accounting Division of Suntory Holdings Limited, and has considerable knowledge in the areas of finance and accounting.
- Changes in Directors' responsibilities during the fiscal year under review were as follows.

Name	Responsibilities before Change	Responsibilities after Change	Date of Change
Saburo Kogo	Chief Operating Officer, Beverage & Food Business Division	Overall Group Management	March 30, 2016
Nobuhiro Kurihara	Chief Operating Officer, Business Administration Division	Chief Operating Officer, Business Administration Division Risk Management	March 30, 2016
Nobuhiro Torii	Overall Group Management	–	March 30, 2016

Name	Responsibilities before Change	Responsibilities after Change	Date of Change
Yoshihiko Kakimi	Research & Development, Production	–	March 30, 2016
Masato Tsuchida	Vending Machine Business Division	–	March 30, 2016

6. Details of an Officer who resigned during the fiscal year under review are provided below.

Position	Name	Date of Retirement
Director (Audit & Supervisory Board Member)	Seiichiro Hattori	March 30, 2016

7. To strengthen the auditing and supervising function of the Audit and Supervisory Committee, the Company has appointed Mr. Kozo Chiji as full-time Audit and Supervisory Committee Member to enable collection of information from the Directors (excluding Audit and Supervisory Committee Members), sharing of information at important internal company meetings, and the sufficient coordination between the internal audit division and the Audit and Supervisory Committee.

(2) Remuneration, etc. for Directors

Classification	Basic Remuneration		Bonuses		Total (Millions of yen)
	Number of Persons	Payment Amount (Millions of yen)	Number of Persons	Payment Amount (Millions of yen)	
Director (excluding Audit and Supervisory Committee Member)	10	190	8	171	361
(Outside Director)	(1)	(12)	(-)	(-)	(12)
Director (Audit and Supervisory Committee Member)	4	50	2	21	72
(Outside Director)	(2)	(24)	(-)	(-)	(24)
Total	14	241	10	193	434
(Outside Director)	(3)	(36)	(-)	(-)	(36)

Notes:

1. Bonuses payment amounts are amounts to be paid.
2. The maximum remuneration limit for Directors (excluding Audit and Supervisory Committee Members) is an annual amount not exceeding ¥1,000 million (of which a maximum amount of ¥100 million shall be paid to Outside Directors; providing, however, not including the employee portion of salaries of Directors who are concurrently employees), which was passed by resolution at the Ordinary General Meeting of Shareholders held on March 27, 2015.
3. The maximum remuneration limit for Audit and Supervisory Committee Members is an annual amount not exceeding ¥150 million, which was passed by resolution at the Ordinary General Meeting of Shareholders held on March 27, 2015.

(3) Outside Directors

1) Status of Material Concurrent Positions at Other Companies, etc. and the Company's Relationship with the Aforesaid Organizations

There are no special interests between the Company and the entities listed below at which the Outside Directors concurrently serve.

Classification	Name	Important Concurrent Positions
Outside Director	Yukari Inoue	Managing Director of Kellogg Japan G.K. Outside Director of JC Comsa Corporation
Outside Director (Audit and Supervisory Committee Member)	Yukihiko Uehara	Representative Director and President of Comtec22 Co., Ltd. Specially Appointed Professor of Institute of Current Business Studies, Showa Women's University
Outside Director (Audit and Supervisory Committee Member)	Harumichi Uchida	Attorney of Mori Hamada & Matsumoto Outside Audit & Supervisory Board Member of Sumitomo Dainippon Pharma Co., Ltd.

2) Principal Activities during the Fiscal Year under Review

Classification	Name	Board of Directors Meeting Attendance	Audit and Supervisory Committee Meeting Attendance	Status of Statements
Outside Director	Yukari Inoue	15/16	—	She voiced statements based on her experience and knowledge as a corporate executive.
Outside Director (Audit and Supervisory Committee Member)	Yukihiko Uehara	16/16	16/16	He voiced statements from his technical perspective as a researcher of marketing and business strategy.
Outside Director (Audit and Supervisory Committee Member)	Harumichi Uchida	16/16	16/16	He voiced statements from his technical perspective as an attorney.

4. Status of Accounting Auditor

- (1) Name: Deloitte Touche Tohmatsu LLC  
 (2) Amount of Accounting Auditor's Fees, etc.

(Millions of yen)	
Amount of fees, etc. for the fiscal year under review	50
Total amount of money and other financial benefits payable to Accounting Auditor by the Company and its subsidiaries	172

Notes:

- The audit agreement between the Company and the Accounting Auditor does not distinguish between fees paid for the audit conducted in accordance with the Companies Act of Japan from fees paid for the audit conducted in accordance with the Financial Instruments and Exchange Act, and it is practically impossible to make such a distinction. Accordingly, the amount specified above is the aggregate amount of fees for these two types of audits.
- Of the Company's significant subsidiaries, nine companies, including Orangina Schweppes Holding B.V., are subject to audits of their financial statements by a certified public accountant or an audit corporation (including parties holding qualifications comparable to those of a certified public accountant or an audit corporation in a country besides Japan) other than the accounting auditor of the Company (provided, however, that such audits fall under the provisions of the Companies Act of Japan or the Financial Instruments and Exchange Act (or foreign laws comparable to the said Acts)).

- (3) Reason for the Audit and Supervisory Committee Consenting to the Fees, etc. of the Accounting Auditor

With regard to the fees, etc. of the Accounting Auditor, the Company's Audit and Supervisory Committee has obtained the necessary materials and received reports from Directors, related internal departments and the Accounting Auditor, and has checked the Accounting Auditor's performance and fees hitherto. Then the Committee has made the requisite investigation into the appropriateness of the Accounting Auditor's action plans and the calculation basis for their estimated fees for the fiscal year under review. As a result of these deliberations, it has concluded that these are appropriate and it consents to the amount of the fees, etc. of the Accounting Auditor in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.

- (4) Content of Non-audit Service

The Company commissions the Accounting Auditor to perform services related

to guidance and advice, and so forth, relating to the introduction of International Financial Reporting Standards (IFRS).

(5) Policy Regarding Decisions of Dismissal or Non-reappointment of Accounting Auditor

If the Company's Audit and Supervisory Committee deems that any circumstance stipulated in any item of Article 340, Paragraph 1 of the Companies Act of Japan applies to the Accounting Auditor, the Accounting Auditor will be dismissed based on the unanimous approval of all Audit and Supervisory Committee Members. In such situations, an Audit and Supervisory Committee Member selected by the Committee shall report to the first General Meeting of Shareholders convened after the dismissal both the fact of the dismissal and the reasons for the dismissal.

The Company's Audit and Supervisory Committee shall, if it is recognized that on consideration of the Accounting Auditor's performance of their duties and the Company's audit system etc. there is a need for a change in Accounting Auditor, decide on the content of a proposal to submit to the general meeting of shareholders regarding the dismissal or the non-reappointment of the Accounting Auditor.

5. System to Ensure the Appropriateness of the Business and the Operational Status of that System

The Board of Directors of the Company has resolved as follows with regard to its basic policy on construction of a system (internal control system) to ensure the appropriateness of the business.

- (1) System for Ensuring That the Execution of Duties by Directors, Executive Officers and Employees of the Company, as Well as by Directors, Executive Officers, Others with Equivalent Duties (“Officers”) and Employees of the Company’s Subsidiaries Conforms with Laws and Regulations and the Articles of Incorporation
  - (a) Premised on shared aspirations embodied by the corporate philosophy of “In Harmony with People and Nature,” the Company and its subsidiaries (the “Group”) shall stand committed to respecting the rules of civil society and placing utmost importance on the organization and corporate culture that prioritize compliance on the basis of the Group’s awareness of itself as a global corporate citizen. Accordingly, each and every one of the Directors, Executive Officers, employees and others of the Group shall make decisions for the organization and carry out business activities in line with social ethics, commensurate with the Group’s position as a corporate citizen.
  - (b) In order to implement the corporate philosophy mentioned above, all Directors, Executive Officers, employees and others of the Group shall maintain the standard of business conduct that involve complying with laws and regulations and social ethics based on the Code of Business Ethics of the Suntory Group. The Directors and Executive Officers shall take the initiative in complying with laws and regulations, the Articles of Incorporation, and business ethics, and actively make efforts to maintain and improve the management based on compliance.
  - (c) In order to ensure that the execution of duties by Directors, Executive Officers, employees and others of the Group conforms with laws and regulations and the Articles of Incorporation, a Compliance Committee shall be established under the Risk Management Committee, and given the task of promoting compliance activities of the entire Group and deliberating important issues related to the promotion of compliance. In addition, the Compliance Committee and a division in charge of compliance shall regularly carry out education and training programs, while establishing and promoting compliance systems of the entire Group.
  - (d) The Risk Management Committee shall report details of Risk Management Committee and Compliance Committee deliberations and activities to the Board of Directors and the Audit and Supervisory Committee, as necessary.
  - (e) If a Director or Executive Officer discovers a compliance-related problem of the Group, it shall be promptly reported to the Compliance Committee. In addition, compliance hotlines shall be established within and outside the Company to allow employees and others of the Group to directly report compliance-related problems. Upon working to obtain information, the Compliance Committee that received the report shall investigate the details,

discuss the issue with the relevant departments as necessary, take corrective measures, establish measures aimed at preventing recurrence, and have such measures implemented across the entire Group.

- (f) As necessary, Directors shall be dispatched to Group companies to appropriately execute business, make decisions and perform supervision. In addition, the Company's relevant departments shall, as necessary, provide advice, guidance and support to Group companies.
  - (g) Audit & Supervisory Board Members shall be dispatched to Group companies as necessary to perform audits.
  - (h) An internal audit division shall be established to perform internal audits pertaining to the status of compliance and the appropriateness of business operations of the Group. The internal audit division shall report results of such audits to the Audit and Supervisory Committee and the Representative Director and President, as necessary.
  - (i) Internal control systems shall be established and maintained to ensure the appropriateness of financial reporting of the Group.
  - (j) Directors and Executive Officers shall establish and promote a system put in place in the Group to sever any relations with anti-social forces and clearly reject improper demands from them.
- (2) System for the Preservation and Management of Information Concerning the Execution of Duties of the Company's Directors
- (a) Directors and Executive Officers shall, in accordance with laws and regulations and internal regulations, preserve and manage minutes of General Meetings of Shareholders, minutes of Board of Directors meetings, documents and other materials related to important decision-making (including electronic or magnetic records, the same applies hereinafter), as well as other important information related to the execution of duties by Directors.
  - (b) The documents and other materials mentioned above shall be kept in a condition such that allows for Directors to view them as necessary.
  - (c) The Risk Management Committee shall establish and promote an information security governance system that does not only protect and preserve information, including personal information, but also facilitates to increase corporate value by use of information.
- (3) Regulations and Other Systems for Managing Risk of Losses of the Company and Its Subsidiaries
- (a) The Group's basic policies on risk management shall be determined by the Board of Directors.
  - (b) Each Executive Director and Executive Officer shall hold responsibility for addressing risks inherent in business execution. Moreover, material risks shall be analyzed and evaluated, and improvement plans shall be discussed and determined by the Board of Directors.
  - (c) As for material risks related to Group management, the Risk Management Committee and the Quality Assurance Committee shall comprehensively and

collectively manage respective risks incidental to the execution of business throughout the entire Group, and quality risks thereof. In addition, regulations and guidelines pertaining to management of such risks shall be established, and training activities thereof shall be implemented, as necessary.

- (d) As for newly emerging material risks related to Group management, the Board of Directors shall promptly select those Executive Directors or Executive Officers who will hold responsibility for addressing such risks and determine a course of action to address such risks.
- (4) System for Ensuring that Directors of the Company and Officers of the Company's Subsidiaries Execute Their Duties Efficiently
- (a) The basic policies on management of the Group shall be determined by the Board of Directors.
  - (b) The Company shall determine Company-wide goals shared by the Directors, Executive Officers, employees and others of the Group, and Directors in charge shall specify efficient methods for achieving such goals, such as specific targets and appropriate allocation of authority aimed at achieving the Company-wide goals.
  - (c) Directors in charge shall confirm progress made in achieving goals and report the specific measures to achieve the goals at Board of Directors meetings.
  - (d) Each Director shall be in charge of his/her execution of business operations appropriately and shall strive to make decisions efficiently under the Responsibility and Authority Rules.
- (5) System for Reporting to the Company Matters Related to the Execution of Duties by Officers of the Company's Subsidiaries
- (a) The status of the Group company business execution shall be regularly reported to the Management Committee and the Board of Directors.
  - (b) Executive Directors and Executive Officers in charge of Group companies shall request reports on the status of business execution from the subsidiaries, as needed.
  - (c) Under the Responsibility and Authority Rules, certain matters concerning management of Group companies must be consulted with and reported to the Company's relevant departments, or otherwise must receive approval from the Company's Board of Directors.
  - (d) The internal audit division shall, as necessary, report the results of Group company internal audits to the Audit and Supervisory Committee and the Representative Director and President.
- (6) Other Systems to Ensure the Appropriateness of Business of the Group Consisting of the Company, Its Parent Company and Its Subsidiaries

With respect to transactions between Group companies, including the parent company, internal procedures shall be established pertaining to matters such as performing transactions and determining transaction terms and conditions,

and steps shall be taken to ensure the objectivity and rationality of such transactions. In particular, care shall be taken to ensure independence from the parent company with respect to transactions with the parent company.

- (7) Matters Regarding Directors and Employees Who Assist in the Duties of the Audit and Supervisory Committee of the Company, Matters Regarding the Independence of Such Directors and Employees from Other Directors (Excluding Directors Serving on the Audit and Supervisory Committee), and Matters Related to Ensuring the Effectiveness of Instructions Given by the Audit and Supervisory Committee to Such Directors and Employees
- (a) The internal audit division shall assist with the Audit and Supervisory Committee's duties. Matters such as those involving transfer and evaluation of internal audit division employees shall be performed in a manner respectful of views provided by the Audit and Supervisory Committee, and in a manner that ensures independence from the Directors (excluding Directors serving on the Audit and Supervisory Committee).
  - (b) In assisting with the duties of the Audit and Supervisory Committee, employees of the internal audit division shall comply with the instructions and orders from the Audit and Supervisory Committee exclusively.
- (8) System for the Company's Directors (Excluding Directors Serving on the Audit and Supervisory Committee), Executive Officers and Employees, as Well as Directors, Executive Officers, Audit & Supervisory Board Members, Others with Equivalent Duties and Employees of the Company's Subsidiaries or Other Persons Who Receive Reports from Such Persons to Report to the Company's Audit and Supervisory Committee and Other Systems Related to Reporting to the Audit and Supervisory Committee
- (a) The Representative Director and Executive Directors shall report to the Board of Directors on their execution of business as needed.
  - (b) If the Audit and Supervisory Committee requests a report on business operations, or otherwise conducts an investigation of a business or property, the Directors (excluding Directors serving on the Audit and Supervisory Committee), Executive Officers, employees and others of the Group shall respond to the request or investigation promptly and accurately.
  - (c) Upon discovery of any incident that could cause the Group substantial damage, such as acts in violation of laws and regulations, the Directors (excluding Directors serving on the Audit and Supervisory Committee), Executive Officers, employees and others of the Company shall immediately report the matter to the Audit and Supervisory Committee.
  - (d) The internal audit division and the Risk Management Committee shall regularly report internal audit results and the status of other activities in the Group to the Audit and Supervisory Committee.
  - (e) The division in charge of compliance shall regularly report the status of whistleblowing in the Group to the Audit and Supervisory Committee.
- (9) System to Ensure That a Person Who Has Reported to the Company's Audit and

Supervisory Committee Are Not Treated Adversely Based on the Fact Such a Report Has Been Made by the Person

The Directors (excluding Directors serving on the Audit and Supervisory Committee), Executive Officers, employees and others of the Group may directly report to the Audit and Supervisory Committee, and any adverse treatment based on the fact that such a report has been made by the person is prohibited under the internal regulations, etc.

- (10) Policies Regarding Procedures for Advance Payment or Reimbursement of Expenses Arising in Conjunction with the Execution of Duties by Audit and Supervisory Committee Members of the Company (Limited to Those Expenses Incurred in Relation to Execution of Audit and Supervisory Committee Duties) and Other Policies for Processing Expenses and Obligations Arising with Respect to Execution of Such Duties, and Other Systems for Ensuring That the Audit and Supervisory Committee Effectively Performs Audits
- (a) If the Audit and Supervisory Committee, in conjunction with the execution of its duties, asks the Company for advance payment, etc. of expenses under Article 399-2, Paragraph 4 of the Companies Act, the Company shall promptly process such expenses or obligations, unless they are not necessary for the Audit and Supervisory Committee members to execute their duties.
  - (b) If the Audit and Supervisory Committee requests independent use of an external expert for the purpose of executing duties of the Audit and Supervisory Committee members, the Company shall then bear those expenses, unless they are not necessary for the Audit and Supervisory Committee members to execute their duties.
  - (c) The Audit and Supervisory Committee shall endeavor to ensure communication and information exchange with the Audit & Supervisory Board Members of Group companies (or persons with equivalent duties) and the internal audit division.
  - (d) The Audit and Supervisory Committee shall regularly provide opportunities for the exchange of opinions with the Representative Director and President, and the Accounting Auditor.

In the fiscal year under review, the major operational status of the above-mentioned systems for ensuring the appropriateness of the business is as follows.

- (1) Status of initiatives related to improving efficiency in execution of businesses
- The Company has, through a resolution of the Board of Directors, delegated the execution of certain important duties to the Management Committee or to Directors in order to enable efficient decision making.
  - The Board of Directors held 16 meetings where they actively discussed management challenges and the execution of business including corporate

strategy, corporate governance, and M&A.

- At their meetings, the Board of Directors was provided with reports on the Group's monthly business performance, and accordingly verified and discussed matters such as progress made in achieving the Group's business objectives, its management challenges, along with measures in that regard.

(2) Operational status of the risk management system

- The Risk Management Committee held two meetings where they identified risks facing the Group, formulated measures for addressing such risks, and checked on progress made with respect to taking action in that regard.
- With respect to quality risks, the Quality Assurance Committee held two meetings where they identified issues involving matters of quality control pertaining to the Group, formulated measures for addressing such issues, and checked on progress made with respect to taking action in that regard.
- The Risk Management Committee and the Quality Assurance Committee have established rules for reporting matters in the event of a crisis, and have been otherwise developing procedures for taking action in situations where a risk has materialized.
- The details of the activities of the Risk Management Committee and the Quality Assurance Committee are periodically reported at the Board of Directors meetings.
- To ensure information security, we have been developing various sets of internal rules governing the proper preservation and management of information. We have also been implementing information management education and awareness activities, and have otherwise been taking steps geared toward discouraging unsuitable means of information management and preventing leakages of confidential information.

(3) Status of initiatives related to compliance

- We implemented training programs etc. with the aim of encouraging observance of the Code of Business Ethics of the Suntory Group.
- With regard to preventing bribery and corruption, the Company's internal guidelines were revised, the system for objective checks by a party independent from each deal was reinforced, and education and awareness activities such as seminars were implemented.
- With the goal of proactive prevention and early discovery of infringements

of laws and regulations and dishonest practices, a compliance hotline has been set up with points of contact in the Company's division in charge of compliance, law firms, external channels such as providers of services to receive whistleblower disclosures and the Audit and Supervisory Committee. These have been made known to employees through such means as the intranet and posters on noticeboards. In response to reports and requests for advice, the related divisions have taken responsibility for investigating the situation and, if necessary, taking corrective action and drawing up measures to prevent recurrence, as instructed by the Compliance Committee (or by the Audit and Supervisory Committee when reports or requests for advice are directed to it). Moreover, internal rules have been established to forbid others from subjecting a person making such a report to adverse treatment.

- The Compliance Committee held two meetings where they verified and discussed compliance issues facing the Group and countermeasures for dealing with them.
- An attitude survey was conducted among employees with the aims of checking whether compliance management is being instilled among them, and of further nurturing a wholesome workplace culture.
- The number of reports to the compliance hotlines and a summary of the same, as well as the results of the attitude survey have been reported regularly to the Board of Directors.

#### (4) Operational status of the Audit and Supervisory Committee

- Audit and Supervisory Committee Members have been attending important meetings of the Board of Directors, the Management Committee, the Risk Management Committee and other such bodies, through which they have been able to obtain reports on business execution provided by Directors, Executive Officers and others, in addition to which they have conducted supervisory activities in relation to the process and the content of decision making.
- As well as receiving reports on the audits carried out by the internal audit division, the Audit and Supervisory Committee has conducted audits independently, which place particular focus on the activities of key management. Accordingly, the Audit and Supervisory Committee has maintained day-to-day communication with the internal audit division and has been constructing a system that allows the effective implementation of Group-wide auditing.
- Furthermore, a Group Audit Committee has been established with members

drawn from the Audit and Supervisory Committee Members, as well as Directors and Executive Officers in charge of the Company's main divisions. In addition to strengthening the monitoring function for responses to risks in Japan and overseas, this Committee has considered specific measures to improve internal control of the entire Group and has given opinions, instructions, etc. to related divisions.

(5) Operational status of internal audits

- The internal audit division has conducted internal audits of the Company's respective divisions as well as the Group companies in Japan and overseas on the basis of the annual audit plan. In particular, in order to deal with the expanding globalization of the business, In April 2016, a Global Auditing Department was newly established to bolster the systems for auditing overall global business and cooperation between the internal audit divisions of overseas group companies.
- The internal audit division reports on the audit results of Japanese and global businesses to the Group Audit Committee, which includes the Representative Director and President and Audit & Supervisory Committee Members.

(6) Transactions between the parent company, etc.

- Transactions between the Suntory Group including Suntory Holdings Limited, the Company's parent company, has been examined by the Company's general affairs division and accounting division beforehand to confirm the necessity of the transaction, and the appropriateness of its terms and conditions, and decision-making process.
- The decisions regarding transactions that are deemed to be particularly important have been taken after sufficient deliberation by the Board of Directors including multiple independent outside directors with respect to the necessity and appropriateness of the said transactions. In regard to a transaction with the Suntory Group that is scheduled to be conducted in the 2017 fiscal year, decisions were made after thorough deliberation at a Board of Directors meeting held in December 2016 with respect to the necessity and appropriateness.

**Consolidated Balance Sheet**  
(As of December 31, 2016)

(Unit: Millions of yen)

Assets		Liabilities	
Account Titles	Amount	Account Titles	Amount
Current assets	374,544	Current liabilities	410,378
Cash and deposits	84,127	Notes and accounts payable–trade	116,081
Notes and accounts receivable–trade	161,037	Electronically recorded obligations–operating	12,742
Merchandise and finished goods	46,378	Short-term borrowings	72,239
Work in process	4,406	Lease obligations	7,074
Raw materials and supplies	23,953	Consumption taxes payable	8,143
Deferred tax assets	11,605	Accrued income taxes	15,849
Other	43,253	Accounts payable–other	94,558
Allowance for doubtful accounts	(217)	Accrued expenses	50,331
Noncurrent assets	991,353	Provision for bonuses	8,002
Property, plant, and equipment	338,775	Other	25,356
Buildings and structures	75,405	Long-term liabilities	353,174
Machinery, equipment, and other	132,599	Bonds payable	40,000
Tools, furniture and fixtures	48,260	Long-term debt	199,283
Land	42,971	Lease obligations	11,670
Lease assets	16,850	Deferred tax liabilities	74,796
Construction in progress	14,648	Retirement allowances for directors and audit and supervisory board members	246
Other	8,039	Net defined benefit liability	8,784
Intangible fixed assets	622,316	Other	18,392
Goodwill	407,283	Total liabilities	763,552
Trademarks	150,827	Equity	
Other	64,204	Shareholders' equity	551,128
Investments and other assets	30,261	Common stock	168,384
Investment securities	10,290	Capital surplus	183,628
Net defined benefit asset	708	Retained earnings	199,116
Deferred tax assets	2,714	Accumulated other comprehensive income	1,100
Other	17,129	Unrealized gain on available-for-sale securities	2,020
Allowance for doubtful accounts	(582)	Deferred gain on derivatives under hedge accounting	130
Deferred assets	103	Foreign currency translation adjustments	2,973
		Remeasurements of defined benefit plans	(4,023)
		Non-controlling interests	50,218
		Total equity	602,447
Total assets	1,366,000	Total liabilities and equity	1,366,000

Note: All amounts have been rounded down to the nearest million yen.

**Consolidated Statement of Income**  
(For the year ended December 31, 2016)

(Unit: Millions of yen)

Account Titles	Amount	
Net sales		1,410,765
Cost of sales		629,276
Gross profit		781,489
Selling, general and administrative expenses		688,007
Operating income		93,481
Non-operating income		
Interest income	396	
Dividend income	102	
Equity in earnings of affiliates	665	
Foreign currency exchange gain, net	564	
Other	1,206	2,935
Non-operating expenses		
Interest expense	4,379	
Other	813	5,193
Ordinary income		91,224
Extraordinary income		
Gain on sales of noncurrent assets	1,307	
Insurance income	3,249	
Other	56	4,613
Extraordinary loss		
Loss on disposal of noncurrent assets	2,564	
Losses from a natural disaster	3,331	
Restructuring cost	5,420	
Other	1,386	12,702
Income before income taxes		83,135
Income taxes–current	27,518	
Income taxes–deferred	2,851	30,369
Net income		52,765
Net income attributable to non-controlling interests		6,708
Net income attributable to owners of the parent		46,056

Note: All amounts have been rounded down to the nearest million yen.

## Consolidated Statement of Changes in Equity

(For the year ended December 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at January 1, 2016	168,384	192,323	176,537	537,245
Cumulative effects of changes in accounting policies		211	(2,157)	(1,945)
Restated balance	168,384	192,535	174,380	535,300
Changes of items in the year				
Cash dividends			(21,321)	(21,321)
Net income attributable to owners of the parent			46,056	46,056
Changes in the parent's ownership interest due to transactions with non-controlling interests		(8,907)		(8,907)
Net changes of items other than shareholders' equity				
Net change in the year	-	(8,907)	24,735	15,828
Balance at December 31, 2016	168,384	183,628	199,116	551,128

	Accumulated other comprehensive income					Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at January 1, 2016	1,894	376	46,993	(3,013)	46,249	43,395	626,890
Cumulative effects of changes in accounting policies			(26)		(26)		(1,971)
Restated balance	1,894	376	46,966	(3,013)	46,223	43,395	624,918
Changes of items in the year							
Cash dividends							(21,321)
Net income attributable to owners of the parent							46,056
Changes in the parent's ownership interest due to transactions with non-controlling interests							(8,907)
Net changes of items other than shareholders' equity	126	(245)	(43,993)	(1,009)	(45,123)	6,823	(38,299)
Net change in the year	126	(245)	(43,993)	(1,009)	(45,123)	6,823	(22,470)
Balance at December 31, 2016	2,020	130	2,973	(4,023)	1,100	50,218	602,447

Note: All amounts have been rounded down to the nearest million yen.

## Notes to Consolidated Financial Statements

### **BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS**

1. Scope of consolidation
  - (1) The number of consolidated subsidiaries is 95. The major such companies are Suntory Foods Limited, Suntory Beverage Solution Limited, Suntory Products Limited, Suntory Beverage Service Limited, Japan Beverage Holdings Inc., Orangina Schweppes Holding B.V., Lucozade Ribena Suntory Limited, Suntory Beverage & Food Asia Pte. Ltd., Cerebos Pacific Limited, FRUCOR BEVERAGES LIMITED and Pepsi Bottling Ventures LLC.  
In addition, during the fiscal year ended December 31, 2016, Suntory Beverage Solution Limited and two other companies were included in the scope of consolidation due to the establishment of new companies, etc. Moreover, a subsidiary of Cerebos Pacific Limited was liquidated and was thus excluded from the scope of consolidation.
  - (2) The major unconsolidated subsidiary is Kyushu Sunvend Co., Ltd.  
The Group's unconsolidated subsidiaries are excluded from the scope of consolidation because they have minor effects on each of total assets, net sales, net income/loss, retained earnings, and other items on a consolidated basis, and, as a whole, do not have material effects on the consolidated financial statements.
2. Application of equity method
  - (1) The number of affiliates accounted for by the equity method is 7. The major such company is TIPCO F&B CO., LTD.
  - (2) Investments in unconsolidated subsidiaries, including Kyushu Sunvend Co., Ltd., and affiliates, including Kanto Foods Service Co., Ltd., are not accounted for by the equity method but stated at cost because they have minor effects on each of net income/loss, retained earnings, and other items on a consolidated basis, and, as a whole, do not have material effects on the consolidated financial statements.
3. Fiscal year-ends of consolidated subsidiaries  
The balance sheet date of the consolidated subsidiaries coincides with the consolidated balance sheet date.
4. Accounting policies
  - (1) Basis and methods of valuation of significant assets
    - 1) Securities  
Held-to-maturity debt securities  
Stated at cost amortized by the straight-line method.  
Available-for-sale securities  
Securities with readily determinable fair value:  
Stated at fair market value, based on market quotation at the balance sheet date.  
(Net unrealized gains and losses, net of applicable income taxes, are reported in a separate component of equity. The cost of securities sold is mainly determined based on the moving-average method.)  
Securities without readily determinable fair value:  
Mainly stated at cost determined by the moving-average method.
    - 2) Derivatives  
Stated at fair market value.
    - 3) Inventories  
Mainly stated at cost determined by the periodic average method.  
(The value stated in the balance sheet is determined according to write-downs based on the decreased profitability of assets.)
  - (2) Depreciation and amortization of significant depreciable and amortizable assets
    - 1) Property, plant, and equipment (except for lease assets)  
Mainly depreciated by the straight-line method. Useful lives of principal property, plant, and equipment are as follows.

Buildings and structures:	5–50 years
Machinery, equipment, and other:	2–17 years
Tools, furniture and fixtures:	2–15 years
    - 2) Intangible fixed assets (except for lease assets)  
Mainly amortized by the straight-line method. However, trademarks for which the useful life is indefinite are not amortized. Software for internal use is amortized by the straight-line method over the internally estimated useful lives (within 5 years).
    - 3) Lease assets  
Lease assets in finance lease transactions that do not transfer ownership are depreciated by the straight-line method based on the assumption that the useful life is equal to the lease term and the residual value is equal to zero.  
Finance lease transactions that do not transfer ownership, whose transactions commenced on or before December 31, 2008, are accounted for in a manner similar to accounting treatment for ordinary rental transactions.
  - (3) Basis for provision of significant reserves
    - 1) Allowance for doubtful accounts  
The Company and some of its domestic consolidated subsidiaries provide allowance for doubtful accounts mainly to cover possible losses from bad debts of receivables at the estimated uncollectable amount. The amount for normal receivables is determined by the credit loss ratio based on past experience, and that for specific receivables, such as receivables at high risk of bankruptcy, is determined based on the individually expected probability of those accounts

being collectable. The foreign consolidated subsidiaries provide the allowance at the estimated uncollectable amount mainly for specific receivables.

- 2) Provision for bonuses  
To cover the payments of bonuses, the Company and some of its consolidated subsidiaries set aside provision for bonuses based on the projected amount for such payments.
- 3) Retirement allowances for directors and audit and supervisory board members  
Some domestic consolidated subsidiaries set aside retirement allowances for directors and audit and supervisory board members to prepare for expenditures of retirement allowances for directors and audit and supervisory board members at the amount such subsidiaries would be required to pay if all eligible directors and audit and supervisory board members retired at the year-end date, based on their respective internal regulations.
- (4) Accounting method of retirement benefits
  - 1) Methods of attributing estimated retirement benefits to accounting periods  
When calculating retirement benefit obligations, the benefit formula basis is mainly used to attribute estimated retirement benefits to the period through the end of the current fiscal year.
  - 2) Amortization of actuarial differences and prior service cost  
Prior service cost is amortized by the straight-line method over the period (mainly 15 years) which is shorter than the average remaining service life of employees as incurred, and unrecognized actuarial differences are amortized by the straight-line method over the period (mainly 15 years) which is shorter than the average remaining service life of employees as incurred from the year following that in which they arise.
- (5) Basis for translating significant assets or liabilities denominated in foreign currencies into Japanese currency  
Monetary receivables and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate as of the consolidated balance sheet date. Differences arising from such translation are included in gains or losses. Assets and liabilities of foreign subsidiaries or the like are translated into Japanese yen at the spot exchange rate as of the consolidated balance sheet date. Revenue and expense accounts of such are translated into Japanese yen at the average exchange rate during the period under review. Differences arising from such translations are included in foreign currency translation adjustments and non-controlling interests in equity.
- (6) Method of significant hedge accounting  
Mainly accounted for with deferred hedge accounting. Items that satisfy the requirements for an accounting method in which monetary receivables and liabilities denominated in foreign currencies are translated at a predetermined rate to hedge against exchange rate fluctuation risk are accounted for under this method. Those that satisfy the requirements for exceptional treatment for interest rate swaps are accounted for under the said exceptional treatment.
- (7) Method and period for amortization of goodwill  
Goodwill is mainly equally amortized over 20 years. However, goodwill whose amount is immaterial is fully written down in the year in which it arises.
- (8) Method and period for amortization of deferred assets  
Stock issuance expenses are equally amortized over 3 years starting from the time of issuance.  
Bond issuance expenses are amortized by the straight-line method during the period up to bond redemption.
- (9) Other significant matters forming the basis of preparing the consolidated financial statements  
Accounting for consumption taxes  
Consumption taxes are excluded from the revenue and expense accounts that are subject to such taxes.

## CHANGES IN ACCOUNTING POLICIES

### **Application of Accounting Standard for Business Combinations, etc.**

Effective from the fiscal year ended December 31, 2016, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. Accordingly, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as additional capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year ended December 31, 2016, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for “net income” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.”

The application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (3) of the Accounting Standard for Business Combinations, paragraph 44-5 (3) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (3) of the Accounting Standard for Business Divestitures. Accordingly, the cumulative amount of impact as of the beginning of the fiscal year ended December 31, 2016, in the case of retrospective application of the new accounting policies to all prior periods has been added to or deducted from capital surplus and retained earnings.

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 and ¥26 million respectively, capital surplus increased by ¥211 million, and

retained earnings decreased by ¥2,157 million. The impact from this on operating income, ordinary income and income before income taxes of the fiscal year ended December 31, 2016 is immaterial.

Total equity at the beginning of the fiscal year ended December 31, 2016 reflects the cumulative effects of this, resulting in an increase in the balance of capital surplus in the consolidated statements of changes in equity at the beginning of the fiscal year under review of ¥211 million, and a decline in the balance of retained earnings at the beginning of the fiscal year of ¥2,157 million.

In addition, equity per share for the fiscal year ended December 31, 2016 decreased by ¥6.38. The impact on net income per share is not material.

## CHANGES IN PRESENTATION

### Consolidated statements of income

“Impairment loss,” which was reported as a separate item in the previous fiscal year (¥1,039 million in the fiscal year under review), is now included in “Other” under “Extraordinary loss” from the fiscal year under review because it now accounts for 10% or less of total extraordinary loss.

## CONSOLIDATED BALANCE SHEET

### 1. Guarantee obligation

The Company has guarantee obligation concerning borrowings from financial institutions by companies other than consolidated companies.

Oulmès Drink Développement SA ¥306 million

### 2. Accumulated depreciation of property, plant, and equipment ¥411,788 million

## CONSOLIDATED STATEMENT OF INCOME

### 1. Insurance income

Insurance income is the amount of insurance received for losses stemming from the Kumamoto earthquake of April 2016.

### 2. Losses from a natural disaster

Losses from a natural disaster mainly consist of costs related to the Kumamoto earthquake of April 2016, incurred in such areas as bringing facilities back online and disposing of products.

### 3. Restructuring cost

Restructuring cost mainly consists of various costs resulting from restructuring of consolidated subsidiaries in Europe.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### 1. Total number of issued shares as of December 31, 2016: Common stock 309,000,000 shares

### 2. Cash dividends from surplus paid during the fiscal year under review

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date
At Ordinary General Meeting of Shareholders held on March 30, 2016	Common stock	¥10,815 million	¥35.00	December 31, 2015	March 31, 2016
At Meeting of the Board of Directors held on August 4, 2016	Common stock	¥10,506 million	¥34.00	June 30, 2016	September 1, 2016

### 3. Approval of dividend payment for which the record date is in the fiscal year under review, and the effective date is in the following fiscal year

Resolution [Plan]	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date
At Ordinary General Meeting of Shareholders held on March 30, 2017	Common stock	¥12,051 million	¥39.00	December 31, 2016	March 31, 2017

## FINANCIAL INSTRUMENTS

### 1. Matters relating to the conditions of financial instruments

The Company invests cash on hand in financial assets that have high levels of safety and adheres to the policy of never conducting investments for trading profit or for speculative purposes. The Company procures funds by using borrowings from financial institutions and commercial paper for short-term funding demands, and by using borrowings from financial institutions and issuing bonds, etc. for long-term funding demands.

Moreover, the Company’s domestic consolidated subsidiaries procure funds and entrust deposits of cash on hand using the group company loan system operated by the Company.

The Company’s overseas consolidated subsidiaries invest cash on hand in financial assets that have high levels of safety and adhere to the policy of never conducting investments for trading profit or for speculative purposes. These overseas

subsidiaries follow a policy of procuring funds through borrowing from the Company or from financial institutions after considering the market situation etc.

The Company works to mitigate customer credit risk arising from notes and accounts receivable–trade and other items by monitoring each customer. Investment securities are primarily the shares of associate companies and companies with which the Group has operational relationships. Though they are exposed to fair value fluctuation risk, the Company periodically identifies their market values and financial status of issuers. To mitigate liquidity risk related to notes and accounts payable–trade and other items, cash funds are timely managed by the division responsible for financial affairs based on our financial plan.

With regard to derivatives, foreign exchange forward contracts and currency options are used to hedge foreign exchange fluctuation risk related to foreign currency-denominated transactions, and interest rate swaps to hedge interest rate fluctuation risk. In addition, commodity swaps are used to hedge the price fluctuation risk of raw materials; however, in these derivative transactions, the Company, in accordance with internal regulations, adheres to the policy of conducting transactions based on actual demand and never conducts speculative transactions for trading profit.

## 2. Matters on fair values of financial instruments

The consolidated balance sheet amounts and fair values as of December 31, 2016, and variances thereof are shown below. However, items of which it is considered extremely difficult to figure out fair values are not included in the following table (see Note 2).

(Millions of yen)			
	Balance sheet amount	Fair value	Variance
<b>Assets</b>			
(1) Cash and deposits	84,127	84,127	–
(2) Notes and accounts receivable–trade	161,037	161,037	–
(3) Investment securities	5,027	5,027	–
<b>Total assets</b>	<b>250,192</b>	<b>250,192</b>	<b>–</b>
<b>Liabilities</b>			
(1) Notes and accounts payable–trade	116,081	116,081	–
(2) Electronically recorded obligations–operating	12,742	12,742	–
(3) Short-term borrowings	72,239	72,484	245
(4) Consumption taxes payable	8,143	8,143	–
(5) Accrued income taxes	15,849	15,849	–
(6) Accounts payable–other	94,558	94,558	–
(7) Accrued expenses	50,331	50,331	–
(8) Bonds payable	40,000	40,807	807
(9) Long-term debt	199,283	202,990	3,707
<b>Total liabilities</b>	<b>609,228</b>	<b>613,989</b>	<b>4,760</b>
Derivatives (*)	227	227	–

\* The derivative positions above are net amounts of receivables and liabilities. When the net amount is a liability, it is presented inside parentheses.

### Notes:

#### 1. Method of measurement of fair values of financial instruments and matters regarding securities and derivatives

##### Assets

##### (1) Cash and deposits and (2) Notes and accounts receivable–trade

These items are settled in a short period of time and their fair values are virtually equal to their book values. Hence, their fair values are based on the relevant book values.

##### (3) Investment securities

The fair value of equity securities is based on their prices at the exchanges.

##### Liabilities

##### (1) Notes and accounts payable–trade, (2) Electronically recorded obligations–operating, (3) Short-term borrowings, (4) Consumption taxes payable, (5) Accrued income taxes, (6) Accounts payable–other and (7) Accrued expenses

These items are settled in a short period of time and their fair values are virtually equal to their book values. Hence, their fair values are based on the relevant book values. However, the fair value of current portion of long-term debt, which is included in “(3) Short-term borrowings,” is measured at the present values of the total of principal and interest, discounted by the rate in which the remaining periods of loans and the credit risk of the Company and its consolidated subsidiaries are factored.

The fair value of such loans with floating interest rate is based on their book values as their fair values are deemed to be almost equivalent to their book values. It is because they reflect the market interest rate, and the credit status of the Company and its consolidated subsidiaries has not materially changed since the times borrowings were made.

(8) Bonds payable

The fair value of bonds payable is measured at the present value of the total of principal and interest, discounted by the rate in which the remaining periods of those bonds and the credit risk of the Company and its consolidated subsidiaries are factored.

(9) Long-term debt

The fair value of long-term debt is measured at the present value of the total of principal and interest, discounted by the rate in which the remaining periods of debt and the credit risk of the Company and its consolidated subsidiaries are factored. The fair value of such debt with floating interest rate is based on their book values as their fair values are deemed to be almost equivalent to their book values. It is because they reflect the market interest rate, and the credit status of the Company and its consolidated subsidiaries has not materially changed since the times borrowings were made.

Derivatives

The fair value of derivatives is based on their prices indicated by counterparty financial institutions or other business entities, etc. However, forward exchange contracts to which deferral hedge accounting is applied are accounted for as an integral part of payables as hedged items. Thus, their fair values are included in the fair value of payables.

Interest rate swaps to which exceptional treatment is applied are accounted for as an integral part of long-term debt as hedged items. Thus, their fair values are included in the fair value of long-term debt.

2. Financial instruments of which it is considered extremely difficult to figure out fair values

Category	Balance sheet amount
Investment securities	
Unlisted stocks (Stocks of subsidiaries and affiliates)	¥4,516 million
Unlisted stocks (Available-for-sale securities)	¥746 million

\* Since these stocks have no market prices, it is considered extremely difficult to figure out their fair values. Consequently, they are not included in "Assets (3) Investment securities" above.

**PER SHARE INFORMATION**

- Equity per share ¥1,787.15
- Net income per share ¥149.05

**BUSINESS COMBINATIONS, ETC.**

**Transaction under common control**

Company split among consolidated subsidiaries

[Outline of business combination]

- Name and description of the business involved in the business combination  
Name of the business: Full-line Beverage Service Business  
Nature of the business: Soft drink vending machine business, fountain business, water business, etc., in Japan
- Date of business combination  
April 1, 2016
- Legal form of business combination  
An absorption-type company split under which Suntory Foods Limited is the splitting company and Suntory Beverage Solution Limited is the successor company.
- Name of entity after business combination  
Suntory Beverage Solution Limited
- Other matters regarding the outline of the transaction  
The transaction is conducted in order to expedite decision-making regarding this business within the Group, 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 high added value to customers through the development of new products and services.
- Outline of the accounting treatment adopted  
This absorption-type company split is accounted for as a transaction under common control pursuant to the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

**SIGNIFICANT SUBSEQUENT EVENTS**

No items to report.

(\* All amounts have been rounded down to the nearest million yen.

**Balance Sheet**  
(As of December 31, 2016)

(Unit: Millions of yen)

Assets		Liabilities	
Account Titles	Amount	Account Titles	Amount
Current assets	206,192	Current liabilities	209,020
Cash and deposits	35,796	Accounts payable–trade	61,257
Accounts receivable–trade	73,618	Electronically recorded obligations-operating	6,355
Merchandise and finished goods	22	Short-term borrowings	4,294
Work in process	868	Current portion of long-term debt	60,410
Raw materials and supplies	5,315	Accounts payable–other	10,676
Advance payments–trade	391	Accrued expenses	15,653
Prepaid expenses	761	Consumption taxes payable	1,578
Deferred tax assets	2,013	Accrued income taxes	5,786
Short-term loans receivable	76,646	Deposits received	37,256
Accounts receivable–other	9,585	Provision for bonuses	2,251
Other	1,172	Other	3,500
Noncurrent assets	792,462	Long-term liabilities	256,444
Property, plant, and equipment	27,983	Bonds payable	40,000
Buildings	975	Long-term debt	196,485
Machinery and equipment	788	Deferred tax liabilities	19,043
Tools, furniture and fixtures	703	Liability for employee retirement benefits	666
Land	25,064	Asset retirement obligations	231
Construction in progress	434	Other	17
Other	17	<b>Total liabilities</b>	<b>465,465</b>
Intangible fixed assets	766	<b>Equity</b>	
Goodwill	719	Shareholders' equity	533,239
Other	46	Common stock	168,384
Investments and other assets	763,712	Capital surplus	213,425
Stocks of subsidiaries and affiliates	681,433	Legal capital surplus	145,884
Long-term loans receivable from subsidiaries and affiliates	76,924	Other capital surplus	67,541
Guarantee deposits	1,063	Retained earnings	151,430
Long-term prepaid expenses	358	Other retained earnings	151,430
Prepaid pension cost	3,855	Reserve for advanced depreciation of noncurrent assets	970
Other	76	General reserve	34,982
Deferred assets	103	Retained earnings brought forward	115,476
Bond issuance expenses	103	Valuation and translation adjustments	53
		Unrealized gain on available-for-sale securities	28
		Deferred loss on derivatives under hedge accounting	24
<b>Total assets</b>	<b>998,758</b>	<b>Total equity</b>	<b>533,293</b>
		<b>Total liabilities and equity</b>	<b>998,758</b>

Note: All amounts have been rounded down to the nearest million yen.

**Statement of Income**  
(For the year ended December 31, 2016)

(Unit: Millions of yen)

Account Titles	Amount	
Net sales		378,548
Cost of sales		271,971
Gross profit		106,576
Selling, general and administrative expenses		73,170
Operating income		33,406
Non-operating income		
Interest income	2,038	
Dividend income	14,514	
Other	544	17,096
Non-operating expenses		
Interest expense	2,396	
Other	604	3,000
Ordinary income		47,502
Extraordinary income		
Insurance income	1,702	1,702
Extraordinary loss		
Losses from a natural disaster	2,341	
Other	128	2,470
Income before income taxes		46,734
Income taxes—current	9,210	
Income taxes—deferred	(640)	8,570
Net income		38,163

Note: All amounts have been rounded down to the nearest million yen.

**Statement of Changes in Equity**  
(For the year ended December 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings				Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings			Total retained earnings	
					Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward		
Balance at January 1, 2016	168,384	145,884	67,541	213,425	978	34,982	98,625	134,587	516,397
Changes of items in the year									
Cash dividends							(21,321)	(21,321)	(21,321)
Net income							38,163	38,163	38,163
Increase in reserve for advanced depreciation of noncurrent assets due to change in tax rate					22		(22)	–	–
Reversal of reserve for advanced depreciation of noncurrent assets					(31)		31	–	–
Net changes of items other than shareholders' equity									
Net change in the year	–	–	–	–	(8)	–	16,851	16,842	16,842
Balance at December 31, 2016	168,384	145,884	67,541	213,425	970	34,982	115,476	151,430	533,239

	Valuation and translation adjustments			Total equity
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Total valuation and translation adjustments	
Balance at January 1, 2016	31	(34)	(3)	516,393
Changes of items during the fiscal year				
Cash dividends				(21,321)
Net income				38,163
Increase in reserve for advanced depreciation of noncurrent assets due to change in tax rate				—
Reversal of reserve for advanced depreciation of noncurrent assets				—
Net changes of items other than shareholders' equity	(2)	58	56	56
Net change in the year	(2)	58	56	16,899
Balance at December 31, 2016	28	24	53	533,293

Note: All amounts have been rounded down to the nearest million yen.

## Notes to Financial Statements

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis and methods of valuation of significant assets
  - (1) Securities

Stocks of subsidiaries and affiliates: Stated at cost determined by the moving-average method.

Available-for-sale securities:

Securities with readily determinable fair value:  
Stated at fair market value, based on market quotation at the balance sheet date.  
(Unrealized gains and losses, net of applicable income taxes, are reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.)

Securities without readily determinable fair value:  
Stated at cost determined by the moving-average method.
  - (2) Derivatives: Stated at fair value.
  - (3) Inventories: Stated at cost determined by the periodic average method.  
(The value stated in the balance sheet is determined according to write-downs based on the decreased profitability of assets.)
2. Depreciation and amortization of noncurrent assets
  - (1) Property, plant, and equipment

Property, plant, and equipment are depreciated by the straight-line method. Useful lives of principal property, plant, and equipment are as follows.

Buildings:	5–50 years
Machinery and equipment:	2–17 years
  - (2) Intangible fixed assets

Intangible fixed assets are amortized by the straight-line method. Goodwill is equally amortized over 20 years. Software for internal use is amortized by the straight-line method over the internally estimated useful lives (within 5 years).
3. Basis for provision of reserves
  - (1) Provision for bonuses

To cover the payments of bonuses, the Company sets aside provision for bonuses based on the projected amount for such payments.
  - (2) Liability for employee retirement benefits

The Company sets aside liability for employee retirement benefits to prepare for expenditures of employees' retirement benefits based on the estimated amount of retirement benefit obligation and pension assets at the end of the fiscal year under review.

    - (a) Methods of attributing estimated retirement benefits to accounting periods

When calculating retirement benefit obligations, the benefit formula basis is used to attribute estimated retirement benefits to the period through the end of the current fiscal year.
    - (b) Amortization of actuarial differences and prior service cost

Prior service cost is amortized by the straight-line method over the period (15 years), which is shorter than the average remaining service life of employees as incurred, and unrecognized actuarial differences are amortized by the straight-line method over the period (15 years) which is shorter than the average remaining service life of employees as incurred from the year following that in which they arise.
4. Other significant matters forming the basis of preparing financial statements
  - (1) Method of hedge accounting

Mainly accounted for with deferred hedge accounting. Items that satisfy the requirements for an accounting method in which monetary receivables and liabilities denominated in foreign currencies are translated at a predetermined rate to hedge against exchange rate fluctuation risk are accounted for under this method. Those that satisfy the requirements for exceptional treatment for interest rate swaps are accounted for under the said exceptional treatment.
  - (2) Method and period for amortization of deferred assets

Stock issuance expenses are equally amortized over 3 years starting from the time of issuance.  
Bond issuance expenses are amortized by the straight-line method over the period up to bond redemption.
  - (3) Accounting for consumption taxes

Consumption taxes are excluded from the revenue and expense accounts that are subject to such taxes.

### CHANGES IN PRESENTATIONS

#### Statement of income

“Impairment loss,” which was reported as a separate item in the previous fiscal year (¥62 million in the fiscal year under review), is now included in “Other” under “Extraordinary loss” from the fiscal year under review because it now accounts for 10% or less of total extraordinary loss.

**BALANCE SHEET**

1. Accumulated depreciation of property, plant, and equipment	¥6,781 million
2. Guarantee obligation	
The Company extends guarantee for obligations for borrowings or the like for associate companies (companies such as parent company, subsidiaries and affiliates; hereinafter the same) as shown below.	
Suntory Capital, Inc.	¥4,193 million
TRITEGUH MANUNGGALSEJATI, PT.	¥2,889 million
Suntory Products Limited	¥2,003 million
Other	¥2,924 million
	Total
	¥12,011 million
3. Monetary receivables and payables from/to associate companies (except for those presented separately)	
Short-term monetary receivables	¥152,875 million
Short-term monetary payables	¥46,030 million
Long-term monetary payables	¥3 million

**STATEMENT OF INCOME**

Transactions with associate companies	
Volume of operating transactions	
Net sales	¥368,910 million
Cost of sales	¥50,191 million
Selling, general and administrative expenses	¥22,451 million
Volume of non-operating transactions	
Non-operating income	¥17,049 million
Non-operating expenses	¥8 million

**STATEMENT OF CHANGES IN EQUITY**

Number of treasury shares as of December 31, 2016: No items to report.

**TAX EFFECT ACCOUNTING**

1. Significant components of deferred tax assets	
Temporary differences for investments in subsidiaries	¥3,493 million
Accounts payable—other	¥912 million
Provision for bonuses	¥640 million
Accrued enterprise tax	¥428 million
Other	¥596 million
Subtotal	¥6,070 million
Valuation allowance	¥(3,493) million
Total deferred tax assets	¥2,577 million
2. Significant components of deferred tax liabilities	
Temporary differences for investments in subsidiaries	¥(17,975) million
Prepaid pension cost	¥(1,180) million
Reserve for advanced depreciation of noncurrent assets	¥(428) million
Other	¥(23) million
Total deferred tax liabilities	¥(19,607) million
Net deferred tax liabilities	¥(17,030) million

**PER SHARE INFORMATION**

1. Equity per share	¥1,725.87
2. Net income per share	¥123.51

**RELATED PARTY TRANSACTIONS**

Attribute	Name of company	Percentage of voting rights owned or owning	Relationship	Content of transaction	Transaction amount (Millions of yen) (Note 1)	Account title	Balance as of December 31, 2016 (Millions of yen) (Note 1)
Parent company's subsidiary	Suntory Business Expert Limited	None	-Contract work of indirect operations	Advance payment for raw materials, etc. (Note 2)	-	Accounts payable-trade	60,121
Subsidiary	Suntory Foods Limited	Directly owning 100%	-Sales of products of the Company -Money lending and borrowing -Interlocking of officers	Sales of products of the Company (Note 3)	368,473	Accounts receivable-trade	72,916
				Money lending and borrowing (Note 4)	25,983	Deposits received	25,983
				Proceeds from interest (Note 4)	28	-	-
Subsidiary	Suntory Beverage Solution Limited	Directly owning 100%	-Money lending and borrowing -Interlocking of officers	Money lending and borrowing (Note 4)	14,070	Short-term loans receivable	14,070
				Proceeds from interest (Note 4)	79	-	-
Subsidiary	Suntory Products Limited	Directly owning 100%	-Outsourcing of manufacturing operations -Interlocking of officers	Payment of processing fee (Note 3)	48,206	Accounts payable-other	3,414
Subsidiary	Orangina Schweppes Holding B.V.	Directly owning 100%	-Money lending and borrowing -Interlocking of officers	Capital reduction with compensation (Note 5)	11,963	-	-
				Money lending and borrowing (Note 4)	align="right">67,979	Short-term loans receivable	41,104
						Long-term loans receivable from subsidiaries and affiliates	26,874
				Proceeds from interest (Note 4)	360	Other current assets	138
Subsidiary	Lucozade Ribena Suntory Limited	Directly owning 100%	-Proceeds from dividends -Money lending and borrowing -Interlocking of officers	Dividend income (Note 6)	5,051	-	-
				Money lending and borrowing (Note 4)	align="right">64,350	Short-term loans receivable	14,300
						Long-term loans receivable from subsidiaries and affiliates	50,050
				Proceeds from interest (Note 4)	1,356	Other current assets	449

Terms and conditions of transactions and method of deciding terms and conditions of transactions

Notes:

1. Consumption taxes are not included in the transaction amounts. Consumption taxes are included in the balance as of December 31, 2016.
2. This advance payment was implemented by Suntory Business Expert Limited to external business partners, etc. As the transactions were not direct transactions with a parent company's subsidiary, the disclosure of transaction amount is omitted.
3. Price and other terms and conditions of transactions are decided upon negotiations with each of counterparties considering the actual market prices.
4. Money lending and borrowing are carried out based on the group company loan system, etc. Applicable interest rates are decided considering the market interest rates. Transaction amounts of money lending and borrowing indicate the balance as of December 31, 2016.
5. Capital reduction with compensation represents capital reduction made by the subsidiary.
6. Dividends are decided upon mutual consultation between the two parties based on the amount obtained by deducting necessary investment and other amounts from the net income of the subsidiary.

#### **SUBSEQUENT EVENTS**

No items to report.

(\* ) All amounts have been rounded down to the nearest million yen.

Audit Report by Accounting Auditor Pertaining to Consolidated Financial Statements

**AUDIT REPORT BY INDEPENDENT AUDITOR**

February 7, 2017

To: Board of Directors  
Suntory Beverage & Food Limited

Deloitte Touche Tohmatsu LLC

[Koji Inagaki], CPA (seal)  
Designated Limited Liability Partner  
Engagement Partner

[Hideyuki Hirata], CPA (seal)  
Designated Limited Liability Partner  
Engagement Partner

[Keiko Hishimoto], CPA (seal)  
Designated Limited Liability Partner  
Engagement Partner

We have audited, pursuant to the provisions of Article 444, Paragraph 4 of the Companies Act, the Consolidated Financial Statements of Suntory Beverage & Food Limited (the “Company”) for the consolidated fiscal year which commenced on January 1, 2016 and ended on December 31, 2016, i.e., the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements.

*Management’s Responsibility for the Consolidated Financial Statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audit from an independent position. We conducted our audits in accordance with generally accepted auditing standards 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 auditors' 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 auditors consider 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*

We find that the Consolidated Financial Statements of the Company as stated above appropriately indicate, in every material respect, the status of the properties and the profits and losses of the corporate group that consists of the Company and its consolidated subsidiaries for the period concerning the relevant Consolidated Financial Statements in accordance with generally accepted accounting standards in Japan.

*Conflicts of Interest*

There is no interest between the Company and our firm or the Engagement Partners that should be mentioned in accordance with the provisions of the Certified Public Accountants Act of Japan.

[End]

Audit Report by Accounting Auditor Pertaining to Financial Statements

**AUDIT REPORT BY INDEPENDENT AUDITOR**

February 7, 2017

To: Board of Directors  
Suntory Beverage & Food Limited

Deloitte Touche Tohmatsu LLC

[Koji Inagaki], CPA (seal)  
Designated Limited Liability Partner  
Engagement Partner  
[Hideyuki Hirata], CPA (seal)  
Designated Limited Liability Partner  
Engagement Partner  
[Keiko Hishimoto], CPA (seal)  
Designated Limited Liability Partner  
Engagement Partner

We have audited, pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, the Financial Statements of Suntory Beverage & Food Limited (the “Company”) for the 8th business term which commenced on January 1, 2016 and ended on December 31, 2016, i.e., the Balance Sheet, the Statement of Income, the Statement of Changes in Equity and Notes to Financial Statements, and the Supplementary Schedules.

*Management’s Responsibility for the Financial Statements and the Supplementary Schedules*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on the Financial Statements and the Supplementary Schedules based on our audit from an independent position. We conducted our audits in accordance with generally accepted auditing standards in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements and the Supplementary Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements and the Supplementary Schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Financial Statements and the Supplementary Schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Financial Statements and the Supplementary Schedules 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 Financial Statements and the Supplementary Schedules.

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

*Opinion*

We find that the Financial Statements and the Supplementary Schedules of the Company as stated above appropriately indicate, in every material respect, the status of the properties and the profits and losses for the period concerning the relevant Financial Statements and the Supplementary Schedules in accordance with generally accepted accounting standards in Japan.

*Conflicts of Interest*

There is no interest between the Company and our firm or Engagement Partners that should be mentioned in accordance with the provisions of the Certified Public Accountants Act of Japan.

[End]

Audit Report by Audit and Supervisory Committee

AUDIT REPORT

The Audit and Supervisory Committee (the “Committee”) of Suntory Beverage & Food Limited (the “Company”) has audited the performance of the duties of Directors during the 8th business term which commenced on January 1, 2016 and ended on December 31, 2016. The Committee hereby reports the method and result thereof as follows.

1. Method and content of audit

Regarding the content of the resolution of the Board of Directors relating to matters stipulated in Article 399-13, Paragraph 1, Item 1(b) and (c) of the Companies Act of Japan and the status of the system being developed pursuant to such resolutions (internal control system), the Committee periodically received reports from the Directors, employees and other personnel concerning the establishment and management of such system, sought explanations as necessary, and expressed opinions. In addition, the Committee carried out audits according to the following method:

- (i) The Committee worked in coordination with the respective company internal audit division and other divisions with jurisdiction over internal control to investigate the decision-making processes and the content of decisions at important meetings, etc.; the content of major approval-granting documents, and other important documents related to the execution of business, etc.; the status of the performance of the duties of Directors, principal employees and other personnel; and the status of company business operations and property. While carrying out this work, the Committee complied with the Audit and Supervisory Committee Audit Criteria established by the Committee and adhered to auditing principles and the duties allocated to them, etc. In addition, as for the subsidiaries of the Company, communication and exchange of information were sought with the directors and the audit and supervisory board members, etc. of such subsidiaries, and reports concerning the subsidiaries’ businesses were received from them, as necessary.
- (ii) In addition to monitoring and verifying whether the Accounting Auditor kept its independent position and whether it performed proper audit, the Committee received

reports from the Accounting Auditor concerning the performance of its duties, and requested additional explanation as necessary. Moreover, a notice informing that a “system to ensure the proper performance of the duties” (as prescribed in items of Article 131 of the Ordinance on Accounting of Companies) has been established pursuant to the “Quality Control Standards Concerning Audits” (Business Accounting Council, October 28, 2005), etc. was received from the Accounting Auditor, and requests seeking explanation regarding such system were made, as necessary.

Based on the above-mentioned method, inspection was conducted regarding the Business Report and the Supplementary Schedules thereto, the Financial Statements (the Balance Sheet, the Statement of Income, the Statement of Changes in Equity and Notes to Financial Statements) and the Supplementary Schedules thereto and the Consolidated Financial Statements (the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements), for the business term.

2. Result of audit

(1) Result of audit of Business Report, etc.

- (i) We confirm that the Business Report and the Supplementary Schedules thereto accurately indicate the condition of the Company in compliance with laws and regulations and the Articles of Incorporation of the Company.
- (ii) We have not detected any misconduct or material fact of violation of the relevant laws and regulations or the Articles of Incorporation of the Company, in connection with the performance of the duties of Directors.
- (iii) We confirm that the content of the resolution of the Meeting of the Board of Directors concerning the internal control system is reasonable. Furthermore, we have not found anything that should be pointed out with respect to the content of the Business Report and the performance of the duties of Directors concerning the internal control system.

(2) Result of audit of the Financial Statements and the Supplementary Schedules thereto

We confirm that the audit method and result of Deloitte Touche Tohmatsu LLC, the

Independent Auditor, are reasonable.

(3) Result of audit of the Consolidated Financial Statements

We confirm that the audit method and result of Deloitte Touche Tohmatsu LLC, the Independent Auditor, are reasonable.

February 13, 2017

Audit and Supervisory Committee of  
Suntory Beverage & Food Limited

Full-time Audit and Supervisory Committee Member

Kozo Chiji (seal)

Audit and Supervisory Committee Member

Yukihiko Uehara (seal)

Audit and Supervisory Committee Member

Harumichi Uchida (seal)

Note: Audit and Supervisory Committee Members Yukihiko Uehara and Harumichi Uchida are outside directors provided in Article 2, Item 15, and Article 331, Paragraph 6 of the Companies Act of Japan.