[Translation]

Notice of Convocation of the 9th Ordinary General Meeting of Shareholders

Suntory Beverage & Food Limited

[Translation]

[Promise]

Mizu to Ikiru

Water is the source of all the lives on the planet.
We promise and declare to society that we make our living with water.
We embrace nature, enrich our society
and encourage our people to take on new challenges.

[Vision]

Enrich our drinking-experiences to be
more natural, healthy, convenient, and fulfilling,
by leading the next drinks revolution

[Translation]

To: Our Shareholders

To realize the dreams of becoming a world-leading next-generation global beverage company by pioneering a fulfilling beverage culture

Water is the source of all the lives.
Neither mankind nor any creature on this planet can live without water. “Mizu to Ikiru” is our Promise to society that we “make our living with water.” It means that we promise to embrace nature, enrich people’s lives and society, and we continue to take on challenges to pioneer new frontiers of values.

Our consumers’ needs constantly change with the times. Their needs also differ depending on the country or region. To meet the diverse needs of our consumers across the world, we offer “full line-up” of categories, pack types and sizes, and easy and reliable “availability” of drinks whenever and wherever. In addition, we evolve values of drinks by utilizing our own strengths in creating “Natural & Healthy” and “Unique and Premium.” We provide our consumers with enriched drinking-experiences they have never experienced before by striving to make them more natural, healthy, convenient and fulfilling.

To realize our vision, we stay in tune with each of the daily changing markets through our “empowering GENBA” philosophy of empowering our people locally to create new value through ideas and research originated from thoroughly consumer centric approaches. In addition, our people, with their diverse careers and individualities, practice the Suntory founding spirit, “*Yatte Minahare*” to continually offer value to society and keep ourselves full of vitality.

Each day, we boldly move forward together as a Group to realize the dreams of becoming a world-leading next-generation global beverage company by pioneering a fulfilling beverage culture.

We look forward to the continued support and guidance of our shareholders.

Sincerely yours,

Saburo Kogo
Representative Director and President

Suntory Beverage & Food Limited

[Translation]

March 7, 2018

To: Our Shareholders

Notice of Convocation of the 9th Ordinary General Meeting of Shareholders

Dear Shareholder:

You are hereby notified that the 9th 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 28, 2018.

Exercising voting rights by mail
Please refer to "Exercising voting rights by mail" on page 6 and follow the instructions provided. 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.
Please refer to "Exercising voting rights by the Internet, etc." on page 7 and follow the instructions provided. Please input "For" or "Against" with respect to each proposal before the above-mentioned voting deadline.

[Translation]

1. Date and Time: March 29, 2018 (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 9th business term (from January 1, 2017 to December 31, 2017), the audit reports on the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
2. The Financial Statements for the 9th business term (from January 1, 2017 to December 31, 2017)

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 One (1) Director 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 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

- 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 Consolidated Financial Statements or the Financial Statements, we will post the revised versions on the Company's website: https://www.suntory.com/softdrink/ir/stock/meeting.html

Guide to Exercising Voting Rights

Exercise of voting rights at the General Meeting of Shareholders is shareholders' important right.
Please review the attached Reference Document for the General Meeting of Shareholders and exercise your voting rights.
There are three methods to exercise your voting rights at the General Meeting of Shareholders as indicated below.

Exercising voting rights by attendance at the General Meeting of Shareholders

Please present the enclosed voting form to the reception desk.

Date and Time:	March 29, 2018 (Thursday) at 10:00 a.m. (Reception desk opens at 9:00 a.m.)
Place:	Grand Prince Hotel New Takanawa "International Convention Center PAMIR" 13-1, Takanawa 3-chome, Minato-ku, Tokyo

Exercising voting rights by mail

Please indicate "For" or "Against" with respect to each proposal on the enclosed voting form and post it without affixing a postage stamp.

Votes to be received by: March 28, 2018 (Wednesday) at 5:30 p.m.

< Guide to filling in the voting form >

Your "voting right exercise code" (議決権行使コード) and "password" (パスワード), which are necessary for exercising voting right by the Internet, etc., are stated here.

Please indicate your "For" or "Against" with respect to each proposal.

Proposals 1, 3 and 4

If you consent:	Mark a ○ in the box marked "賛"
If you dissent:	Mark a ○ in the box marked "否"

Proposal 2

If you consent for all candidates:	Mark a ○ in the box marked "賛"
If you dissent for all candidates:	Mark a ○ in the box marked "否"
If you selectively veto certain candidates:	Mark a ○ in the box marked "賛" and write the number of each candidate you choose to veto.

[Handling of voting rights]
If you indicate neither your "For" or "Against" with respect to each proposal on the voting form, your answer will be deemed to be "For."

Exercising voting rights by the Internet, etc.

Please access the Company's designated voting rights exercise website (https://www.web54.net), input your "voting right exercise code" and "password" indicated on the enclosed voting form, and follow the instructions on the display to indicate "For" or "Against" with respect to each proposal.

Votes to be transmitted by: March 28, 2018 (Wednesday) at 5:30 p.m.

< Guide to use the voting rights exercise website >

1. Voting rights exercise website
   (1) You can only exercise your voting rights by the Internet through accessing the following dedicated voting rights exercise website (https://www.web54.net) designated by the Company.
   * If your mobile phone is equipped with a barcode reader, you may use the QR Code (available in Japanese only) in order to access the online voting rights exercise website. For more detailed information on that procedure, please refer to the user manual of your mobile phone.
   ("QR code" is a registered trademark of DENSO WAVE INCORPORATED.)

   (2) When exercising your voting rights by the Internet, input the "voting right exercise code" and "password" written in the enclosed voting exercise form, and indicate your "For" or "Against" with respect to each proposal by following the instructions on the display.

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

   (4) Any fees to internet service providers and telecommunication carriers (such as access fees, etc.) for the usage of the voting rights exercise website shall be borne by the shareholders.
2. Handling of voting right exercise code and password
   (1) Voting right exercise code written in the voting form is valid only for the Meeting.

   (2) Password is important information to verify whether the person exercising voting rights is a legitimate shareholder. Please maintain the password as strictly confidential in the same manner as a seal or a personal identification number.

   (3) In case you commit more errors than a certain number of tries to input your password, you will not be allowed to use the password. If you would like your password to be reissued, please follow the instructions on the display and follow the procedures.

Inquiries regarding the operation of a PC, smartphone and mobile phone

If you have any technical inquiries regarding the operation of a PC, smartphone and mobile phone for exercising voting right on the voting rights exercise website, please contact the following:

Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Web Support Phone No.
Toll-free (within Japan): 0120-652-031 (9:00 a.m. to 9:00 p.m.) (JST)

Electronic voting rights exercise platform (for institutional investors)

Institutional investors may use the electronic voting rights exercise platform operated by ICJ, Inc. to exercise the voting rights by electronic or magnetic means for the Meeting.

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 ¥38 per share of common stock of the Company in accordance with our dividend policy.
Accordingly, including the interim dividend of ¥37 already paid, the annual dividend for the current business term will be ¥75 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:
¥38 per share of common stock of the Company
Total cash dividends of ¥11,742,000,000

(iii) Date on which the dividend of surplus will become effective: March 30, 2018

(Reference) Dividend Policy of the Company

Consolidated payout ratio of profit for the year attributable to owners of the Company: 30%

The Company believes its prioritization of strategic investments as well as capital expenditures for sustainable revenue growth and increasing the value of its business will benefit its shareholders. In addition, the Company views an appropriate shareholder return as one of its core management principles. While giving due consideration to providing a stable return and maintaining robust internal reserves for the future, the Company intends to pursue a comprehensive shareholder return policy that also takes into account its business results and future funding needs.
Specifically, the Company aims to stably increase dividends on the basis of profit growth with a targeted consolidated payout ratio of 30% or more of profit for the year attributable to owners of the Company (Note). Looking to the medium- and long-term, the Company will also consider increasing the payout ratio depending on such factors as its need for funds and progress in profit growth.

(Note) The payout ratio used for the year-end dividend for fiscal years until the fiscal year under review, was a payout ratio based on net income attributable to owners of the parent before amortization of goodwill (sum of net income attributable to owners of the parent and amortization of goodwill based on Japanese GAAP).

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 six (6) 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. 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:

No.	Name		Current positions, etc. in the Company or other companies	Board of Directors Meeting Attendance
1	Reelection	Saburo Kogo	Representative Director and President Overall Group Management and Chief Operating Officer, Corporate Strategy Division	19/19
2	Reelection	Hideo Tsujimura	Executive Vice President Chief Operating Officer, MONOZUKURI Division and Senior General Manager, Research & Development Department	15/15
3	New election	Yuji Yamazaki	Representative Director and President of Suntory Wine International Limited	–
4	New election	Josuke Kimura	Managing Executive Officer of Suntory Beer Limited	–
5	Reelection	Nobuhiro Torii	Director Representative Director and Executive Vice President of Suntory Holdings Limited	19/19
6	Reelection Outside Director Independent Officer	Yukari Inoue	Outside Director Managing Director of Kellogg Japan G.K.	16/19

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
Candidate 1 Reelection Saburo Kogo (August 27, 1954)	Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1977. 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. Assumed the office of Director of such company in March 2006. Assumed the office of Chief Operating Officer, Sales & Marketing Division Kinki Area of such company in March 2008. Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009. Assumed the office of Managing Director of Suntory Beer & Spirits Limited (Present: Suntory Liquors Limited) in April 2009. Assumed the office of Chief Operating Officer, Sales & Marketing Division Kinki Area of such company in April 2009. Assumed the office of Chief Operating Officer, Metropolitan Sales & Marketing Division of such company in September 2009. Assumed the office of Senior Managing Director of Suntory Beverage & Food Limited in January 2011. Assumed the office of Chief Operating Officer, Marketing & Development Division of such company in January 2011. Assumed the office of Managing Executive Officer of Suntory Holdings Limited in January 2011. Assumed the office of Chief Operating Officer, Beverage & Food Business Division of Suntory Beverage & Food Limited in May 2012. Assumed the office of Executive Vice President of such company in December 2012. Has occupied the office of Representative Director and President of such company from March 2016 to date (incumbent). Has occupied the office of Chief Operating Officer, Corporate Strategy Division of such company from April 2017 to date (incumbent). <Responsibilities> Overall Group Management and Chief Operating Officer, Corporate Strategy Division <Important Concurrent Positions> Director of Suntory Beverage & Food Asia Pte. Ltd. Director of FRUCOR SUNTORY NEW ZEALAND LIMITED Director of FRUCOR SUNTORY AUSTRALIA PTY. LIMITED Director of Pepsi Bottling Ventures LLC	2,500

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	<Reason for the Selection> Mr. Kogo has borne management responsibility of the Suntory Beverage & 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. <Board of Directors Meeting Attendance> 19/19 <Term of Office as Director> Seven years and two months (as of the closing of the Meeting)	

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
Candidate 2 Reelection Hideo Tsujimura (June 6, 1954)	Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1980. Assumed the office of Senior General Manager, Institute for Beverage & Food Development of such company in October 2003. Assumed the office of Director of such company in March 2004. Assumed the office of Managing Director of such company in March 2008. Assumed the office of Managing Executive Officer of Suntory Holdings Limited in April 2009. Assumed the office of Senior General Manager, R&D Planning Division and in charge of Intellectual Property Department of such company in April 2009. Assumed the office of Senior Managing Director of Suntory Business Expert Limited (Present: Suntory MONOZUKURI Expert Limited) in January 2011. Assumed the office of Chief Operating Officer, Engineering & Process Development Division of such company in January 2011. In charge of Intellectual Property Department and R&D Planning Division of Suntory Holdings Limited in April 2011. In charge of Intellectual Property Department of such company in April 2013. Assumed the office of Senior Managing Director of such company in March 2015. Assumed the office of Representative Director and President of Suntory Business Expert Limited (Present: Suntory MONOZUKURI Expert Limited) in March 2015. In charge of Intellectual Property Department and R&D Division of Suntory Holdings Limited in April 2015. Assumed the office of Chief Operating Officer, R&D Support Division of Suntory Business Expert Limited (Present: Suntory MONOZUKURI Expert Limited) in September 2015. Has occupied the office of Executive Vice President of Suntory Beverage & Food Limited from March 2017 to date (incumbent). Has occupied the office of Chief Operating Officer, MONOZUKURI Division and Senior General Manager, Research & Development Department of such company from April 2017 to date (incumbent).	1,000

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	<Responsibilities> Chief Operating Officer, MONOZUKURI Division and Senior General Manager, Research & Development Department <Reason for the Selection> In consideration not only of his track record in directing R&D division and production division of the entire Group both in Japan and overseas, as Chief Operating Officer, MONOZUKURI Division of the Company, but also his abundant experience, we judge him well qualified to continue in the role of Director. <Board of Directors Meeting Attendance> 15/15 * This is his attendance at Board of Directors meetings since assuming his post on March 30, 2017. <Term of Office as Director> One year (as of the closing of the Meeting)	

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
Candidate 3 New election Yuji Yamazaki (July 17, 1957)	Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1980. Assumed the office of Senior General Manager, Group Strategy Planning Department of such company in March 2005. Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009. Assumed the office of Senior General Manager, Group Strategy Planning Department of such company in April 2009. Assumed the office of Managing Director of Suntory Beverage & Food Limited in January 2011. Assumed the office of Senior General Manager, Corporate Planning Department of such company in January 2011. Assumed the office of Senior General Manager, Corporate Planning Department and Chief Operating Officer, Business Administration Division of such company in September 2011. Assumed the office of Senior Managing Director of such company in March 2012. Assumed the office of Chief Operating Officer, International Division of such company in April 2012. Assumed the office of Managing Executive Officer of Suntory Holdings Limited in April 2012. Assumed the office of Vice Chief Operating Officer, Beverage & Food Business Division and Senior General Manager, Brand Marketing Department of Suntory Beverage & Food Limited in April 2013. Has occupied the office of Managing Executive Officer of Suntory Holdings Limited from April 2014 to date (incumbent). Assumed the office of Chief Operating Officer, Group Strategy Planning Division and in charge of Corporate Planning & Administration Division of such company in April 2014. Has occupied the office of Representative Director and President of Suntory Wine International Limited from January 2015 to date (incumbent). Assumed the office of Director of Suntory Liquors Limited in January 2015. Has occupied the office of Director of Suntory Beer, Wine & Spirits Japan Limited from April 2017 to date (incumbent). <Important Concurrent Positions> Managing Executive Officer of Suntory Holdings Limited Representative Director and President of Suntory Wine International Limited	1,500

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	<Reason for the Selection> As Representative Director and President of Suntory Wine International Limited, Mr. Yamazaki has a proven track record in bearing management responsibility of the Suntory Group's domestic and international wine business, and he has the prior experience of leading divisions of corporate planning and international business in the Company as division manager. Given the keen insight he offers based on this track record and experience, we judge him well qualified for the role of Director.	

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
Candidate 4 New election Josuke Kimura (January 23, 1961)	Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1983. Assumed the office of Senior General Manager Marketing & Development Division of Suntory Beverage & Food Limited in April 2009. Assumed the office of Executive Officer of such company in April 2010. Assumed the office of Deputy Chief Operating Officer, Marketing & Development Division of such company in April 2010. Assumed the office of Senior General Manager, Brand Marketing Department of such company in May 2012. Assumed the office of Director of Suntory Foods Limited in March 2013. Assumed the office of Chief Operating Officer, Nationwide Chainstores Sales Division of such company in April 2013. Assumed the office of Senior Managing Director of such company in March 2014. Assumed the office of Full-time Advisor of Suntory Beverage & Food Limited in April 2014. Assumed the office of Chief Operating Officer, Nationwide Chainstores Sales Division and in charge of Sales Development & Marketing Promotion Division of Suntory Foods Limited in September 2015. Assumed the office of Managing Director of Suntory Beer Limited in March 2016. Has occupied the office of Executive Officer of Suntory Holdings Limited from April 2016 to date (incumbent). Assumed the office of Chief Operating Officer, Business Strategy Planning Division and Chief Operating Officer, Brand Marketing Division of Suntory Beer Limited in April 2016. Has occupied the office of Managing Executive Officer of such company from April 2017 to date (incumbent). Has occupied the office of Chief Operating Officer, Brand Marketing Division and Senior General Manager, Premium Beer Marketing Department of such company from April 2017 to date (incumbent). <Important Concurrent Positions> Executive Officer of Suntory Holdings Limited Managing Executive Officer of Suntory Beer Limited <Reason for the Selection> As Managing Executive Officer of Suntory Beer Limited, Mr. Kimura has a proven track record of leading the Suntory Group's beer business mostly in the marketing division and he has wide-ranging experience in the marketing and sales divisions of the beverage business. Given the keen insight he offers based on this track record and experience, we judge him well qualified for the role of Director.	200

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
Candidate 5 Reelection Nobuhiro Torii (March 10, 1966)	Joined The Industrial Bank of Japan, Limited (Present: Mizuho Bank, Ltd.) in July 1991. Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1997. Assumed the office of Senior General Manager, Overall Sales & Marketing Division of such company in September 2005. Assumed the office of Director of such company in March 2007. Assumed the office of Chief Operating Officer, Corporate Development Division of such company in April 2008. Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009. Assumed the office of Chief Operating Officer, Corporate Development Division of such company in April 2009. Assumed the office of Managing Executive Officer of such company in April 2010. Assumed the office of Chief Operating Officer, International Strategy Division of such company in April 2010. Assumed the office of Representative Director and President of Suntory Beverage & Food Limited in January 2011. Assumed the office of Chief Operating Officer, International Division of such company in January 2011. Assumed the office of Senior Managing Director of Suntory Holdings Limited in January 2011. Assumed the office of Senior General Manager, Corporate Development Department of Suntory Beverage & Food Limited in January 2013. Assumed the office of Director of Suntory Holdings Limited in January 2013. Assumed the office of Chief Operating Officer, International Division of Suntory Beverage & Food Limited in April 2013. Has occupied the office of Representative Director and President of Kotobuki Realty Co., Ltd. from March 2016 to date (incumbent). Has occupied the office of Representative Director and Executive Vice President of Suntory Holdings Limited from March 2016 to date (incumbent). Has occupied the office of Director of Suntory Beverage & Food Limited from March 2016 to date (incumbent). Assumed the office of Regional CEO and in charge of Japan Group Mid-long term Strategy of Suntory Holdings Limited in April 2016. Assumed the office of Representative Director of Suntory Beer, Wine & Spirits Japan Limited in March 2017. Has occupied the office of Representative Director and President of such company from April 2017 to date (incumbent).	9,000

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	<Important Concurrent Positions> Representative Director and Executive Vice President of Suntory Holdings Limited <Reason for the Selection> 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. <Board of Directors Meeting Attendance> 19/19 <Term of Office as Director> Seven years and two months (as of the closing of the Meeting)	

Name (Date of Birth)	Career Summary and Important Concurrent Positions	Number of Company's Shares Held (shares)
Candidate 6 Reelection Outside Director Independent Officer Yukari Inoue (April 4, 1962)	Joined Procter & Gamble Far East, Inc. in April 1985. Assumed the office of Marketing Director of Procter & Gamble North America in October 1995. Assumed the office of Marketing Director, Feminine Care of Procter & Gamble Northeast Asia in October 1998. Assumed the office of General Manager, Feminine Care of Procter & Gamble Northeast Asia in March 2000. Assumed the office of Managing Director of Jardine Wines and Spirits K.K. (Present: MHD Moët Hennessy Diageo K.K.) in March 2003. Assumed the office of Representative Director and President of Cadbury Japan Limited (Present: Mondelēz Japan Limited) in November 2005. Assumed the office of Outside Director of AXA Life Insurance Co., Ltd. in June 2010. Has occupied the office of Managing Director of Kellogg Japan G.K. from July 2013 to date (incumbent). Has occupied the office of Outside Director of JC Comsa Corporation from June 2014 to date (incumbent). Has occupied the office of Outside Director of Suntory Beverage & Food Limited from March 2015 to date (incumbent). <Important Concurrent Positions> Managing Director of Kellogg Japan G.K. Outside Director of JC Comsa Corporation <Reason for the Selection> 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. <Board of Directors Meeting Attendance> 16/19 <Term of Office as Director> Three years (as of the closing of the Meeting)	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, Yuji Yamazaki, Josuke Kimura 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. 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.
5. 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, and the Group also conducts transactions relating to foods with JC Comsa Corporation where Ms. Inoue currently serves as an Outside Director. However, the monetary amount of these transactions is less than 1% of consolidated revenue of either company, and the Company believes that this has no material effect on Ms. Inoue's independence.

Proposal 3: Election of One (1) Director Serving on the Audit and Supervisory Committee

At the close of the Meeting, the term of office of Director serving on the Audit and Supervisory Committee Mr. Kozo Chiji will expire. Accordingly, we request the election of one (1) Director 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 candidate for Director serving on the Audit and Supervisory Committee to be elected is as follows:

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
Reelection Kozo Chiji (August 24, 1956)	Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1980. Assumed the office of Chief Operating Officer, Finance & Accounting Division of such company in March 2005. Assumed the office of Director of such company in March 2008. Assumed the office of Chief Operating Officer, Finance & Accounting Division and in charge of Group Accounting Center, Information Systems Department, Group Business Development Department of such company in March 2008. Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009. Assumed the office of Chief Operating Officer, Finance & Accounting Division of such company in April 2009. Assumed the office of Managing Director of Suntory Business Expert Limited (Present: Suntory MONOZUKURI Expert Limited) in April 2009. Assumed the office of Chief Operating Officer, Business Systems Division of such company in April 2009. Assumed the office of Chief Operating Officer, Corporate Planning & Administration Division and Chief Operating Officer, Finance & Accounting Division of Suntory Holdings Limited in April 2010. Assumed the office of Managing Executive Officer of such company in January 2011. Assumed the office of Chief Operating Officer, Group Strategy Planning Division and Chief Operating Officer, Finance & Accounting Division of such company in April 2012. Assumed the office of Chief Operating Officer, Finance & Accounting Division and in charge of Corporate Planning & Administration Division of such company in January 2013. Assumed the office of Chief Operating Officer, Finance & Accounting Division of such company in April 2014. Has occupied the office of Director serving as full-time Audit and Supervisory Committee Member of Suntory Beverage & Food Limited from March 2016 to date (incumbent).	1,800

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	<Important Concurrent Positions> 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 <Reason for the Selection> As (full-time) Director serving on the Audit and Supervisory Committee, Mr. Chiji has used his track record and experience gained from the significant contributions he has made to the management of Suntory Group companies, especially in the fields of finance and accounting, to conduct auditing of the Company's execution of business, and he has a proven track record of providing appropriate advice and proposals on important management decisions of the Company. Considering this, we judge him well qualified to continue in the role of Director serving on the Audit and Supervisory Committee. <Board of Directors Meeting Attendance> 19/19 <Audit and Supervisory Committee Meeting Attendance> 17/17 <Term of Office as Director Serving on the Audit and Supervisory Committee> Two years (as of the closing of the Meeting)	

Notes:
1. There is no special interest between the Company and Mr. Kozo Chiji.
2. The positions and responsibilities held at the parent company, etc. by Mr. Chiji at present and in the last five years are as listed in the "Career Summary, Position and Responsibilities and Important Concurrent Positions" column.
3. The Company has concluded a limited liability agreement with Mr. Chiji pursuant to Article 427, Paragraph 1 of the Companies Act of Japan. Based on this agreement, Mr. Chiji'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. Chiji if he is reelected at the Meeting.

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

At the 8th Ordinary General Meeting of Shareholders held on March 30, 2017, 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)	Registered as Attorney in April 1985. Joined Hashidate Law Office in April 1985. Joined Wakita Law Office in November 1989. Has occupied the office of Attorney of Shimada, Seno & Amitani Law Office (Present: SAH & Co.) from March 1990 to date (incumbent). Has occupied the office of Outside Audit & Supervisory Board Member of STANLEY ELECTRIC CO., LTD. from June 2006 to date (incumbent). Has occupied the office of Outside Audit & Supervisory Board Member of HUB CO., LTD. from May 2013 to date (incumbent). Assumed the office of Outside Director of Accordia Golf Co., Ltd. in June 2016. <Important Concurrent Positions> Attorney (Partner) of SAH & Co. Outside Audit & Supervisory Board Member of STANLEY ELECTRIC CO., LTD. Outside Audit & Supervisory Board Member of HUB CO., LTD. <Reason for the Selection> 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 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.
6. If Mr. Amitani assumes office as a Director serving on the Audit and Supervisory Committee, the Company plans to designate Mr. Amitani as an Independent Officer and report this designation to the Tokyo Stock Exchange.

(Reference) Nomination of Candidates for Directors

- Of its own volition, the Company has established a human resources committee (hereinafter in this section, the Committee).
- The Committee will consist of two Outside Directors, the Representative Director and President, and the Director in charge of the human resources division.
- The Committee will deliberate on candidates for Directors and report to the Board of Directors on the suitability of candidates for Director. Further, the Committee will discuss the levels and criteria of remuneration for Directors (excluding Directors serving on the Audit and Supervisory Committee) and report to the Board of Directors about its appropriateness.
- When assessing candidates for Directors, the Committee shall consider the following factors:
  - Qualification as a director: whether the candidate appropriately exercises his or her duty of care and duty of loyalty when conducting business, and whether he or she has the qualities to contribute to the Company's sustainable profit growth and improve corporate value.
  - Qualification as an executive director: whether he or she is familiar with the Group businesses and possesses the ability to appropriately manage the Group business.
  - Qualification as an outside director: whether he or she possesses the ability to utilize insight and experience gained from various specialist fields to formulate the Company's corporate management strategies and oversee the execution of business.
- The Board of Directors will nominate candidates based on the content of the report from the Committee while also considering the experience, knowledge and performance evaluation of candidates for Directors.

(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 revenue 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.

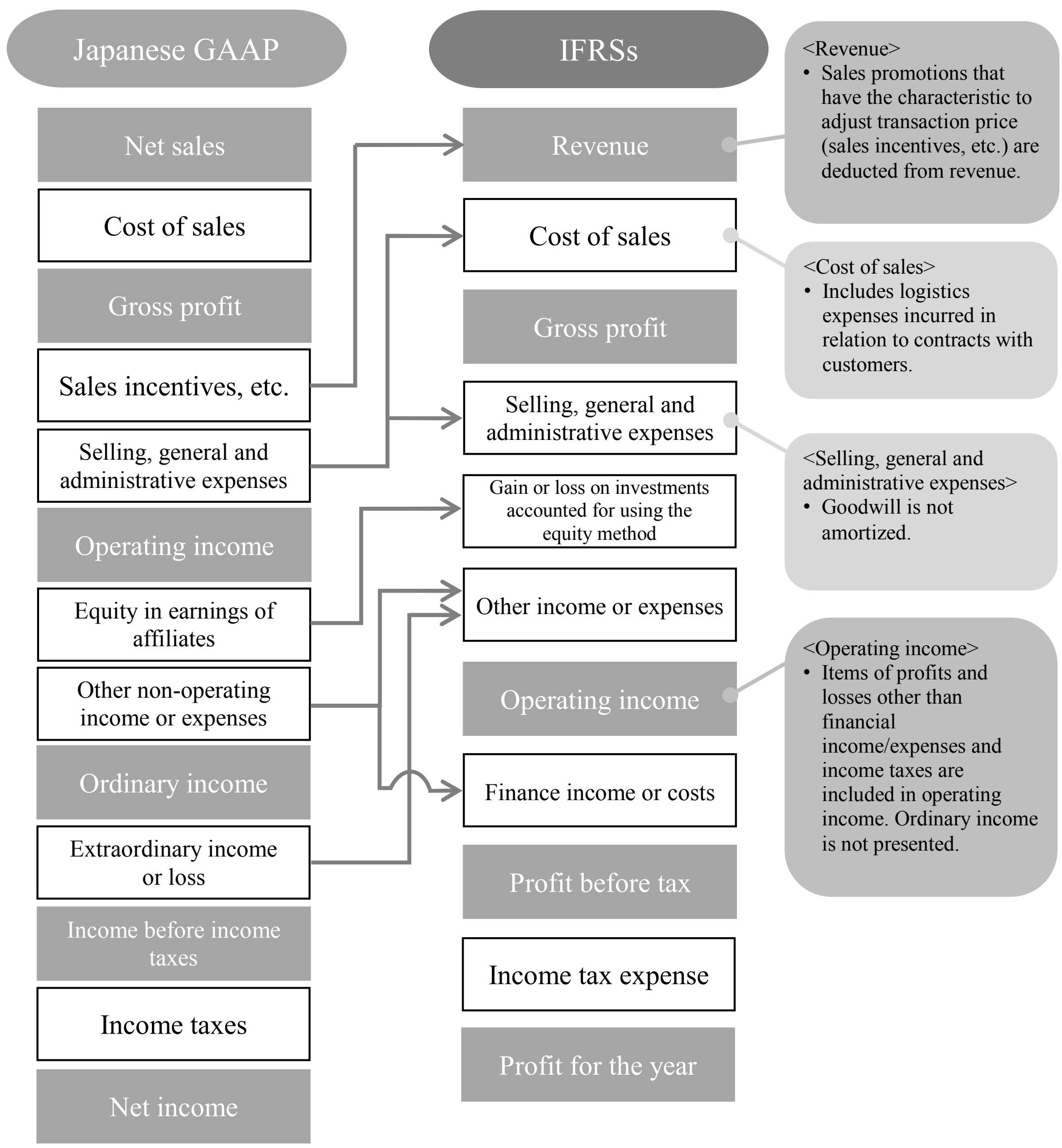
End

(Reference) Adoption of International Financial Reporting Standards (IFRSs)

Given the ongoing globalization of the business activities of the Group, the Company has adopted International Financial Reporting Standards (IFRSs) from the fiscal year under review in order to improve the quality of the Group's business management with unified accounting policies and to enhance comparability of its financial information in the international capital markets.

In order to present a comparison with the previous fiscal year, the figures of the previous fiscal year's consolidated results have been restated to comply with IFRSs.

Changes due to the adoption of IFRSs

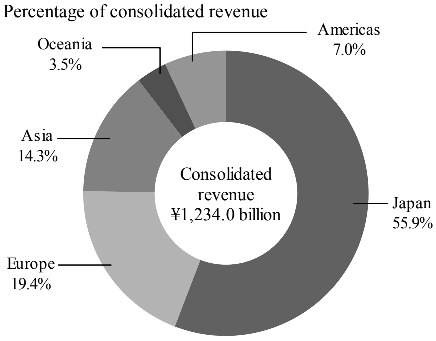


1. Matters Concerning the Present Condition of the Group

(1) Progress and Achievement of Business

Consolidated revenue
¥1,234.0 billion (up 2.1% year on year)
Consolidated operating income
¥118.0 billion (up 5.4% year on year)
Profit for the year attributable to owners of the Company
¥78.1 billion (up 9.2% year on year)

Percentage of consolidated revenue



Suntory Beverage & Food Limited Group (the Group) put efforts into brand reinforcement and new demand creation under its philosophy of proposing premium and unique products that match the tastes and needs of consumers, 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 and redeveloping its business portfolio in each area.

As a result of the above, for the fiscal year under review, the Group reported consolidated revenue of ¥1,234.0 billion, up 2.1% year on year, consolidated operating income of ¥118.0 billion, up 5.4% and profit for the year attributable to owners of the Company of ¥78.1 billion, up 9.2%.
The Company has applied the International Financial Reporting Standards (IFRSs) beginning from the fiscal year under review. To present comparisons with the previous corresponding periods, the figures of the previous fiscal year have been restated according to IFRSs.

Results by segment are described below.
In order to strengthen global management and to accelerate growth further, the Company implemented organizational changes on April 1, 2017. In accordance with this, starting from the first six months of the fiscal year ended December 31, 2017, the previous reportable segments of "Japan business" and "Overseas business" have been changed to "Japan business," "Europe business," "Asia business," "Oceania business" and "Americas business." Also, in order to more appropriately evaluate and manage the performance of each reportable segment, we have changed the method for calculating the profit or loss of each reportable segment.

Billions of yen

Category	The 8th Fiscal Year 2016	The 9th Fiscal Year 2017	YoY change
Consolidated revenue	1,209.1	1,234.0	Up 2.1%
Consolidated operating income	111.9	118.0	Up 5.4%
Profit for the year attributable to owners of the Company	71.5	78.1	Up 9.2%

Segment Information

Japan business	
Segment revenue	¥689.2 billion (up 0.2% year on year)
Segment profit	¥57.3 billion (up 5.1% year on year)

In Japan, the Group worked on creating new demand by proposing products that bring new value, as well as strengthening core brands. As the result, sales volume increased year on year.
For the *Suntory Tennensui* brand, the Group promoted the brand's unique value by emphasizing its qualities of "clear & tasty" and "natural & healthy," and sales for the core product *Suntory Tennensui* mineral water remained strong. With the contribution of new product, *Suntory Tennensui PREMIUM MORNING TEA*, sales volume for the brand as a whole considerably exceeded that of the same period of the previous year.
For the *Boss* coffee brand, the Group continued to focus on core products: *Premium Boss*, *Rainbow Mountain Blend*, *Zeitaku Bito*, *Muto Black* and *Café au Lait*. In addition, the Group launched *Pride of Boss* in September to celebrate the 25th anniversary of the launch of the *Boss* brand, with the aim of invigorating the 185g canned coffee market. Furthermore, *Craft Boss* recorded strong sales since its launch by offering a new style of drinking coffee– from a PET bottle. As a result of these activities, sales volume for the *Boss* brand grew strongly, despite the market for RTD coffee showing a general sluggishness, particularly in the 185g canned coffee.
For the *Iyemon* brand, both the flavor and packaging were renewed in March in order to provide a PET bottle green tea product with the color, scent and taste of "freshly-brewed high-quality tea" desired by consumers. Active marketing operations were also effective to increase sales volume over previous year.
For the *Suntory Oolong Tea* brand, the Group promoted the unique value and taste of oolong tea by the factor that both the flavor and packaging were renewed in May, leading to a year-on-year increase in sales volume.
Sales volumes of FOSHU drink products declined year on year. The Group made efforts to capture new users, through measures including the launch of *Suntory Tokucha Jasmine* in June and continued active marketing operations.
In the vending machine business, the Group promoted initiatives to enhance the attractiveness of the vending machine channel such as by launching canned and PET bottle products exclusive to vending machines, and carrying out original, region-specific campaigns. The Group also focused its efforts on sales to corporate customers and strove to capture beverage demand in the office environment.
Furthermore, despite continuing to focus on efforts to improve profitability such as by aiming for efficient expenditure of sales promotion and advertising costs, production costs rose temporarily as a result of deterioration in the raw materials market and an increase in outsourcing production costs, negatively affecting profits.
As a result of these activities, the Japan business reported revenue of ¥689.2 billion, up 0.2% year on year and segment profit of ¥57.3 billion, up 5.1%.

Europe business	
Segment revenue	¥238.9 billion (up 4.2% year on year)
Segment profit	¥34.6 billion (up 2.9% year on year)

In Europe, aggressive marketing activities were conducted with a focus on core brands.
In France, the Group focused on small-size format products, which helped sales volume of the carbonated fruit drink *Orangina* and the fruit juice *Oasis* to increase year on year. In addition, sales of the premium low-sugar iced tea *MayTea*, launched in May 2016, continued to gain new customers and generate additional sales. On the other hand, due to strong demand to our core brands and decline in our supplying capabilities caused by temporary suspension of our production line, supply chain costs including outsourcing production costs increased.
In the UK, while sales of the energy drink *Lucozade Energy*, which has been renewed into a low-sugar product since April, was challenging, the sports drink *Lucozade Sport* delivered strong growth due to proactive marketing activities. As a result, sales volume of the *Lucozade* brand products decreased year on year. Sales volume of the fruit juice *Ribena* also decreased year on year.
In Spain, the Group continued to concentrate on on-premise channels, and sales of *Schweppes* grew steadily, with a highlight on tonic water.
In Africa, the Group strove to reinforce the business foundation with a focus on Nigeria.
As a result of these activities, the Europe business reported revenue of ¥238.9 billion, up 4.2% year on year and segment profit of ¥34.6 billion, up 2.9%.

Asia business	
Segment revenue	¥177.1 billion (up 7.6% year on year)
Segment profit	¥23.2 billion (up 34.5% year on year)

In Asia, in addition to reinforcing core brands, the Group worked on strengthening the sales and distribution structures in each country.
Regarding the beverage business, in Vietnam, sales increased year on year contributed by proactive marketing activities for the energy drink *Sting* and the RTD tea *TEA+*. In Indonesia, the Group undertook initiatives to reinforce the sales and distribution structures with measures such as improving distributor management capabilities centering Java area. These efforts led to strong sales of the mainstay cup jelly drink *Okky*.
Regarding the health supplement business, sales of *BRAND'S Essence of Chicken* grew in the core market Thailand, due to factors such as improved route-to-market capabilities achieved by changing the distribution structure. From May onward, Cerebos Pacific Limited and its subsidiaries began business under the name of BRAND'S SUNTORY to further strengthen and grow the *BRAND'S* brand. In addition, the major functions of the business, such as marketing, were relocated from Singapore to Thailand in June to grasp consumers' needs more swiftly and appropriately.
As a result of these activities, the Asia business reported revenue of ¥177.1 billion,

up 7.6% year on year and segment profit of ¥23.2 billion, up 34.5%.

Oceania business	
Segment revenue	¥42.8 billion (up 3.8% year on year)
Segment profit	¥5.0 billion (down 13.8% year on year)

In Oceania, the Group worked to expand sales by conducting aggressive marketing activities surrounding its core brands.
In New Zealand, under an unfavorable business environment, the Group introduced new flavors and new packaging supported by aggressive marketing activities, primarily for the energy drink *V* and the fruit juice brands *Just Juice* and *Simply Squeezed*.
In Australia, the Group worked on initiatives to expand sales by proceeding with the flavor expansion of the *V* brand, as well as bolstering storefront activities of the sports drink *Maximus*.
On the other hand, earnings were affected from the increase in sales promotion costs in response to intensified competition.
As a result of these activities, the Oceania business reported revenue of ¥42.8 billion, up 3.8% year on year and segment profit of ¥5.0 billion, down 13.8%.
Furthermore, in order to accelerate the Group's strategy, from June onward, subsidiaries in New Zealand and Australia began business under the name of FRUCOR SUNTORY.

Americas business	
Segment revenue	¥86.0 billion (down 0.2% year on year)
Segment profit	¥9.3 billion (down 17.9% year on year)

In the Americas, the Group strove to further support PepsiCo brand products in North Carolina, while focusing on the growing non-carbonated beverage category, which included water and RTD coffee. On the other hand, earnings were affected by a decrease in sales of carbonated beverage category as a result of intensified competition and higher raw material costs.
As a result of these activities, the Americas business reported revenue of ¥86.0 billion, down 0.2% year on year and segment profit of ¥9.3 billion, down 17.9%.

(2) Issues to Address

We promise and declare to society that we make our living with water, which we call *Mizu to Ikiru*. We embrace nature, enrich our society and encourage our people to take on new challenges.
In addition, in the light of recent changes in the business environment, such as shifts in social conditions and rising health-focus among consumer needs, we have set our new vision to "Enrich our drinking-experiences to be more natural, healthy, convenient, and fulfilling, by leading the next drinks revolution."
Based on this new vision, we aim to realize our aspiration "To Be the Third Force" in the global beverage industry, and "2.5 trillion yen sales by 2030." In order to achieve these, we have drawn up a long-term strategy and medium-term plan as follows.

< Long-term strategy>

The Group will proactively develop business activities focused on the following seven growth pillars.

(i)	Evolve portfolio by satisfying the needs of local consumers
(ii)	Enhance availability by exploiting changing trade channels and technologies
(iii)	Innovate MONOZUKURI to generate competitiveness
(iv)	Expand areas by focusing on growth markets
(v)	Develop Beyond RTD Next-generation business model
(vi)	Accelerate sustainability management and contribution to local societies
(vii)	Strengthen unique global management system of Genba Heroes

< Medium-term plan (2018-2020) >

Based on the long-term strategy, our targets to 2020 are as follows.

(in comparison to 2017 figures and on a currency-neutral basis)	
Sales:	Organic growth ahead of market and incremental growth through new investments
Profit:	Grow operating income at a CAGR (Compound Annual Growth Rate) mid single-digit or above

In the 2018 fiscal year, the Group will continuously work to strengthen business foundations in each reportable segment, and aim for sales and profit growth.

< Japan business >
In Japan, the Group expects to see continuing changes in the consumer environment brought about by rising health-focus among consumers and increasingly diverse lifestyles. By capturing needs of consumers through strengthening core brands and future core categories, and through offering new value, the Group aims to grow sales at a rate higher than that of the market. Within this, the Group will position water, tea and coffee as core categories, and the Group will strengthen initiatives in *Suntory Tennensui* brand, the *Boss* coffee brand, and the sugar-free tea category that includes the *Iyemon* brand and the *Suntory Oolong Tea* brand, as the three pillars of these activities.
For the *Suntory Tennensui* brand, the Group will further enhance its unique “clear & tasty” and “natural & healthy” brand value by implementing branding activities that put the focus on the source of the water while working in conjunction with the Group’s environmental conservation and recycling initiatives under the Group’s promise “Mizu-to-Ikiru.” In addition, the Group will strive to win new demand through the introduction of products with new added value.
For the *Boss* coffee brand, in addition to continuing to focus on marketing activities aimed at existing core users of canned coffee, the Group will strive for further growth in the *Craft Boss* with its the PET bottle packaging, which proposes a new way for customers to enjoy their coffee since its launch in 2017.
For the sugar-free tea category, in addition to maintaining efforts to strengthen the *Iyemon* and *Suntory Oolong Tea* brands, which were renewed in 2017, the Group will conduct initiatives for proactive marketing activities to establish a strong position with the *Green DAKARA Yasashii Mugicha* in the expanding barley tea market. The Group will also continue to focus on the FOSHU drink *Tokucha*.
In the vending machine channel, the Group will aim to capture demand in offices and factories by introducing unique, quality products exclusive to vending machines and implement vending machine campaigns.
In addition to such activities that will have emphasize on improving profitability, the Group will continue cost reduction activities, including enhancing production efficiency, and on efficient expenditure of sales promotion and advertising costs.

< Europe business >
In Europe, in the major countries the Group will broaden the product portfolio through reinforcing low-sugar products, and promote the expansion of consumer contact points through bolstering storefront activities. In France, in addition to further strengthening core brands such as *Orangina* and the low-sugar product *MayTea*, the Group will work to improve supply chain management. In the UK, where a sugar tax will be introduced in April, the Group will actively roll out low-sugar products, strongly supported by promotional activities to consumers with a focus on the core products *Lucozade Energy* and *Ribena*. In Spain, the Group will reinforce marketing activities of *Schweppes* and sales activities in on-premise channels, while at the same time introducing the low-sugar product *MayTea* to broaden the portfolio. Also, in Africa, the Group continues to reinforce the business foundation to capture growing demand.

< Asia business >
In Asia, the Group will focus on the core brands in key regions and form a joint venture with PepsiCo, Inc. in Thailand, with the aim of achieving further growth and expanding the business in this rapidly growing market.
In the health supplement business, the Group will work to expand sales of core product *BRAND'S Essence of Chicken*, while at the same time strengthening initiatives for growth markets such as Myanmar. In the beverage business, in Vietnam the Group will strive to accelerate growth of core brands such as the energy drink *Sting* and the RTD tea *TEA+*, and bolster sales activities in the rural areas as well as in urban areas. Meanwhile in Indonesia, the Group will strive to capture market growth by further reinforcing the core brands as well as the sales and distribution structures.

< Oceania business >
In Oceania, as well as working to reinforce core brands such as the energy drink *V* and the sports drink *Maximus*, the Group will introduce new health-focused products to broaden the portfolio and expand route-to-market. The Group will pursue its growth strategy by shifting the fresh coffee business unit to Oceania business from 2018, which was originally positioned within the Asia business.

< Americas business >
In the Americas, the Group will strive to regain growth in the carbonated beverage category, while also focusing on the expanding non-carbonated beverage category. In addition, in view of the rising health-focus among consumers, the Group will pursue initiatives in relation to invest in new business.

We appreciate and value your ongoing cooperation and support.

(Reference) Initiatives for Sustainability Management

As a company that promises "Mizu to Ikiru," living with water, the Company contributes to the sustainability of the global environment and local society.

Adhering to the Suntory Group's mission "To Create Harmony with People and Nature," the Company carries out various activities such as preserving and regenerating the natural environment, saving energy and water usage, and installing environmentally-friendly container and packaging in order to promote sustainability management and continue to hand down a sustainable global environment to future generations.

Water Resource Conservation Activities Spreading Overseas

As water is the most precious natural resource of our business, the Company carries out activities focused on water, such as projects to protect water resources and the *Suntory Mizuiku* - Education Program for Nature and Water for future generations.
The *Natural Water Sanctuary Projects* that the Company has been continuing since 2003 have now been carried out in 20 locations in 14 prefectures across Japan, making up a total of 9,000 ha. The project has cultivated a forest that produces in total a volume of underground water that exceeds the amount used in the Company's manufacturing plants.
The *Suntory Mizuiku* has now been continuing for 14 years. During this time a cumulative total of more than 140,000 children have participated in the program. These activities are also now being expanded to overseas Group companies. In 2015, the *Suntory Mizuiku* was conducted in Vietnam, and it is in high regard by the local government and the local community.
In June 2017, the Company entered into a partnership concerning the water resource conservation activities with a nature park located near its Meyzieu Plant in France, and it is supporting forest conservation and the implementation of education programs.

The Company Has Been Acknowledged as a CDP Water A List Company for the Second Year in a Row

The Company has been acknowledged as a CDP Water A List 2017 company for the second year in a row by the CDP (an international non-profit organization providing environmental information disclosure systems) due to the Company's initiatives including activities serving to reduce water used at its plants and its Water Resource Cultivation initiatives. The Company considers it an honor to receive this award, which is decided by a survey conducted with the approval of 803 institutional investors from around the world, managing a total of 100 trillion US dollars in assets, as it reflects high global recognition for initiatives toward preserving and regenerating nature, as well as for efforts toward reducing environmental impact.

(3) Status of Assets and Profit and Loss

Category	The 6th Fiscal Year 2014	The 7th Fiscal Year 2015	The 8th Fiscal Year 2016		The 9th Fiscal Year 2017 (fiscal year under review)	
	Japanese GAAP			IFRSs	Japanese GAAP	IFRSs
Net Sales/Revenue (Millions of yen)	1,257,280	1,381,007	1,410,765	1,209,149	1,451,520	1,234,008
Operating Income (Millions of yen)	85,949	92,007	93,481	111,865	98,011	117,955
Ordinary Income (Millions of yen)	82,272	82,869	91,224	–	93,398	–
Net Income/Profit for the year attributable to owners of the Company (Millions of yen)	36,239	42,462	46,056	71,501	47,395	78,112
Net Income per Share/Basic earnings per share (Yen)	117.28	137.42	149.05	231.40	153.38	252.79
Total Equity (Millions of yen)	635,624	626,890	602,447	662,815	646,887	746,201
Equity per Share/Equity attributable to owners of the Company per share (Yen)	1,926.79	1,888.33	1,787.15	1,970.18	1,927.10	2,234.43
Total Assets (Millions of yen)	1,389,096	1,484,434	1,366,000	1,421,398	1,415,772	1,522,029

Notes:

1. The Company has applied the International Financial Reporting Standards (IFRSs) beginning from the 9th fiscal year (the fiscal year under review). Accordingly, figures for the 8th fiscal year conforming to IFRSs are shown alongside.
2. Figures for the 9th fiscal year (the fiscal year under review) conforming to Japanese GAAP have not been audited by the Accounting Auditor.

(4) Summary of Principal Businesses (as of December 31, 2017)

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) ¥100	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
BRAND'S SUNTORY INTERNATIONAL CO., LTD.	(Thousand) THB250	100.0	Manufacture and sale of health 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 SUNTORY NEW ZEALAND LIMITED	(Thousand) NZ$446,709	100.0	Manufacture and sale of non-alcoholic beverages
FRUCOR SUNTORY AUSTRALIA PTY. LIMITED	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. From May 2017 onward, Cerebos Pacific Limited began business under the name of BRAND'S SUNTORY. In addition, the said company transferred its primary business functions such as marketing to BRAND'S SUNTORY INTERNATIONAL CO., LTD. in June 2017. Accordingly, from the fiscal year under review, BRAND'S SUNTORY INTERNATIONAL CO., LTD. has been 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.
4. As of June 27, 2017, FRUCOR SUNTORY NEW ZEALAND LIMITED changed to its current trade name, from its former trade name FRUCOR BEVERAGES LIMITED.
5. As of June 27, 2017, FRUCOR SUNTORY AUSTRALIA PTY. LIMITED changed to its current trade name, from its former trade name FRUCOR BEVERAGES (AUSTRALIA) PTY LTD.

(6) Principal Offices and Plants, etc. (as of December 31, 2017)

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.
Europe	Orangina Schweppes Holding B.V.	Head Office	Amsterdam, the Netherlands
	Lucozade Ribena Suntory Limited	Head Office	London, U.K.
Asia	Suntory Beverage & Food Asia Pte. Ltd.	Head Office	Singapore
	Cerebos Pacific Limited	Head Office	Singapore
	BRAND'S SUNTORY INTERNATIONAL CO., LTD.	Head Office	Bangkok, Thailand
	PT SUNTORY GARUDA BEVERAGE	Head Office	Jakarta, Indonesia
	Suntory PepsiCo Vietnam Beverage Co., Ltd.	Head Office	Ho Chi Minh, Viet Nam
Oceania	FRUCOR SUNTORY NEW ZEALAND LIMITED	Head Office	Auckland, New Zealand
	FRUCOR SUNTORY AUSTRALIA PTY. LIMITED	Head Office	New South Wales, Australia
Americas	Pepsi Bottling Ventures LLC	Head Office	North Carolina, U.S.A.

(7) Status of Employees (as of December 31, 2017)

Name of Segment	Number of Employees	Increase(Decrease) from Previous Fiscal Year
Japan	9,575 [960]	(126) [(19)]
Europe	3,871 [134]	27 [89]
Asia	6,385 [787]	(609) [115]
Oceania	884 [153]	20 [(18)]
Americas	2,323 [62]	42 [(2)]
Company-wide (common)	181 [–]	15 [–]
Total	23,219 [2,096]	(631) [165]

Notes:

1. 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.
2. Employees classified as Company-wide (common) are administrative staff not assigned to any particular segment.

(8) Status of Company's Principal Lenders (as of December 31, 2017)

Name of Lender	Amount of Loan (Millions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	52,937
Mitsubishi UFJ Trust and Banking Corporation	40,183
The Norinchukin Bank	36,270
Sumitomo Mitsui Banking Corporation	28,310
Mizuho Bank, Ltd.	25,397
Sumitomo Mitsui Trust Bank, Limited	23,234
Shinkin Central Bank	15,000
The Bank of Kyoto, Ltd.	11,270

(9) Status of Fund Procurement

No items to report.

(10) Status of Capital Investment

Capital investment in the fiscal year under review was ¥59.1 billion. A breakdown of capital investment by segment is as follows.

Name of Segment	Capital investment (Millions of yen)
Japan	33,301
Europe	12,062
Asia	6,312
Oceania	2,219
Americas	5,172
Total	59,068

1) Major Plant and Equipment Completed 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
Asia	Relocation of the Dien Ban Plant of Suntory PepsiCo Vietnam Beverage Co., Ltd.

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 Ujigawa Plant of Suntory Products Limited

(11) Status of Significant Business Realignments

Suntory Beverage & Food Asia Pte. Ltd., a subsidiary of the Company, plans to acquire 51% of shares in International Refreshment (Thailand) Co., Ltd., a beverage operation of PepsiCo, Inc. in Thailand, from Pepsi-Cola (Thai) Trading Co., Ltd., a subsidiary of PepsiCo, Inc., as of March 2018.

2. Matters Concerning Shares (as of December 31, 2017)

(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: 45,016

(decreased by 4,925 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
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	6,580	2.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,099	1.9
Japan Trustee Services Bank, Ltd. (Trust Account)	5,362	1.7
HSBC BANK PLC A/C ABU DHABI INVESTMENT AUTHORITY	4,196	1.3
JP MORGAN CHASE BANK 385632	4,166	1.3
STATE STREET BANK WEST CLIENT – TREATY 505234	3,811	1.2
JPMorgan Securities Japan Co., Ltd.	3,117	1.0
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,926	0.9
THE BANK OF NEW YORK 133522	2,810	0.9

3. Status of Directors

(1) Names, etc. of Directors (as of December 31, 2017)

Position	Name	Responsibilities and Important Concurrent Positions
Representative Director and President	Saburo Kogo	Overall Group Management Chief Operating Officer, Corporate Strategy Division Director of Suntory Beverage & Food Asia Pte. Ltd. Director of FRUCOR SUNTORY NEW ZEALAND LIMITED Director of FRUCOR SUNTORY AUSTRALIA PTY. LIMITED Director of Pepsi Bottling Ventures LLC
Executive Vice President	Hideo Tsujimura	Chief Operating Officer, MONOZUKURI Division Senior General Manager, Research & Development Department
Senior Managing Director	Nobuhiro Kurihara	Chief Operating Officer, Business Administration Division
Senior Managing Director	Yukio Okizaki	Chief Operating Officer, Japan 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	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
Audit and Supervisory Committee Member	Harumichi Uchida	Attorney of Mori Hamada & Matsumoto Outside Audit & Supervisory Board Member of Sumitomo Dainippon Pharma Co., Ltd.
Audit and Supervisory Committee Member	Mika Masuyama	President and Representative Partner of Masuyama & Company LLC.

Notes:

1. Ms. Yukari Inoue, Mr. Harumichi Uchida and Ms. Mika Masuyama are Outside Directors.
2. The Company designated Outside Directors Ms. Yukari Inoue and Ms. Mika Masuyama as Independent Officers and reported this designation to the Tokyo Stock Exchange.

3. The Company additionally designated Outside Director Mr. Harumichi Uchida as an Independent Officer and reported this designation to the Tokyo Stock Exchange as of January 31, 2018.
4. The Company has concluded limited liability agreements with Mr. Nobuhiro Torii, Ms. Yukari Inoue, Mr. Kozo Chiji, Mr. Harumichi Uchida and Ms. Mika Masuyama 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.
5. Mr. Kozo Chiji has experience of involvement in the management of Suntory Group companies, primarily as Managing Executive Officer and Chief Operating Officer, finance and accounting division of Suntory Holdings Limited, and has considerable knowledge in the areas of finance and accounting.

6. 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	Overall Group Management	Overall Group Management Chief Operating Officer, Corporate Strategy Division	April 1, 2017
Nobuhiro Kurihara	Chief Operating Officer, Business Administration Division Risk Management	Chief Operating Officer, Business Administration Division	April 1, 2017
Yukio Okizaki	Chief Operating Officer, Beverage & Food Business Division	Chief Operating Officer, Japan Business Division	April 1, 2017

7. Changes in a Director's important concurrent position after the end of the fiscal year under review were as follows.

Name	Important concurrent position before Change	Important concurrent position after Change	Date of Change
Harumichi Uchida	Attorney of Mori Hamada & Matsumoto	–	January 1, 2018
	–	Attorney of Uchida Law Office	January 5, 2018

8. 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) Policy on determining remuneration, etc. for the Company's Directors

Remuneration, etc. for the Company's Directors are structured at levels commensurate with their role and responsibilities in a manner that motivates them to improve the Company's performance and corporate value and secures outstanding personnel.
Remuneration, etc. for the executive Directors consist of base compensation (monthly, fixed amount) and a bonus (annual, performance-based) and this level is set depending on responsibilities. Bonuses are mainly determined by a benchmark related to consolidated operating income (excluding one-time income and expenses).
Remuneration, etc. for non-executive Directors shall in principle only consist of base compensation (monthly, fixed amount). Full-time Audit and Supervisory Committee Members shall be paid, in addition to base compensation, a bonus (annually, performance-based) in consideration of the contribution to the Company's performance. Bonuses are mainly determined by a benchmark related to consolidated operating income (excluding one-time income and expenses).
In addition, the Company does not have a retirement allowance system or a stock option system.

(3) 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)	9	215	8	174	390
(Outside Director)	(1)	(12)	(–)	(–)	(12)
Director (Audit and Supervisory Committee Member)	4	52	1	23	75
(Outside Director)	(3)	(24)	(–)	(–)	(24)
Total	13	268	9	198	466
(Outside Director)	(4)	(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.

(4) 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)	Harumichi Uchida	Attorney of Mori Hamada & Matsumoto Outside Audit & Supervisory Board Member of Sumitomo Dainippon Pharma Co., Ltd.
Outside Director (Audit and Supervisory Committee Member)	Mika Masuyama	President and Representative Partner of Masuyama & Company LLC.

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	16/19	–	She voiced statements based on her experience and knowledge as a corporate executive.
Outside Director (Audit and Supervisory Committee Member)	Harumichi Uchida	19/19	17/17	He voiced statements from his technical perspective as an attorney.
Outside Director (Audit and Supervisory Committee Member)	Mika Masuyama	15/15	13/13	She voiced statements based on her experience and knowledge relating to corporate governance, human resource development and other areas.

Note: The Board of Directors meeting attendance and the Audit and Supervisory Committee meeting Attendance stated for Ms. Mika Masuyama count the total number as the number of meetings of the Board of Directors and the Audit and Supervisory Committee held since March 30, 2017 when she took office.

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	215
Total amount of money and other financial benefits payable to Accounting Auditor by the Company and its subsidiaries	266

Notes:

1. 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.
2. Of the Company's significant subsidiaries, ten 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 preparation of comfort letters.

(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.

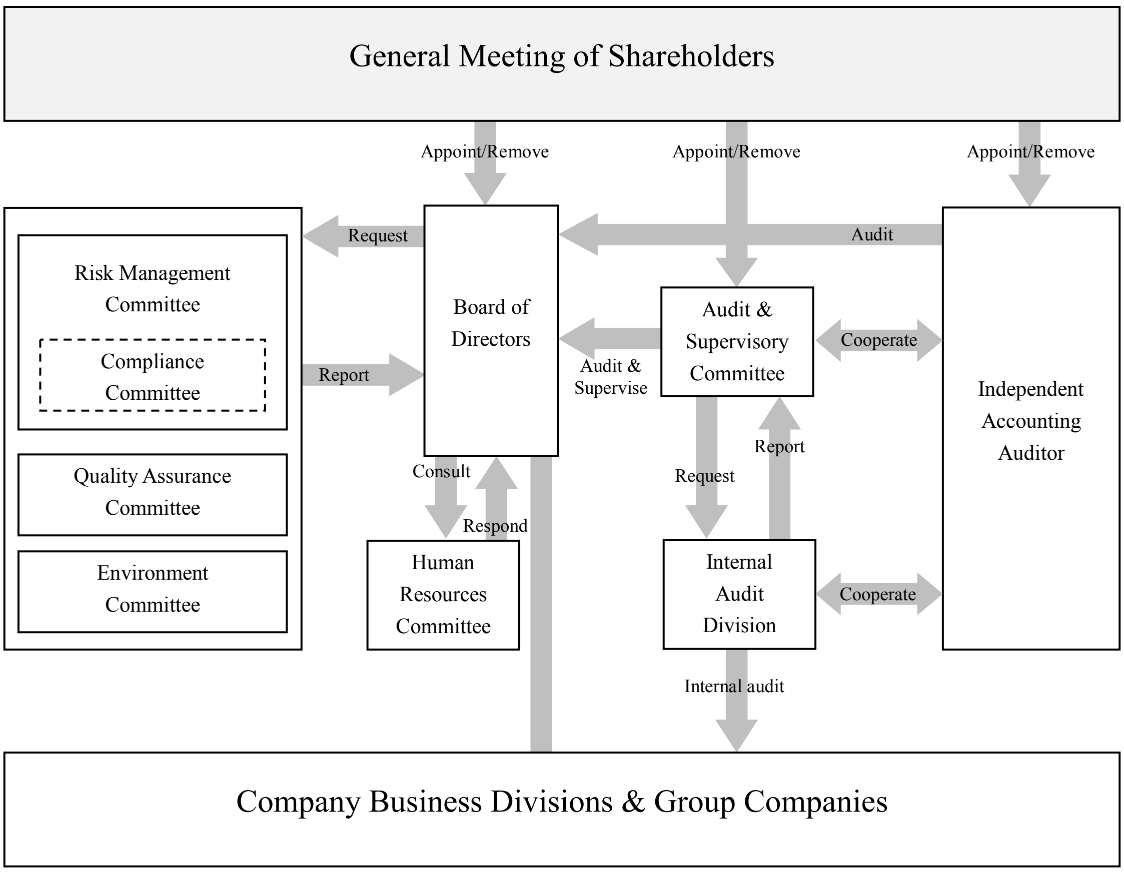
(Reference) Corporate Governance Structure

The Company strives to enhance corporate governance in order to maintain good relationships with shareholders, other investors, and other stakeholders (customers, local communities, business partners and employees, etc.) and to allow us to fulfill our corporate social responsibilities.

The Company has chosen to be incorporated as a company with Audit and Supervisory Committee for its corporate governance structure and established a Board of Directors, an Audit and Supervisory Committee, and Accounting Auditor.

The aim of this decision is to improve the effectiveness of auditing and supervisory functions by having Directors who have the right to vote at the meetings of the Board of Directors and serve on the Audit and Supervisory Committee (Audit and Supervisory Committee Members) perform auditing; to further strengthen the supervisory function of the Board of Directors by increasing the ratio of Directors who are Outside Directors; and to further enhance the Company's corporate governance by realizing speedy decision making in the Board of Directors through entrusting all or part of the important decisions of business execution to Directors.

<Schematic depiction of corporate governance structure>



Board of Directors

The Company considers that the function of the Board of Directors is to facilitate the implementation of corporate strategy and the achievement of management targets by enabling wide-ranging and practical discussions regarding corporate strategy, medium- and long-term plans, and management issues.

In 2017, there were 19 meetings of the Board of Directors at which management issues and the execution of business including the medium- and long-term plans, M&A, investment effectiveness, and quality initiatives were actively discussed.

Evaluation of the effectiveness of the Board of Directors

Once a year, the Company requires each director to conduct self-evaluation on the aforementioned functions and operational methods of the Board of Directors.

In 2017, a questionnaire survey was distributed to all directors and an interview survey was given to non-executive directors by the secretariat of the Board of Directors to evaluate the effectiveness of the Board of Directors and the properness of operations. Moreover, the results of the questionnaire were shared at the meeting of the Board of Directors held in January 2018, and discussions were carried out about issues concerning the Board of Directors and policies on responding to these issues.

As a result, it was confirmed that at the meetings of the Board of Directors of the Company, matters were submitted for resolution and reports were given at a more substantial level than 2016, mostly on medium- and long-term corporate strategy and management issues, and lively discussions were carried out by each director from their independent standpoints. Furthermore, it has been made clear that in order to raise the effectiveness of the Company's Board of Directors, it is desirable to work on further enhancement of deliberations toward the management planning.

Based on this, in 2018, we plan to carry out concentrated deliberation on management planning, and so forth, and looking forward, we will work on further improving the effectiveness of the Board of Directors.

Initiative to facilitate understanding of our GENBA

In September 2017, to facilitate understanding of the GENBA of the Group, a meeting of the Board of Directors was held at the "Suntory World Research Center" a research and development hub for the Suntory Group located in Keihanna Science City (Seika Town, Kyoto).

After the meeting of Board of Directors, the Directors heard a research activity report that was given in relation to the Company's business activities at the GENBA of research, and then by touring the facilities, they got to actively exchange opinions among themselves regarding research activities. The Outside Directors reported that they experienced the atmosphere of the Company's front lines and gained a deeper understanding about the Company.

Audit and Supervisory Committee

The Audit and Supervisory Committee comprises three Audit and Supervisory Committee Members (including two Outside Directors) and performs audits on Directors' execution of duties and other general execution of duties relating to the Group's management, in accordance with the internal control system.

Moreover, in order to strengthen the auditing and supervisory functions of the Audit and Supervisory Committee, the Company collects information from Directors (excluding Audit and Supervisory Committee Members) and shares information at important meetings. Also, with the aim of ensuring ample cooperation between the internal audit division and the Audit and Supervisory Committee, the Company has selected one full-time Audit and Supervisory Committee Member. Centering on this full-time Audit and Supervisory Committee Member, the Company works to achieve a mutual understanding between Directors and the internal audit divisions, such as the administration division, and makes efforts to gather information and maintain a suitable environment for audits.

[Translation]

Consolidated Statement of Financial Position (IFRSs)

(As at December 31, 2017)

(Unit: Millions of yen)

Assets		Liabilities and Equity	
Accounts	Amount	Accounts	Amount
Current assets	430,914	Current liabilities	453,088
Cash and cash equivalents	113,883	Bonds and borrowings	95,654
Trade and other receivables	176,653	Trade and other payables	289,521
Other financial assets	11,793	Other financial liabilities	32,678
Inventories	81,015	Accrued income taxes	18,773
Other current assets	25,487	Provisions	1,385
Subtotal	408,832	Other current liabilities	8,860
Assets held for sale	22,081	Subtotal	446,873
		Liabilities directly associated with assets held for sale	6,215
Non-current assets	1,091,115		
Property, plant and equipment	354,216		
Goodwill	254,025	Non-current liabilities	322,738
Intangible assets	432,814	Bonds and borrowings	211,375
Investments accounted for using the equity method	1,233	Other financial liabilities	25,306
		Post-employment benefit liabilities	11,888
Other financial assets	20,460	Provisions	2,913
Deferred tax assets	12,701	Deferred tax liabilities	66,001
Other non-current assets	15,663	Other non-current liabilities	5,253
		Total liabilities	775,827
		Equity attributable to owners of the Company	690,437
		Share capital	168,384
		Share premium	182,404
		Retained earnings	364,274
		Other components of equity	(24,625)
		Non-controlling interests	55,763
		Total equity	746,201
Total assets	1,522,029	Total liabilities and equity	1,522,029

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

[Translation]

Consolidated Statement of Profit or Loss

(For the year ended December 31, 2017)

(Unit: Millions of yen)

Accounts	Amount
Revenue	1,234,008
Cost of sales	(697,789)
Gross profit	536,219
Selling, general and administrative expenses	(412,444)
Gain on investments accounted for using the equity method	447
Other income	5,862
Other expenses	(12,129)
Operating income	117,955
Finance income	871
Finance costs	(4,384)
Profit before tax	114,442
Income tax expense	(28,267)
Profit for the year	86,175
Attributable to:	
Owners of the Company	78,112
Non-controlling interests	8,062
Profit for the year	86,175

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

[Translation]

Balance Sheet (Japanese GAAP)

(As at December 31, 2017)

(Unit: Millions of yen)

Assets		Liabilities	
Accounts	Amount	Accounts	Amount
Current assets	205,768	Current liabilities	216,475
Cash and deposits	62,452	Accounts payable–trade	60,725
Accounts receivable–trade	75,521	Electronically recorded obligations-operating	6,731
Merchandise and finished goods	20		
Work in process	867	Short-term borrowings	19,857
Raw materials and supplies	6,376	Current portion of long-term debt	61,275
Advance payments–trade	243	Accounts payable–other	13,139
Prepaid expenses	773	Accrued expenses	13,659
Deferred tax assets	2,103	Consumption taxes payable	1,282
Short-term loans receivable	48,222	Accrued income taxes	4,600
Accounts receivable–other	8,072	Deposits received	29,705
Other	1,115	Provision for bonuses	2,138
		Other	3,358
Noncurrent assets	799,419		
Property, plant, and equipment	31,498	Long-term liabilities	232,890
Buildings	916	Bonds payable	40,000
Machinery and equipment	4,122	Long-term debt	170,494
Tools, furniture and fixtures	1,207	Deferred tax liabilities	19,988
Land	25,077	Liability for employee retirement benefits	2,136
Construction in progress	113		
Other	60	Asset retirement obligations	231
Intangible fixed assets	776	Other	38
Goodwill	662	Total liabilities	449,365
Other	114	Equity	
Investments and other assets	767,144	Shareholders' equity	555,838
Stocks of subsidiaries and affiliates	666,494	Common stock	168,384
		Capital surplus	213,425
Long-term loans receivable from subsidiaries and affiliates	95,494	Legal capital surplus	145,884
		Other capital surplus	67,541
Guarantee deposits	1,055	Retained earnings	174,029
Long-term prepaid expenses	466	Other retained earnings	174,029
Prepaid pension cost	3,548	Reserve for advanced depreciation of noncurrent assets	967
Other	83		
		Reserve for special depreciation	758
Deferred assets	76	General reserve	34,982
Bond issuance expenses	76	Retained earnings brought forward	137,319
		Valuation and translation adjustments	59
		Unrealized gain on available-for-sale securities	34
		Deferred gain on derivatives under hedge accounting	25
		Total equity	555,898
Total assets	1,005,263	Total liabilities and equity	1,005,263

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

[Translation]

Statement of Income

(For the year ended December 31, 2017)

(Unit: Millions of yen)

Accounts	Amount	
Net sales		387,633
Cost of sales		275,940
Gross profit		111,692
Selling, general and administrative expenses		74,947
Operating income		36,744
Non-operating income		
Interest income	1,493	
Dividend income	20,821	
Other	728	23,043
Non-operating expenses		
Interest expense	1,645	
Other	1,672	3,318
Ordinary income		56,469
Extraordinary income		
Insurance income	902	
Other	0	902
Extraordinary loss		
Product recall related costs	1,161	
Other	8	1,170
Income before income taxes		56,201
Income taxes–current	9,266	
Income taxes–deferred	852	10,118
Net income		46,082

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

[Translation]

Audit Report by Accounting Auditor Pertaining to Consolidated Financial Statements

AUDIT REPORT BY INDEPENDENT AUDITOR

February 8, 2018

To: Board of Directors
Suntory Beverage & Food Limited

Deloitte Touche Tohmatsu LLC

[Koji Inagaki], CPA (seal)
Designated Limited Liability Partner
Engagement Partner
[Yasuhiro Katsushima], 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, 2017 and ended on December 31, 2017, i.e., the Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss, 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 the provisions set forth in the second sentence of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies that allow the partial omission of the disclosure items required under International Financial Reporting Standards, 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

In our opinion, the Consolidated Financial Statements of the Company prepared by partially omitting the disclosure items required under International Financial Reporting Standards in accordance with the provisions set forth in the second sentence of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies as stated above present fairly, in all material respects, 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.

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]

[Translation]

Audit Report by Accounting Auditor Pertaining to Financial Statements

AUDIT REPORT BY INDEPENDENT AUDITOR

February 8, 2018

To: Board of Directors
Suntory Beverage & Food Limited

Deloitte Touche Tohmatsu LLC

[Koji Inagaki], CPA (seal)
Designated Limited Liability Partner
Engagement Partner
[Yasuhiro Katsushima], 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 9th business term which commenced on January 1, 2017 and ended on December 31, 2017, 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

In our opinion, the Financial Statements and the Supplementary Schedules of the Company as stated above present fairly, in all material respects, 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]

[Translation]

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 9th business term which commenced on January 1, 2017 and ended on December 31, 2017. 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 Statement of Financial Position, the Consolidated Statement of Profit or Loss, 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 15, 2018

Audit and Supervisory Committee of
Suntory Beverage & Food Limited

Full-time Audit and Supervisory Committee Member
Kozo Chiji (seal)
Audit and Supervisory Committee Member
Harumichi Uchida (seal)
Audit and Supervisory Committee Member
Mika Masuyama (seal)

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

Items Disclosed on Internet Concerning Notice of Convocation of the 9th Ordinary General Meeting of Shareholders

Business Report
System to Ensure the Appropriateness of the Business and the Operational Status of that System

Consolidated Financial Statements
Consolidated Statement of Changes in Equity
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Financial Statements
Statement of Changes in Equity
Notes to Financial Statements

Suntory Beverage & Food Limited

Pursuant to the provisions of relevant laws and regulations and Article 16 of the Company's Articles of Incorporation, the items listed above are provided to shareholders on the website of Suntory Beverage & Food Limited.

(https://www.suntory.com/softdrink/ir/stock/meeting.html)

Business Report

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 Directors in order to enable efficient decision making.
- The Board of Directors held 19 meetings where they actively discussed management challenges and the execution of business including medium- and long-term plans, M&A, investment effectiveness, and quality initiatives.
- 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 five 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 have been 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 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, external channels such as law firms and 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 results of the attitude survey have been reported 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 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.
- The internal audit division reports on the audit results 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 legal affairs division and accounting division beforehand to confirm the necessity of the transaction, and the appropriateness of its terms and conditions, and their 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 2018 fiscal year, decisions were made after thorough deliberation at a Board of Directors meeting held in December 2017 with respect to the necessity and appropriateness.

Consolidated Statement of Changes in Equity (IFRSs)

(For the year ended December 31, 2017)

(Unit: Millions of yen)

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Total		
Balance at January 1, 2017	168,384	182,326	309,582	(51,507)	608,784	54,030	662,815
Cumulative effect of adopting new accounting standards				(716)	(716)	(0)	(716)
Balance at January 1, 2017 reflecting the adoption of new accounting standards	168,384	182,326	309,582	(52,224)	608,068	54,030	662,098
Profit for the year			78,112		78,112	8,062	86,175
Other comprehensive income				27,663	27,663	(1,026)	26,637
Total comprehensive income for the year	–	–	78,112	27,663	105,776	7,036	112,812
Dividends			(23,484)		(23,484)	(5,397)	(28,881)
Transactions with non-controlling interests		77			77	95	172
Reclassification to retained earnings			64	(64)	–		–
Total transactions with owners of the Company	–	77	(23,419)	(64)	(23,406)	(5,302)	(28,708)
Balance at December 31, 2017	168,384	182,404	364,274	(24,625)	690,437	55,763	746,201

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

Notes to Consolidated Financial Statements

BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparing consolidated financial statements

   The Group prepared its consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter "IFRSs") from the fiscal year under review, pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. Disclosure requirements under IFRSs are partially omitted pursuant to the provisions of second sentence of the said paragraph.

2. Scope of consolidation

   The number of subsidiaries is 102. 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, BRAND'S SUNTORY INTERNATIONAL CO., LTD., FRUCOR SUNTORY NEW ZEALAND LIMITED and Pepsi Bottling Ventures LLC.

   During the fiscal year under review, Suntory Beverage & Food Global Procurement Pte. Ltd. and one other company were included in the scope of consolidation due to the establishment of new companies, etc. Moreover, Suntory Beverage & Food Europe Limited was excluded from the scope of consolidation due to its liquidation.

3. Application of equity method

   The number of associates accounted for using the equity method is 9. During the fiscal year under review, True Nopal Ventures LLC was included in the scope of equity method due to the incorporation. TIPCO F&B CO., LTD. and five other companies were excluded from the scope of equity method primarily due to transfer of all shares.

4. Early adoption of new accounting standards

   The Group has early adopted IFRS 9 Financial Instruments (issued in November 2009, revised in July 2014; hereinafter "IFRS 9") from the beginning of the fiscal year under review (January 1, 2017).

5. Accounting policies

   (1) Basis of consolidation

   The Group's consolidated financial statements with the fiscal closing date at December 31 are composed of accounts of the Company and its subsidiaries together with the Group's attributable share of the results of associates and joint ventures. There were no joint ventures as at the end of the fiscal year under review.

   A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group's subsidiaries are included in the scope of consolidation, which begins when it obtains control over a subsidiary and ceases when it loses control of the subsidiary. Disposal of the Group's ownership interests in a subsidiary that does not result in the Group losing control over the subsidiaries is accounted for as an equity transaction. Any difference between the amount of an adjustment to the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and is attributed to owners of the Company. Non-controlling interests of the subsidiaries are identified separately from ownership interests attributable to the Group. Comprehensive income of subsidiaries is attributed to owners of the Company and non-controlling interests, even when comprehensive income attributed to non-controlling interests results in a negative balance.

   An associate is an entity over which the Group has significant influence over the financial and operating policy of the associate, but does not have control. Investments in an associate are initially recognized at cost upon the acquisition and are subsequently accounted for using the equity method. Investments in an associate include goodwill recognized upon the acquisition, net of accumulated impairment losses.

   A joint venture is an entity jointly controlled by two or more parties including the Group under the contractually agreed sharing of control of an arrangement over economic activities of the joint venture, which exists only when decisions for strategic financial and operating decisions related to relevant activities require unanimous consent of the parties sharing control. A joint venture of the Group is accounted for using the equity method.

   (2) Business combination

   A business combination is accounted for using the acquisition method. The acquisition cost is measured as the sum of the acquisition-date fair values of the assets transferred, liabilities assumed and the equity financial instruments issued by the Company in exchange for control of the acquiree. Excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill in the consolidated statement of financial position. Conversely, any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the acquisition cost is immediately recognized as income in the consolidated statement of profit or loss. The Group accounts for the acquisition of additional non-controlling interests as an equity transaction, and accordingly, it does not recognize goodwill attributable to such transactions.

   Identifiable assets acquired and the liabilities assumed are recognized at their fair value as at the acquisition date, except for the following:

   - Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements;
   - Assets or disposal groups that are classified as held for sale in accordance with IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations.

   Transaction costs that are directly attributable to a business combination, such as agent, legal, and due diligence fees are expensed as incurred.

(3) Foreign currencies

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). In preparing the financial statements of each entity, a transaction denominated in a currency other than the entity’s functional currency is translated into its functional currency using the exchange rate that approximates the exchange rate prevailing at the date of the transaction. The consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency. Amounts presented in the consolidated financial statements are rounded down to the nearest million yen.

Assets and liabilities of the Group’s foreign operations are translated into Japanese yen using exchange rates prevailing at the reporting date. Income and expense items are translated into Japanese yen at the weighted-average exchange rates for the reporting period, unless any significant change occurs. Any exchange difference arising from translation of the financial statements of the Group’s foreign operations is recognized in other comprehensive income. Any exchange difference arising from translation of the Group’s foreign operation disposed is recognized in profit or loss for the reporting period in which that foreign operation is disposed of.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at the reporting date. Any exchange difference arising from translation or settlement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. However, exchange differences arising from translation or settlement of financial assets measured at fair value through other comprehensive income (FVTOCI) and cash flow hedges are recognized in other comprehensive income.

(4) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

Financial assets are classified into the following specific categories; financial assets measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI) and financial assets measured at amortized cost. The classification is determined at the time of initial recognition.

All financial assets, excluding financial assets classified as measured at FVTPL, are measured at their fair value plus transaction costs. Financial assets are classified as measured at amortized cost, if both of the following conditions are met.

- The financial assets are held within a business model whose objective is to hold the asset in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

(ii) Subsequent measurement

For financial assets measured at fair value other than equity instruments held for trading that should be measured at FVTPL, each equity instrument is designated as measured at FVTPL or FVTOCI, for which such designation is continuously applied.

After initial recognition, financial assets measured at amortized cost are measured at amortized cost, using the effective interest method. Financial assets measured at fair value are remeasured at fair value. Any gain or loss on financial assets measured at fair value is recognized in profit or loss. However, changes in the fair value of equity instruments designated as measured at FVTOCI are recognized in other comprehensive income and the changes are reclassified to retained earnings when equity instruments are derecognized and when there is a significant decline in their fair value. Dividends from such financial assets are recognized as part of finance income in profit or loss for the year.

(iii) Impairment

For impairment of financial assets measured at amortized cost, the Group recognizes a loss allowance against expected credit losses on such financial assets. At each reporting date, financial assets are assessed whether there has been a significant increase in credit risk of the financial asset since initial recognition.

If the credit risk on financial assets has not increased significantly since initial recognition, a loss allowance is measured at an amount equal to 12-months of expected credit losses. On the other hand, if the credit risk on financial assets has increased significantly since initial recognition, a loss allowance is measured at an amount equal to the lifetime expected credit losses. However, a loss allowance for trade and other receivables is always measured at an amount equal to the lifetime expected credit losses. Expected credit losses on financial assets are assessed based on objective evidence which reflects changes in credit information, and past due information of receivables. An impairment loss is recognized in profit or loss. If any event resulting in a decrease of impairment losses occurs after the recognition of impairment losses, impairment gains are recognized through profit or loss. The carrying amount of financial assets, net of any cumulative impairment losses, presented in the consolidated financial statements represents the maximum exposure to credit risks of the Group’s financial assets, without considering value of associated collaterals obtained.

(iv) Derecognition

The Group derecognizes financial assets when the contractual rights to the cash flows from the assets expire, or when it substantially transfers all the risks and rewards of ownership of the assets to another party. If the Group continues to control the transferred assets, the Group continues to recognize the asset and related liabilities to the extent of its continuing involvement.

2) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified into either subsequently measured at FVTPL or at amortized cost. The classifications are determined at the time of initial recognition. All of the financial liabilities are initially measured at fair value and any directly attributable transaction costs are further deducted from the fair value of financial liabilities measured at amortized cost.

(ii) Subsequent measurement
Financial liabilities measured at FVTPL include those held for trading purposes and those designated as measured at FVTPL upon initial recognition. Such financial liabilities measured at FVTPL are subsequently measured at fair value, with changes recognized in profit or loss for the reporting period. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. A gain or loss on financial liabilities no longer amortized using the effective interest method and derecognized is recognized as part of finance costs in profit or loss for the reporting period.

(iii) Derecognition
Financial liabilities are derecognized when they are extinguished, i.e., when the obligations specified in the contract are discharged, cancelled or expired.

3) Presentation of financial assets and liabilities
Financial assets and liabilities are presented in their net amount in the consolidated statement of financial position only when the Group has a legally enforceable right to offset the financial asset and liability balances and it intends either to settle on a net basis or to realize financial assets and settle financial liabilities simultaneously.

4) Derivatives and hedge accounting
The Group utilizes derivatives, such as foreign exchange contracts and interest rate swap contracts, to hedge foreign exchange and interest rate risks, respectively. Derivatives are initially measured at fair value upon execution of a contract and are subsequently remeasured at fair value.
At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which it applies hedge accounting and its risk management objective and strategy for undertaking the hedge. That documentation includes identification of a specific hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will test the effectiveness of changes in fair value of the hedging instrument in offsetting the exposure to fair value or cash flow changes of the hedged item attributable to the hedged risks. These hedges are presumed to be very effective in offsetting fair value or cash flow changes. Further, continuing assessments are made as to whether the hedges are very effective over all the reporting periods of such designation.
If the hedging relationship no longer meets the hedge effectiveness requirements in terms of hedge ratios due to a change in an economic relationship between the hedged item and the hedging instrument, despite that the risk management objective remains unchanged, the hedge ratio is adjusted to meet the hedge effectiveness requirements again. If the hedging relationship no longer meets the hedge effectiveness requirement in spite of the hedge ratio adjustment, hedge accounting is discontinued for the portion of the hedge relationship that no longer meets the requirement.

The hedges that meet the hedge accounting criteria are classified and are accounted for under IFRS 9 as follows.

(i) Fair value hedges
Changes in the fair value of the hedging instrument are recognized in profit or loss. However, changes in fair value of a hedged item that is an equity instrument designated as measured at FVTOCI are recognized in other comprehensive income. For changes in fair value of the hedged item attributable to the risk being hedged, such changes are adjusted with the carrying amount of the hedged item and are recognized in profit or loss. However, changes in fair value of an equity instrument with an election to present such changes in other comprehensive income are recognized in other comprehensive income.

(ii) Cash flow hedges
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. The portion of the gain or loss on the hedging instrument that is hedge ineffective is immediately recognized in profit or loss. The amount of the hedging instrument recognized in other comprehensive income is reclassified to profit or loss at the point a hedged future transaction affects profit or loss. If the hedged item gives rise to the recognition of a non-financial asset or liability, the amount recognized in other comprehensive income is removed to adjust the original carrying amount of the non-financial asset or liability.
If a forecast hedge transaction or firm commitment is not expected to arise, the cumulative gains and losses previously recognized in equity through other comprehensive income are reclassified to profit or loss. If hedged future cash flows are still expected to arise, the cumulative gains and losses previously recognized in equity through other comprehensive income remain in equity until such future cash flows arise.

(5) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, cash in banks that can be withdrawn at any time, and short-term investments with a maturity of three months or less from the acquisition date, which are readily convertible into cash and are exposed to insignificant risk in changes in value.

(6) Inventories
Inventories are stated at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale. The cost of inventories is principally determined using a weighted-average basis, comprising all costs of purchase and conversion and other costs incurred in bringing the inventories to their present location and condition.

(7) Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment comprises any costs directly attributable to the acquisition of the item, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs that should be capitalized.
Depreciation on an item of property, plant and equipment, other than land and construction in progress, are recognized on a straight-line basis over its estimated useful life. The ranges of estimated useful lives by major asset items are as follows:

- Buildings and structures: 5–50 years
- Machinery and equipment and vehicles: 2–17 years
- Tools, furniture and fixtures: 2–15 years

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date. Any change is treated as a change in accounting estimate and is accounted for prospectively.

(8) Intangible assets

Intangible assets are measured at cost at initial recognition. Upon initial recognition, intangible assets, exclusive of intangible assets with indefinite useful lives, are amortized on a straight-line basis over its estimated useful life, and is stated at its carrying amount, i.e., at cost less accumulated amortization and any accumulated impairment losses. The estimated useful lives of principal intangible assets with definite useful lives are as follows:

- Trademarks: 20 years
- Computer software: 2–10 years

The estimated useful lives, residual values and amortization methods are reviewed at the end of each reporting period. Any change is treated as a change in accounting estimates and is accounted for prospectively. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment each reporting period, or whenever there is any indication of impairment.

Goodwill is measured as at the acquisition date as the excess of the aggregate of the consideration transferred, the value of any non-controlling interests and the fair value of any previously held equity interest in the subsidiary acquired over the fair value of the identifiable net assets (net of identifiable assets acquired and the liabilities assumed) acquired. Goodwill is not amortized, but is tested for impairment each reporting period, or whenever there is any indication of impairment.

(9) Leases

Where substantially all the risks and rewards of ownership of an asset subject to a lease are transferred to the Group under the contract, the lease is classified as a finance lease.
Assets held under a finance lease are initially recognized at the lower of the fair value of leased assets and the present value of minimum lease payments, which are determined at the inception of the lease. Subsequent to the initial recognition, leased assets are depreciated over the shorter of its estimated useful life and its lease term based on the applicable accounting policies for the asset.
Lease payments under finance lease are allocated to finance costs and the repayment of the lease obligations based on the interest method. Finance costs are expensed in the consolidated statement of profit or loss.
Leases other than finance leases are classified as operating leases. Lease payments for an operating lease transaction are recognized as an expense on a straight-line basis over the lease term in the consolidated statement of profit or loss.

(10) Impairment of non-financial assets

The carrying amount of a non-financial asset of the Group, exclusive of inventories and deferred tax assets, is assessed at each reporting date to test whether there is any indication that the asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Further, the recoverable amount is estimated annually at the same time every year for goodwill and intangible assets with indefinite useful lives and intangible assets that are not yet available for use.
The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. In determining the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the asset. Non-financial assets not tested for impairment on an individual basis are grouped into the smallest cash-generating unit that generates cash inflows from the continuing use of the asset, which are largely independent of those from other assets or asset groups. In performing impairment testing on goodwill, an entity groups cash-generating units to which goodwill is allocated to enable performing impairment testing in a manner that reflects the smallest unit to which it relates. Goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination.
Corporate assets of the Group do not generate independent cash inflows. If there is any indication that a corporate asset may be impaired, the recoverable amount of the cash-generating unit to which the corporate asset belongs is determined.
Impairment loss is recognized in profit or loss when the carrying amount of an asset or cash generating unit is greater than its recoverable amount. An impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units), and then, to the other assets of the unit (or group of units) pro rata on the basis of the carrying amount of each asset in the unit (or group of units).
Impairment losses recognized for goodwill are not reversed subsequently. Impairment losses recognized for other assets are assessed at each reporting date whether there is any indication that they may no longer exist or may have decreased. If there is a change in the estimates used to determine the recoverable amount of an asset, an entity reviews the recoverable amount of the asset and reverses an impairment loss for the asset. An impairment loss is reversed to the extent of the carrying amount that would have been determined, net of any amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

(11) Post-employment benefit plans

The Company and certain subsidiaries established post-employment benefit plans for its employees: defined benefit and defined contribution plans. The present value of defined benefit obligations, related current service cost and, where applicable, past service cost are determined using the projected unit credit method.
The discount rate is determined by reference to market yields at each reporting date on high quality corporate bonds corresponding to a discount period that is defined based on the period to the date of expected future benefit payment for

each year. Net defined benefit liability (asset) is determined as the present value of defined benefit obligation less the fair value of plan assets (if any). Remeasurements of the net defined benefit liability (asset) are recognized collectively in other comprehensive income for the period in which they are incurred.
The past service cost is accounted for as profit or loss for the period in which it is incurred.
Expenses related to defined contribution retirement benefits are recognized when related services are rendered.

(12) Provisions
A provision is recognized only when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision is measured at the present value of estimated future cash outflows discounted using a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

(13) Revenue
The Group is engaged in manufacturing and sale of soft drinks and foods. Revenue from the sale of such goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing involvement nor effective control over the goods, it is probable the economic benefits associated with the transaction will flow to the Group and the economic benefits and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received less any trade discounts, rebates and taxes collected on behalf of third parties, such as consumption tax or value added tax.
Interest income is recognized using the effective interest method.

(14) Government grant
The Group measure and recognize grant revenue at its fair value when there is reasonable assurance that an entity will comply with the conditions attached to them and will receive the grants. The grants received to compensate costs incurred are recognized as revenue in the period in which such costs are incurred. The grants related to the acquisition of an asset are deducted from the carrying amount of the asset.

(15) Corporate income tax
Corporate income tax is comprised of current and deferred tax. Current and deferred tax is recognized through profit and loss, except for those that arise from a business combination or are recognized in other comprehensive income or directly in equity.
Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities. The amount of current tax is determined based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in each tax jurisdiction where the Group owns the business activities and earns taxable profit (or loss).
Deferred tax is recognized for the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their value for tax purposes as at the reporting date as well as the carryforward of unused tax losses and unused tax credits.
Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising on initial recognition of an asset or liability arising in a transaction other than business combinations and affects neither accounting profit nor taxable profit;
- Deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangement, to the extent it is probable that the temporary difference will not reverse in the foreseeable future; and
- Taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangement, to the extent it is probable that the Group is able to control the timing of the reversal of the temporary difference, and the temporary difference will not reverse in the foreseeable future.

A deferred tax liability is principally recognized for all taxable temporary differences and a deferred tax asset is recognized for all deductible temporary differences to the extent it is probable that taxable profit will be available against which deductible temporary differences can be utilized.
The carrying amount of deferred tax assets is reviewed each period and is reduced to the extent it is probable that the sufficient taxable profit will not be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are also reviewed each period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.
Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to be applied in the period when the asset is realized or liability is settled, based on statutory tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax assets and liabilities are netted when the entity has a legally enforceable right to offset current tax assets and liabilities, and the deferred tax balances relate to the same taxation authority.
An asset or liability is recognized for uncertain tax positions at the estimated amount expected to arise from the uncertain tax position.

(16) Earnings per share
Earnings per share is calculated by the profit or loss for the year attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares issued.

(17) Assets held for sale
The Group classifies an asset or asset group that will be recovered principally through a sales transaction rather than through continuing use as assets held for sale, only when its sale must be highly probable within one year, the asset or

asset group is available for immediate sale in its present condition and the appropriate level of management of the Group is committed to a plan to sell the asset or asset group. The assets held for sale are not depreciated or amortized, and are measured at the lower of its carrying amount and the fair value less costs to sell.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Provisions netted off against assets

Trade and other receivables	¥885 million
Other financial assets	¥544 million

2. Accumulated depreciation of property, plant and equipment (including accumulated impairment losses) ¥415,325 million

3. Guarantee obligation

The Company has guarantee obligation concerning borrowings from financial institutions other than the Group companies.

Oulmès Drink Developpement SA	¥337 million

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. Total number of issued shares as at December 31, 2017: Ordinary shares 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, 2017	Ordinary shares	¥12,051 million	¥39.00	December 31, 2016	March 31, 2017
At Meeting of the Board of Directors held on August 7, 2017	Ordinary shares	¥11,433 million	¥37.00	June 30, 2017	September 4, 2017

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 [Proposed]	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date
At Ordinary General Meeting of Shareholders held on March 29, 2018	Ordinary shares	¥11,742 million	¥38.00	December 31, 2017	March 30, 2018

FINANCIAL INSTRUMENTS

1. Conditions of financial instruments

The Group is exposed to financial risks, e.g., credit risk, liquidity risk, foreign exchange risk, interest rate risk and market price fluctuation risk in the course of its business activities. We perform risk management to mitigate such financial risks. The Group utilizes derivative transactions to avoid foreign exchange or interest rate risks, and has a policy in place not to engage in speculative transactions.

The finance department monitors performance and balances of derivative transactions based on the Group's risk management policies and reports derivative transaction records as necessary to the head of the finance function.

(1) Credit risk management

Credit risk is the risk that the counterparty to financial assets held by the Group will default on a contractual obligation, resulting in a financial loss to the Group. In addition, the Group is also exposed to credit risk of financial institutions that are counterparties to derivative transactions to hedge foreign exchange risk and interest rate risk of the Group, and deposit of excess funds. However, because the Group conducts transactions only with highly credible financial institutions, the impact on credit risks is immaterial.

The Group sets credit limits for each business counterparty based on internal guidelines for credit management by business and country or region, while managing overdue debtors and outstanding balances. The Group's receivables are from many customers spanning a wide range of countries and regions. The Group does not have any excessively concentrated credit risk for a single counterparty or the group to which such counterparty belongs.

(2) Liquidity risk management

Liquidity risk is the risk that the Group will be unable to make a repayment on the due date in meeting the obligation to repay financial liabilities that become due.

The Group diversifies the means of financing to prevent or mitigate its liquidity risks, considering the market environment and balancing short-term and long-term financing, such as utilizing indirect financing through bank borrowings and direct financing through issuance of bonds and commercial papers. Temporary excess funds are invested in highly secure financial assets, such as short-term deposits.

The Group develops its financing plans based on its annual business plan, and manages its liquidity risks by continuously monitoring the actual performance of financing against the plan. In addition, the Group has secured credit lines available at any time from financial institutions, and periodically reports the status of liquidity in hand and interest-bearing liabilities including these credit lines to the Company's President and Board of Directors.

(3) Foreign exchange risk management

The Group operates business activities globally, and is exposed to foreign exchange risks due to fluctuations in market rates associated with purchase of raw materials, packaging materials and others, trading such as import and export of merchandise, finance and investments contracted in foreign currencies in the course of business activities.

The Group avoids or mitigates risks due to foreign exchange fluctuations on cash flows in non-functional currencies, using foreign exchange contracts, currency options and other means, after taking into account offset of foreign currency assets and liabilities and unrecognized firm commitments, and future forecast transactions that can be calculated reasonably. Therefore, the exposure to foreign exchange risk is insignificant, and the impact on the Group is limited.

(4) Interest rate risk management

The Group finances its operating and investing activities through bonds payable and borrowings. Floating-rate borrowings are exposed to risks of changes in future cash flows, while fixed-rate borrowings are exposed to risks of changes in their fair values. To mitigate future interest rate risk, fix interest expenses and reduce changes in fair value, the Group positions interest rate swaps, interest-rate currency swaps and interest rate options (interest-rate caps and swaptions) as hedging instruments.

(5) Market price fluctuation risk management

The Group is exposed to risks of changes in market prices arising on equity financial instruments (shares), and the Group manages such risks by periodically monitoring market quotes and financial conditions of issuers (business counterparties). The impact of market price fluctuation risks on the consolidated financial statements as at the end of the fiscal year under review is immaterial.

2. Fair values of financial instruments

(1) Carrying amount and fair value

Carrying amounts and fair values of financial instruments as at the end of the fiscal year under review are as follows. Financial instruments of which the carrying amount reasonably approximates the fair value and insignificant financial instruments are not included in the table below.

(Millions of yen)

	Carrying amounts	Fair value
Bonds	39,921	40,575
Borrowings	267,108	268,228

(2) Fair value measurement methods

1) Major financial instruments measured at amortized cost

The fair value measurement methods for major financial instruments measured at amortized cost are as follows.

(i) Cash and cash equivalents, trade and other receivables and trade and other payables

The carrying amounts approximate their fair value due to their short-term maturity.

(ii) Bonds and borrowings

Fair values of bonds and borrowings are classified according to certain periods of time and determined based on present value of debts discounted using interest rate that reflects the period up to the maturity and the credit risk.

2) Major financial instruments measured at fair value

The fair value measurement methods for major financial instruments measured at fair value are as follows.

(i) Derivative assets and liabilities

The fair values of derivative financial instruments – e.g., foreign exchange contracts, currency options, interest rate swaps, interest-rate currency swaps, interest rate options – are determined based on the prices presented by financial institutions that are our business counterparties. Specifically, for example, the fair value of a foreign exchange contract is measured at fair value based on quoted prices of forward foreign exchange markets, etc. The fair value of an interest rate swap is determined based on present value of future cash flows discounted using interest rate swap rate as at the reporting date or the period up to the maturity.

(ii) Shares

The fair values of listed shares are measured as the quoted prices available at the reporting date. Unlisted shares are principally measured using the valuation model primarily based on net assets (a method to determine corporate values based on net assets of issuing companies).

PER SHARE INFORMATION

1. Equity attributable to owners of the Company per share ¥2,234.43

2. Earnings per share ¥252.79

There were no dilutive shares.

SIGNIFICANT SUBSEQUENT EVENTS

No items to report.

NOTES ON OTHER MATTERS

Additional Information

(Transfer of the food and instant coffee business)

As at October 19, 2017, Cerebos Pacific Limited, a subsidiary of Suntory Beverage & Food Asia Pte. Ltd., (a subsidiary of the Company) reached to an agreement with The Kraft Heinz Company to transfer all of the shares of its three subsidiaries operating food and instant coffee business, aiming to optimize its business in Singapore, Australia and New Zealand area.

The transfer price is scheduled to be approximately ¥26.0 billion (*1) which is subject for adjustment upon completion of transfer pursuant to the share purchase agreement.

Subject to conditions including regulatory approvals from the agencies of antitrust in the required countries, the transfer is scheduled to complete in the first quarter of 2018.

(*1) Amount converted into yen with the exchange rate as at October 2017.

(Acquisition of beverage business in Thailand)

As at November 2, 2017, Suntory Beverage & Food Asia Pte. Ltd., a subsidiary of the Company, concluded a definitive agreement with Pepsi-Cola (Thai) Trading Co., Ltd., a subsidiary of PepsiCo Inc., to acquire 51% shares of International Refreshment (Thailand) Co., Ltd., a soft drink operation of PepsiCo, Inc. in Thailand, aiming to expand the soft drink business in Thailand.

The acquisition cost is scheduled to be approximately ¥33.0 billion (*2) which is subject for adjustment upon completion of acquisition pursuant to the share purchase agreement.

Subject to conditions including regulatory approvals from the agencies of antitrust in the required countries, the acquisition is scheduled to complete in March 2018.

(*2) Amount converted into yen with the exchange rate as at November 2017.

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

Statement of Changes in Equity (Japanese GAAP)

(For the year ended December 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
					Other retained earnings					
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for advanced depreciation of noncurrent assets	Reserve for special depreciation	General reserve	Retained earnings brought forward	Total retained earnings	Total shareholders' equity
Balance at January 1, 2017	168,384	145,884	67,541	213,425	970	–	34,982	115,476	151,430	533,239
Changes of items in the year										
Cash dividends								(23,484)	(23,484)	(23,484)
Net income								46,082	46,082	46,082
Reversal of reserve for advanced depreciation of noncurrent assets					(2)			2	–	–
Provision of reserve for special depreciation						758		(758)	–	–
Net changes of items other than shareholders' equity										
Net changes in the year	–	–	–	–	(2)	758	–	21,842	22,598	22,598
Balance at December 31, 2017	168,384	145,884	67,541	213,425	967	758	34,982	137,319	174,029	555,838

	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, 2017	28	24	53	533,293
Changes of items in the year				
Cash dividends				(23,484)
Net income				46,082
Reversal of reserve for advanced depreciation of noncurrent assets				–
Provision of reserve for special depreciation				–
Net changes of items other than shareholders' equity	5	0	6	6
Net changes in the year	5	0	6	22,605
Balance at December 31, 2017	34	25	59	555,898

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 (Prepaid pension cost)

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. Since the total amount of pension assets for the pension plan exceeded the amount calculated by deducting unrecognized actuarial differences from retirement benefit obligation as at the end of the fiscal year under review, the excess amount has been recorded in prepaid pension cost (investments and other assets).

(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 fiscal year under review.

(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

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.

(4) Accounting treatment for retirement benefits

The accounting treatment method for unrecognized actuarial differences and the unrecognized past service costs related to retirement benefits is different from the treatment for these items in the consolidated financial statements.

ADDITIONAL INFORMATION

Application of ASBJ Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year under review, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

BALANCE SHEET

1. Accumulated depreciation of property, plant, and equipment ¥7,511 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.	¥2,712 million
Lucozade Ribena Suntory Limited	¥1,669 million
TRITEGUH MANUNGGALSEJATI, PT.	¥840 million
Other	¥462 million
Total	¥5,683 million

3. Monetary receivables and payables from/to associate companies (except for those presented separately)

Short-term monetary receivables	¥126,955 million
Short-term monetary payables	¥39,109 million
Long-term monetary payables	¥3 million

STATEMENT OF INCOME

Transactions with associate companies

Volume of operating transactions	
Net sales	¥379,184 million
Cost of sales	¥51,401 million
Selling, general and administrative expenses	¥22,542 million
Volume of non-operating transactions	
Non-operating income	¥22,903 million
Non-operating expenses	¥3 million
Extraordinary loss	¥82 million

STATEMENT OF CHANGES IN EQUITY

Number of treasury shares as at December 31, 2017: No items to report.

TAX EFFECT ACCOUNTING

1. Significant components of deferred tax assets

Temporary differences for investments in subsidiaries	¥3,530 million
Accounts payable–other	¥1,126 million
Liability for employee retirement benefits	¥670 million
Provision for bonuses	¥611 million
Accrued enterprise tax	¥292 million
Other	¥347 million
Subtotal	¥6,579 million
Valuation allowance	¥(3,530) million
Total deferred tax assets	¥3,048 million

2. Significant components of deferred tax liabilities

Temporary differences for investments in subsidiaries	¥(19,058) million
Prepaid pension cost	¥(1,086) million
Reserve for advanced depreciation of noncurrent assets	¥(427) million
Reserve for special depreciation	¥(335) million
Other	¥(25) million
Total deferred tax liabilities	¥(20,933) million
Net deferred tax liabilities	¥(17,885) million

PER SHARE INFORMATION

1. Equity per share ¥1,799.02

2. Net income per share ¥149.14

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 at December 31, 2017 (Millions of yen) (Note 1)
Parent company's subsidiary	Suntory MONOZUKURI Expert Limited	None	-Contract work of indirect operations	Advance payment for raw materials, etc. (Note 2)	–	Accounts payable–trade	59,161
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)	379,005	Accounts receivable–trade	74,919
				Money lending and borrowing (Note 4)	23,186	Deposits received	23,186
				Proceeds from interest (Note 4)	16	–	–
Subsidiary	Suntory Products Limited	Directly owning 100%	-Outsourcing of manufacturing operations -Interlocking of officers	Payment of processing fee (Note 3)	49,620	Accounts payable–other	3,869
Subsidiary	Suntory Beverage & Food Asia Pte. Ltd.	Directly owning 100%	-Proceeds from dividends -Interlocking of officers	Dividend income (Note 5)	7,171	–	–
Subsidiary	Orangina Schweppes Holding B.V.	Directly owning 100%	-Money lending and borrowing	Capital reduction with compensation (Note 6)	12,372	–	–
				Money lending and borrowing (Note 4)	69,821	Short-term loans receivable	10,795
						Long-term loans receivable from subsidiaries and affiliates	59,026
				Proceeds from interest (Note 4)	152	Other current assets	40
Subsidiary	Lucozade Ribena Suntory Limited	Directly owning 100%	-Money lending and borrowing	Money lending and borrowing (Note 4)	61,539	Short-term loans receivable	25,071
						Long-term loans receivable from subsidiaries and affiliates	36,468
				Proceeds from interest (Note 4)	1,213	Other current assets	414

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 at December 31, 2017 other than money lending and borrowing.
2. This advance payment was implemented by Suntory MONOZUKURI 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 at December 31, 2017.
5. 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.
6. Capital reduction with compensation represents capital reduction made by the subsidiary.

SUBSEQUENT EVENTS

No items to report.

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