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Securities code: 2587

March 8, 2016

To: Our Shareholders

Notice of Convocation of the 7th Ordinary General Meeting of Shareholders

Dear Shareholder:

You are hereby notified that the 7th 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. Tuesday, March 29, 2016.

Exercising voting rights by mail

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

Exercising voting rights by the Internet, etc.

[Translation omitted.]

1. Date and Time: March 30, 2016 (Wednesday) 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 7th business term (from January 1, 2015 to December 31, 2015), the audit reports on the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
 2. The Financial Statements for the 7th business term (from January 1, 2015 to December 31, 2015)

Items to be resolved:

- Proposal 1: Appropriation of Surplus
- Proposal 2: Election of Eight (8) 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 the voting form by mail and via the Internet, etc., the vote exercised via the Internet, etc. will be taken as valid. If you exercise your voting rights more than once via the Internet, etc., or twice by using both your personal computer and mobile phone, only the final vote will be taken as valid.

Sincerely yours,

Nobuhiro Torii
Representative Director and President

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

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

Reference Document for the General Meeting of Shareholders

Proposals and Reference Information

Proposal 1: Appropriation of Surplus

Considering the business performance and business environment, we propose to pay a year-end dividend for the current business term of ¥35 per share of common stock of the Company in accordance with our dividend policy.

Accordingly, including the interim dividend of ¥33 already paid, the annual dividend for the current business term will be ¥68 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:
¥35 per share of common stock of the Company
Total cash dividends of ¥10,815,000,000
- (iii) Date on which the dividend of surplus will become effective: March 31, 2016

We believe our prioritization of strategic investments as well as capital expenditures for sustainable revenue growth and increasing the corporate value will benefit our shareholders. In addition, we view an appropriate shareholder return as one of our core management principles. While giving due consideration to providing a stable return and maintaining robust internal reserves for the future, we intend to pursue a comprehensive shareholder return policy that also takes into account our business results and future funding needs. Specifically, we aim to stably increase dividends on the basis of profit growth with a targeted consolidated payout ratio of 30% or more of net income before amortization of goodwill (i.e. the sum of net income and amortization of goodwill). Looking to the medium- and long-term, we will also consider increasing the payout ratio depending on such factors as our need for funds and progress in profit growth.

Proposal 2: Election of Eight (8) Directors (excluding Directors Serving on the Audit and Supervisory Committee)

At the close of the Meeting, the term of office of all eight (8) Directors (excluding Directors serving on the Audit and Supervisory Committee; the same applies hereafter in this proposal) will expire. Accordingly, we request the election of eight (8) Directors. Moreover, this proposal has been considered by the Audit and Supervisory Committee, but they have expressed no opinion.

The candidates for Directors to be elected are as follows:

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 1</p> <p>Saburo Kogo (August 27, 1954)</p>	<p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1977.</p> <p>Assumed the office of Chief Operating Officer, Supply Chain Management Division and Senior General Manager, Supply Chain Management Department of such company in September 2004.</p> <p>Assumed the office of Director of such company in March 2006.</p> <p>Assumed the office of Chief Operating Officer, Sales & Marketing Division Kinki Area of such company in March 2008.</p> <p>Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009.</p> <p>Assumed the office of Managing Director of Suntory Beer & Spirits Limited (Present: Suntory Liquors Limited) in April 2009.</p> <p>Assumed the office of Chief Operating Officer, Sales & Marketing Division Kinki Area of such company in April 2009.</p> <p>Assumed the office of Chief Operating Officer, Metropolitan Sales & Marketing Division of such company in September 2009.</p> <p>Assumed the office of Senior Managing Director of Suntory Beverage & Food Limited in January 2011.</p> <p>Assumed the office of Chief Operating Officer, Marketing & Development Division of such company in January 2011.</p> <p>Assumed the office of Managing Executive Officer of Suntory Holdings Limited in January 2011.</p> <p>Has occupied the office of Chief Operating Officer, Beverage & Food Business Division of Suntory Beverage & Food Limited from May 2012 to date (incumbent).</p> <p>Has occupied the office of Executive Vice President of such company from December 2012 to date (incumbent).</p> <p><Responsibilities></p> <p>Chief Operating Officer, Beverage & Food Business Division</p> <p><Important Concurrent Positions></p> <p>Director of Suntory Foods Limited</p> <p>Director of Suntory Products Limited</p> <p><Reason for the Selection></p>	<p>1,400</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	<p>Hitherto Mr. Kogo has borne management responsibility of the Suntory Beverage & Food Limited Group (the "Group") in his role as Executive Vice President of the Company. In consideration not only of his track record in using his strong leadership to drive the domestic business divisions but also his keen insight derived from his wide-ranging experience, notably in the marketing division and also in the sales and SCM divisions, we judge him well qualified to continue in the role of Director.</p> <p><Board of Directors Meeting Attendance> 18/18</p>	

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 2</p> <p>Nobuhiro Kurihara (January 23, 1955)</p>	<p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1979.</p> <p>Assumed the office of Senior General Manager, Human Resources Department of such company in March 2002.</p> <p>Assumed the office of Director of such company in March 2005.</p> <p>Assumed the office of Senior General Manager, Human Resources Department and in charge of Carrier Planning & Development Department of such company in March 2005.</p> <p>Assumed the office of Representative Director and President of Suntory Foods Limited in March 2009.</p> <p>Assumed the office of Director of Suntory Beverage & Food Limited in April 2009.</p> <p>Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009.</p> <p>Assumed the office of Managing Executive Officer of such company in January 2011.</p> <p>Has occupied the office of Senior Managing Director of Suntory Beverage & Food Limited from December 2012 to date (incumbent).</p> <p>Assumed the office of Chief Operating Officer, Business Administration Division and in charge of Finance & Accounting Division of such company in January 2013.</p> <p>Has occupied the office of Chief Operating Officer, Business Administration Division of such company from April 2014 to date (incumbent).</p> <p><Responsibilities></p> <p>Chief Operating Officer, Business Administration Division</p> <p><Important Concurrent Positions></p> <p>Director of Japan Beverage Holdings Inc.</p> <p><Reason for the Selection></p> <p>Hitherto Mr. Kurihara, in his role as Chief Operating Officer, Business Administration Division, has been in charge of the human resources division, the general affairs/legal affairs division, risk management and so on. In consideration of his success in driving forward the reform of corporate culture, including the globalization of the Company, and the abundant experience he has acquired particularly in the sales division of the beverage and liquor businesses, we judge him well qualified to continue in the role of Director.</p> <p><Board of Directors Meeting Attendance></p> <p>18/18</p>	<p>1,400</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 3</p> <p>Yukio Okizaki (October 10, 1957)</p>	<p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1980.</p> <p>Assumed the office of Senior General Manager, Sales Development & Marketing Promotion Department 2 of such company in April 2008.</p> <p>Assumed the office of Executive Officer of Suntory Beer & Spirits Limited (Present: Suntory Liquors Limited) in April 2009.</p> <p>Assumed the office of Senior General Manager, Sales Development & Marketing Promotion Department 2 of such company in April 2009.</p> <p>Assumed the office of Executive Officer of Suntory Beverage & Food Limited in April 2011.</p> <p>Assumed the office of Deputy Chief Operating Officer, Marketing & Development Division of such company in April 2011.</p> <p>Assumed the office of Managing Director of Suntory Business Expert Limited in March 2012.</p> <p>Has occupied the office of Chief Operating Officer, Supply Chain Management Division of such company from March 2012 to date (incumbent).</p> <p>Assumed the office of Executive Officer of Suntory Holdings Limited in April 2012.</p> <p>Has occupied the office of Senior Managing Director of Suntory Business Expert Limited from March 2014 to date (incumbent).</p> <p>Has occupied the office of Managing Executive Officer of Suntory Holdings Limited from April 2014 to date (incumbent).</p> <p><Important Concurrent Positions></p> <p>Managing Executive Officer of Suntory Holdings Limited</p> <p>Senior Managing Director of Suntory Business Expert Limited</p> <p><Reason for the Selection></p> <p>As Senior Managing Director and Chief Operating Officer, SCM Division of Suntory Business Expert Limited, Mr. Okizaki has made a significant contribution to the SCM reforms of the entire Suntory Group. In consideration of this and his abundant experience in the beverage business, especially in the business planning division, we judge him well qualified for the role of Director.</p>	<p>—</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 4</p> <p>Nobuhiro Torii (March 10, 1966)</p>	<p>Joined The Industrial Bank of Japan, Limited (Present: Mizuho Bank, Ltd.) in July 1991.</p> <p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1997.</p> <p>Assumed the office of Senior General Manager, Overall Sales & Marketing Division of such company in September 2005.</p> <p>Assumed the office of Director of such company in March 2007.</p> <p>Assumed the office of Chief Operating Officer, Corporate Development Division of such company in April 2008.</p> <p>Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009.</p> <p>Assumed the office of Chief Operating Officer, Corporate Development Division of such company in April 2009.</p> <p>Assumed the office of Managing Executive Officer of such company in April 2010.</p> <p>Assumed the office of Chief Operating Officer, International Strategy Division of such company in April 2010.</p> <p>Has occupied the office of Representative Director and President of Suntory Beverage & Food Limited from January 2011 to date (incumbent).</p> <p>Assumed the office of Chief Operating Officer, International Division of such company in January 2011.</p> <p>Assumed the office of Senior Managing Director of Suntory Holdings Limited in January 2011.</p> <p>Assumed the office of Senior General Manager, Corporate Development Department of Suntory Beverage & Food Limited in January 2013.</p> <p>Has occupied the office of Director of Suntory Holdings Limited from January 2013 to date (incumbent).</p> <p>Assumed the office of Chief Operating Officer, International Division of Suntory Beverage & Food Limited in April 2013.</p> <p><Responsibilities></p> <p>Overall Group Management</p> <p><Important Concurrent Positions></p> <p>Director of Suntory Holdings Limited</p> <p>Director of Suntory Beverage & Food Asia Pte. Ltd.</p> <p>Director of Cerebos Pacific Limited</p> <p>Director of FRUCOR BEVERAGES LIMITED</p> <p>Director of FRUCOR BEVERAGES (AUSTRALIA) PTY LTD</p> <p>Director of Pepsi Bottling Ventures LLC</p> <p><Reason for the Selection></p> <p>Hitherto Mr. Torii has borne management responsibility of the Group in his role as Representative Director and President of the Company,</p>	<p>9,000</p>

[Translation]

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	directing the entire Group through his strong leadership. 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> 18/18	

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 5</p> <p>Yoshihiko Kakimi</p> <p>(March 22, 1952)</p>	<p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1975.</p> <p>Assumed the office of Senior General Manager, Beer Production Department of such company in March 2002.</p> <p>Assumed the office of Director of such company in March 2003.</p> <p>Assumed the office of Deputy Chief Operating Officer, Production Division and Chief Operating Officer, Beer Production Division of such company in March 2003.</p> <p>Assumed the office of Managing Director of such company in March 2007.</p> <p>In charge of Beverage & Food Production Division, Chief Operating Officer, Beverage & Food Production Development Division and Senior General Manager, Beverage Production Department of such company in March 2007.</p> <p>Assumed the office of Director of Suntory Beverage & Food Limited in January 2009.</p> <p>Assumed the office of Senior Managing Director of such company in April 2009.</p> <p>Assumed the office of Chief Operating Officer, Beverage & Food Production Development Division of such company in April 2009.</p> <p>Has occupied the office of Representative Director and President of Suntory Products Limited from April 2009 to date (incumbent).</p> <p>Assumed the office of Managing Executive Officer of Suntory Holdings Limited in April 2009.</p> <p>In charge of Research & Development, Production and Chief Operating Officer, Technology Development Division of Suntory Beverage & Food Limited in May 2012.</p> <p>Has occupied the office of Executive Vice President of such company from December 2012 to date (incumbent).</p> <p>In charge of Research & Development, Production and Chief Operating Officer, New Product Development Division of such company in April 2014.</p> <p>In charge of Research & Development, Production of such company from April 2015 to date (incumbent).</p> <p><Responsibilities></p> <p>Research & Development, Production</p> <p><Important Concurrent Positions></p> <p>Representative Director and President of Suntory Products Limited</p> <p>Director of Suntory Beverage & Food Asia Pte. Ltd.</p> <p><Reason for the Selection></p> <p>Hitherto Mr. Kakimi has borne management responsibility of the Group in his role as Executive Vice President of the Company, and as the director in charge of R&D and production has a track record of strong leadership in the fields of R&D, production and quality assurance for the</p>	<p>2,000</p>

[Translation]

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
	entire Group. In consideration of this and of his deep knowledge of manufacturing techniques for beverages and liquors, we judge him well qualified to continue in the role of Director. <Board of Directors Meeting Attendance> 18/18	

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 6</p> <p>Masato Tsuchida</p> <p>(October 21, 1962)</p>	<p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1985.</p> <p>Assumed the office of Senior General Manager, Tokyo Marketing Office 2 of Suntory Beer & Spirits Limited (Present: Suntory Liquors Limited) in April 2009.</p> <p>Assumed the office of Deputy Chief Operating Officer, Nationwide Chainstores Sales Division of such company in September 2010.</p> <p>Assumed the office of Executive Officer of Suntory Liquors Limited (Present: Suntory Spirits Limited) in September 2011.</p> <p>Assumed the office of Chief Operating Officer, Spirits Division of such company in September 2011.</p> <p>Has occupied the office of Director of Suntory Beverage & Food Limited from December 2012 to date (incumbent).</p> <p>Has occupied the office of Representative Director and President of Suntory Foods Limited from January 2013 to date (incumbent).</p> <p>In charge of Vending Machine Business Division of Suntory Beverage & Food Limited from September 2015 to date (incumbent).</p> <p><Responsibilities></p> <p>Vending Machine Business Division</p> <p><Important Concurrent Positions></p> <p>Representative Director and President of Suntory Foods Limited</p> <p>Director of Suntory Beverage Service Limited</p> <p>Director of Japan Beverage Holdings Inc.</p> <p><Reason for the Selection></p> <p>Hitherto Mr. Tsuchida has driven the entire domestic beverage sales division as the Representative Director and President of Suntory Foods Limited. In consideration of this track record and of his experience as the director in charge of the Company's Vending Machine Business Division who has developed a structure for business growth, we judge him well qualified to continue in the role of Director.</p> <p><Board of Directors Meeting Attendance></p> <p>18/18</p>	<p>1,400</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 7</p> <p>Hachiro Naiki (April 18, 1960)</p>	<p>Joined Suntory Foods Limited in April 1979.</p> <p>Assumed the office of Senior General Manager, Nationwide Chainstores Sales Department of such company in April 2010.</p> <p>Assumed the office of Executive Officer of such company in September 2010.</p> <p>Assumed the office of Director of such company in March 2011.</p> <p>Assumed the office of Senior General Manager, Metropolitan Marketing Office of such company in April 2012.</p> <p>Has occupied the office of Senior Managing Director of such company from September 2015 to date (incumbent).</p> <p>Has occupied the office of Chief Operating Officer, Overall Sales & Marketing Division of such company from September 2015 to date (incumbent).</p> <p><Important Concurrent Positions></p> <p>Senior Managing Director of Suntory Foods Limited</p> <p><Reason for the Selection></p> <p>Hitherto, as Senior Managing Director and Chief Operating Officer, Overall Sales & Marketing Division of Suntory Foods Limited, Mr. Naiki has implemented management control of the domestic beverage sales division. In consideration of this and his abundant sales experience, we judge him well qualified for the role of Director.</p>	<p>—</p>

Name (Date of Birth)	Career Summary, Position and Responsibilities and Important Concurrent Positions	Number of Company's Shares Held (shares)
<p>Candidate 8</p> <p>Yukari Inoue (April 4, 1962)</p>	<p>Joined Procter & Gamble Far East, Inc. in April 1985.</p> <p>Assumed the office of Marketing Director of Procter & Gamble North America in October 1995.</p> <p>Assumed the office of Marketing Director, Feminine Care of Procter & Gamble Northeast Asia in October 1998.</p> <p>Assumed the office of General Manager, Feminine Care of Procter & Gamble Northeast Asia in March 2000.</p> <p>Assumed the office of Managing Director of Jardine Wines and Spirits K.K. (Present: MHD Moët Hennessy Diageo K.K.) in March 2003.</p> <p>Assumed the office of Representative Director and President of Cadbury Japan Limited (Present: Mondelēz Japan Limited) in November 2005.</p> <p>Assumed the office of Outside Director of AXA Life Insurance Co., Ltd. in June 2010.</p> <p>Has occupied the office of Managing Director of Kellogg Japan G.K. from July 2013 to date (incumbent).</p> <p>Has occupied the office of Outside Director of JC Comsa Corporation from June 2014 to date (incumbent).</p> <p>Has occupied the office of Outside Director of Suntory Beverage & Food Limited from March 2015 to date (incumbent).</p> <p><Important Concurrent Positions></p> <p>Managing Director of Kellogg Japan G.K.</p> <p>Outside Director of JC Comsa Corporation</p> <p><Reason for the Selection></p> <p>Ms. Inoue's plentiful track record in corporate management for many years and her keen insight derived mainly from professional experience overseas allow her to contribute to further strengthening of the function of the Board of Directors, hence we judge her well qualified to continue in the role of Director.</p> <p><Board of Directors Meeting Attendance></p> <p>14/15</p> <p>* This is her attendance at Board of Directors meetings since assuming her post on March 27, 2015.</p>	<p>3,000</p>

- 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, Nobuhiro Kurihara, Yukio Okizaki, Nobuhiro Torii, Yoshihiko Kakimi, Masato Tsuchida and Hachiro Naiki are as listed in the "Career Summary, Position and Responsibilities and Important Concurrent Positions" column.
 3. Ms. Yukari Inoue is a candidate for Outside Director.
 4. Ms. Inoue is presently serving as Outside Director of the Company and her term of office as an Outside Director shall be one year as of the close of the Meeting.
 5. The Company has concluded a limited liability agreement with Ms. Inoue, pursuant to Article 427, Paragraph 1 of the Companies Act of Japan. Based on this agreement, 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 Ms. Inoue if she is reelected at the Meeting.

6. If Mr. Torii is reelected as a Director, 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. Torii's liability as a Director would be limited to the minimum liability amount stipulated by Article 425, Paragraph 1 of the Companies Act of Japan.
7. The Company designated Ms. Inoue as an Independent Officer and reported this designation to the Tokyo Stock Exchange. Ms. Inoue currently serves as Managing Director of Kellogg Japan G.K. The Group conducts transactions with Kellogg Company (U.S.), the parent company of the aforesaid company including transactions relating to beverages. However, the monetary amount of these transactions is less than 1% of consolidated net sales of either company, and the Company believes that this has no material effect on Ms. Inoue's independence. Ms. Inoue currently serves as an Outside Director of JC Comsa Corporation. However, the Group does not conduct any transactions with the aforesaid company.

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

At the close of the Meeting, Director serving on the Audit and Supervisory Committee Mr. Seiichiro Hattori will resign. 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 and the resignation of Mr. Seiichiro Hattori have 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 and Important Concurrent Positions	Number of Company's Shares Held (shares)
Kozo Chiji (August 24, 1956)	<p>Joined Suntory Limited (Present: Suntory Spirits Limited) in April 1980.</p> <p>Assumed the office of Chief Operating Officer, Finance & Accounting Division of such company in March 2005.</p> <p>Assumed the office of Director of such company in March 2008.</p> <p>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.</p> <p>Assumed the office of Executive Officer of Suntory Holdings Limited in April 2009.</p> <p>Assumed the office of Chief Operating Officer, Finance & Accounting Division of such company in April 2009.</p> <p>Assumed the office of Managing Director of Suntory Business Expert Limited in April 2009.</p> <p>Assumed the office of Chief Operating Officer, Business Systems Division of such company in April 2009.</p> <p>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.</p> <p>Has occupied the office of Managing Executive Officer of such company from January 2011 to date (incumbent).</p> <p>Assumed the office of Chief Operating Officer, Group Strategy Planning Division and Chief Operating Officer, Finance & Accounting Division of such company in April 2012.</p> <p>Assumed the office of Chief Operating Officer, Finance & Accounting Division and in charge of Corporate Planning & Administration Division of such company in January 2013.</p> <p>Has occupied the office of Chief Operating Officer, Finance & Accounting Division of such company from April 2014 to date (incumbent).</p> <p><Important Concurrent Positions></p>	-

Name (Date of Birth)	Career Summary and Important Concurrent Positions	Number of Company's Shares Held (shares)
	Managing Executive Officer of Suntory Holdings Limited <Reason for the Selection> As Managing Executive Officer and Chief Operating Officer, Finance & Accounting Division of Suntory Holdings Limited, Mr. Chiji has made a significant contribution to the management of Suntory Group companies, especially in the area of finance and accounting. In consideration of this track record and of his keen insight gained from his extensive experience in the area mentioned above, we judge him well qualified for the role of Director serving on the Audit and Supervisory Committee.	

- 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 and Important Concurrent Positions" column.
 3. If Mr. Chiji 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. Chiji'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.

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

At the 6th Ordinary General Meeting of Shareholders held on March 27, 2015, Mr. Mitsuhiro Amitani was elected as a Substitute Director serving on the Audit and Supervisory Committee. As the effect of his election will expire at the commencement of the Meeting, we request the election of one (1) Substitute Director serving on the Audit and Supervisory Committee as a substitute for all the Directors serving on the Audit and Supervisory Committee, to prepare for a situation where the number of Directors serving on the Audit and Supervisory Committee does not satisfy the number prescribed by laws and regulations. The Audit and Supervisory Committee has already given their consent to this proposal.

This proposal has been considered by the Directors serving on the Audit and Supervisory Committee, but they have expressed no opinion.

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

Name (Date of Birth)	Career Summary and Important Concurrent Positions	Number of Company's Shares Held (shares)
Mitsuhiro Amitani (June 2, 1956)	<p>Registered as Attorney in April 1985.</p> <p>Joined Hashidate Law Office in April 1985.</p> <p>Joined Wakita Law Office in November 1989.</p> <p>Has occupied the office of Attorney of Shimada, Seno & Amitani Law Office (Present: SAH & Co.) from March 1990 to date (incumbent).</p> <p>Has occupied the office of Outside Audit & Supervisory Board Member of STANLEY ELECTRIC CO., LTD. from June 2006 to date (incumbent).</p> <p>Has occupied the office of Outside Audit & Supervisory Board Member of HUB CO., LTD. from May 2013 to date (incumbent).</p> <p><Important Concurrent Positions></p> <p>Attorney (Partner) of SAH & Co.</p> <p>Outside Audit & Supervisory Board Member of STANLEY ELECTRIC CO., LTD.</p> <p>Outside Audit & Supervisory Board Member of HUB CO., LTD.</p> <p><Reason for the Selection></p> <p>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 Director serving on the Audit and Supervisory Committee.</p>	-

- 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, we request his election as a Substitute Director serving on the Audit and Supervisory Committee as we expect him to provide appropriate advice about the properness and suitability of decision making related to the Company's business execution, based on his high level of expertise as an attorney.
 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.

End

1. Matters Concerning the Present Condition of the Group

(1) Progress and Achievement of Business

In the fiscal year under review, there was a gradual recovery in the global economy overall despite continuing uncertainty in the environment. In Japan, the economy continued to follow a path of gradual recovery, exhibiting such signs as firm consumer spending.

Amid these circumstances, the Group strived to grow both its Japanese and overseas businesses further through 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 improve quality of products throughout the group and to strengthen earning capacity through cost reductions.

In the Japan segment, in addition to reinforcing core brands with a focus on the *Suntory Tennensui* range and *Boss* coffee range, the Group launched products with new value such as *Lemongina* and *Suntory Minami-Alps Tennensui & Yogurina*, and strengthened high-value-added products such as *Iyemon Tokucha* and *Suntory Black Oolong Tea* as part of efforts to create new demand.

In the overseas segment, the Group further reinforced core brands and reduced costs in each area. In Europe, the Group worked to create a more effective management information infrastructure to promote the creation of synergy through cooperation between Orangina Schweppes Group and Lucozade Ribena Suntory Group. Furthermore, in Asia, the Group worked to strengthen its sales and production structures.

As a result of the above, for the fiscal year under review, the Group reported consolidated net sales of ¥1,381.0 billion, up 9.8% year on year, consolidated operating income of ¥92.0 billion, up 7.0%, consolidated ordinary income of ¥82.9 billion, up 0.7%, and consolidated net income of ¥42.5 billion, up 17.2%.

Results by segment are as follows:

< Japan segment >

In the *Suntory Tennensui* range, the Group promoted the brand's original value by emphasizing its qualities of "clear & tasty" and "natural & healthy." Sales of small-size format products including *Suntory Minami-Alps Tennensui* were strong, and *Suntory Minami-Alps Tennensui & Yogurina*, which was launched in April, considerably contributed to sales. As a result, sales volume for the range as a whole grew significantly.

In the *Boss* coffee range, the Group aggressively developed topical television commercials while expanding the lineup to match the diverse needs of consumers. The Group carried out renewals of core products *Premium Boss*, *Rainbow Mountain Blend*, *Zeitaku Bito*, *Muto Black* and *Café au Lait*. In addition, *Premium Boss Black* and *Premium Boss Bito* launched in the bottle-shaped canned coffee market, which is showing striking growth, performed strongly. As a result, sales

volume for the range as a whole grew steadily.

In the *Iyemon* range, although the sales volume for the range as a whole was level year on year, the FOSHU (a Food for Specified Health Uses) green tea *Iyemon Tokucha* continued to grow significantly in the third year since it was launched. In addition, *Iyemon* was well received by consumers for its new proposals for adjusting flavors to suit the season and the changes to consumer drinking styles and scenes.

In the *Pepsi* range, the Group newly launched *Pepsi Strong Zero* and *Pepsi Strong* in June and although the products became topical, the sales volume fell year on year.

The sales volume of the *Suntory Oolong Tea* range fell year on year, despite continued marketing activities.

The sales volume of the *Green DAKARA* range rose year on year overall with steady sales for the barley tea *Green DAKARA Yasashii Mugicha*, which was renewed in June. In the *Orangina* range, the launch of *Lemongina*, which was jointly developed with Orangina Schweppes Group, and a limited-time product also contributed to sales results. As a result, the sales volume for the range as a whole grew significantly.

The Company made a contribution to market expansion of FOSHU drink products, which are attracting attention on the back of increasing health consciousness, and is establishing a strong position in this market. In addition to *Iyemon Tokucha*, which continued to sell strongly, *Suntory Black Oolong Tea*, for which the contents and packaging were renewed in March, also sold strongly. The total sales volume of FOSHU drink products including *Pepsi Special*, *Suntory Goma Mugicha* and *Boss Black* bottle-shaped canned coffee rose considerably year on year.

The Group's initiatives to improve profitability consisted of not only strengthening sales of high-value-added products such as FOSHU drink products and small-size format products such as 500 ml PET bottles, but also continuing to reduce manufacturing costs by such means as introducing bottle-shaped canned coffee manufacturing facilities. On the other hand, the Group incurred costs from a temporary stoppage in shipment caused by supply-demand imbalances for *Lemongina* and *Suntory Minami-Alps Tennensui & Yogurina*, and from aggressive marketing activities. The Group worked to establish a stable supply system through such efforts as introducing a new manufacturing line at the Suntory Tennensui Minami-Alps Hakushu Plant.

Furthermore, on July 31, Japan Beverage Group and JT A-Star Group newly joined the Group, and the Group started the "full-line beverage service business" that satisfies a wide range of consumer needs.

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

Japan segment net sales: ¥806.9 billion (up 11.7% year on year)

Japan segment profit: ¥46.7 billion (up 0.2% year on year)

< Overseas segment >

In Europe, aggressive marketing activities were conducted centering on core brands such as *Orangina*, *Oasis*, *Schweppes*, *Lucozade* and *Ribena*. In France, the Group worked on realizing innovation in brand communication such as by carrying out new advertising activities for *Orangina*. In Spain, sales continued to be strong centering on *Schweppes* in the area of sales in the on-premise market, which the Group has been concentrating on. In the UK, efforts to strengthen brands continued, by means such as the launch of new products under the *Lucozade* brand and aggressive marketing activities. Furthermore, with the aim of accelerating growth in Europe as a whole, the Group not only carried out cost reductions but also continued work to optimize its business foundation and create synergy.

In Asia, although the unstable economic environment continued to affect its business, the Group worked to strengthen its business foundation and conducted marketing activities centering on core brands in each country. In the health food business, in Thailand, the Group conducted promotions to celebrate the 180th anniversary of the launch of *BRAND'S Essence of Chicken*. In the beverage business, a tough business environment continued in some areas such as in Indonesia, where the business was affected by economic slowdown. In Vietnam, however, the Group implemented initiatives such as expanding the areas where Suntory brands are on sale and strengthening production structures by means such as expansions of production lines, and sales of the Suntory brand *TEA+* grew significantly, in addition to PepsiCo brands. Sales were also strong in areas including Malaysia, where the Group established new sales structures.

In Oceania, in addition to vitalizing its mainstay energy drink *V*, the Frucor Group worked to expand sales by launching new products and conducting aggressive marketing activities for the Suntory brand *OVI*.

In the Americas, the Group improved business efficiency by such means as carrying out initiatives to integrate distribution bases, and further promoted PepsiCo brand products, focusing on the state of North Carolina.

In addition to activities to expand sales in each area, the Group strove to further improve quality and strengthen earning capacity by research and development and by reduction of costs through sharing the knowhow among all Group companies.

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

Overseas segment net sales: ¥574.1 billion (up 7.3% year on year)

Overseas segment profit: ¥74.0 billion (up 14.9% year on year)

The Suntory Group, which is led by the Company's parent company Suntory Holdings Limited, promotes environmental management based on the philosophy of "In Harmony with People and Nature" and carries out various activities to reduce environmental impact through such activities as "Natural Water Sanctuaries," which are aimed at developing a sustainable global environment. Also, as a member of the Suntory Group, the Group is continuing active measures

to reduce environmental impact such as through activities to reduce CO₂ emissions that include saving resources with regard to containers and packaging and reducing the amount of electric power consumed in vending machines, as well as reducing water usage in plants.

(2) Issues to Address

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

Through the products we offer, we aim to be a group of companies that consistently offers new value to consumers around the world.

The Group has expanded its business foundation by such means as stock listings on the Tokyo Stock Exchange and M&As. With the aim of evolving toward integrated development by utilizing this business foundation not only to accelerate self-sustaining growth in each area around the world but also to create synergies, we have formulated the following management strategies for 2015 to 2017.

1. Focus on core areas

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

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

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

3. Evolve toward integrated development

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

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

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

In the 2016 fiscal year, the Group will continuously work to strengthen business foundations both in its Japanese and overseas businesses and aim for sales and profit growth in each area.

In the Japan segment, the Group expects to see further changes in the consumer environment surrounding the beverages industry due to such factors as a further hike in the consumption tax in 2017 and the further onset of the aging society. Looking to use these environmental changes to its advantage, the Group will press forward rapidly to further strengthen its initiatives aimed at "increasing brand value," and "creating new demand."

Specifically, we will conduct strategic marketing activities, focusing particularly on the *Suntory Tennensui* range and *Boss* coffee range and positioning *Iyemon*, *Pepsi*, *Suntory Oolong Tea*, *Green DAKARA* and *Orangina* as core brands. Furthermore, we aim to create new categories by proposing products that consumers recognize as having new value, like we have done with *Iyemon Tokucha* and *Suntory Minami-Alps Tennensui & Yogurina*.

Also, in July 2015, Japan Beverage Group and JT A-Star Group joined the Group, and the Group started the "full-line beverage service business" that delivers a wide range of beverage opportunities to customers through the vending-machine sales of not only the Company's cans and PET bottle products but also the sales of products such as cans and PET bottle products of other manufacturers, cup coffee and paper-carton beverages. In April 2016, Suntory Beverage Solution Limited is scheduled to start operations. The new company will operate a vending machine business, fountain business and water business with the aim of expediting decision making related to the full-line beverage service business, improving consumer satisfaction and increasing overall efficiency of business operations. By utilizing the respective business strengths, providing new products and services that suit consumers' needs and creating new demand, the new company will evolve the "full-line beverage service business."

Through fostering and strengthening brands by these activities, and through innovations in research and development, production technology and others, we will offer products that bring new value, and create a virtuous cycle that promotes further increases in brand value. To achieve these aims, we will channel investment into research and development, marketing and production facilities, and continue to reduce costs in order to create the resources needed for this kind of growth investment.

In the overseas segment, expecting further market-environmental changes

particularly related to economic stagnation and competition trends, the Group will work toward integrated development in the medium term. To do so, we will boost profitability by reinforcing core brands, strengthening our business foundation and reducing costs, and reinforce collaboration among Group companies and strengthen area-based management control.

Looking at Europe, we forecast that the competition environment will continue to be tough in addition to heightened social awareness about sugar intake. Amid this situation, the Group will reinforce marketing investment on the core products *Orangina*, *Oasis*, *Schweppes*, *Lucozade* and *Ribena*, and work to expand sales by launching new products in the categories of growth and further accelerating efforts to develop on-premise channels.

In addition, we will strive to develop the business foundation in Africa.

In Asia, despite concerns about slower economic growth in emerging countries, we will focus on core brands and establish a solid position in Southeast Asia. In the health food business, while working to vitalize the mainstay *BRAND'S Essence of Chicken* by concentrating marketing activities on the brand, we will strengthen efforts to develop business in the new market. In the beverage business, we will redevelop the sales structure and marketing strategies in Indonesia. In Vietnam, where the business is continuously growing, we will not only focus our efforts on launching new products and fostering Suntory brands but also strengthen our business foundation including production structures with the aim of further accelerating growth. Moreover, in areas including Malaysia, where we established new sales structures in 2015, we will expand our business, concentrating on *Ribena* and *Lucozade*.

In Oceania, although competition is expected to intensify further, we will continue to reinforce energy drink *V* and the Suntory brand *OVI* and take aggressive steps to develop new products, expand production capabilities and implement cost reductions in order to boost profitability. In the Americas, while working to expand sales by maintaining our solid market position in the carbonated beverage category, concentrating on growing the non-carbonated beverage category and continuing to introduce new products, we will also work on improving business efficiency by such means as integrating distribution bases.

We appreciate and value your ongoing cooperation and support.

(3) Status of Assets and Profit and Loss

Category	The 4th Fiscal Year 2012	The 5th Fiscal Year 2013	The 6th Fiscal Year 2014	The 7th Fiscal Year 2015 (fiscal year under review)
Net Sales (Millions of yen)	992,160	1,121,361	1,257,280	1,381,007
Operating Income (Millions of yen)	58,446	72,715	85,949	92,007
Ordinary Income (Millions of yen)	54,033	67,257	82,272	82,869
Net Income (Millions of yen)	23,385	31,196	36,239	42,462
Net Income per Share (Yen)	108.27	118.79	117.28	137.42
Total Equity (Millions of yen)	204,275	592,968	635,624	626,890
Equity per Share (Yen)	881.24	1,806.48	1,926.79	1,888.33
Total Assets (Millions of yen)	844,450	1,256,701	1,389,096	1,484,434

Notes:

- Commencing in the 5th fiscal year the Group prepares consolidated financial statements in accordance with Article 444 of the Companies Act of Japan. The amounts stated in the consolidated financial statements of the 4th fiscal year have been audited in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act and they have not been audited by Audit and Supervisory Board Members and the Accounting Auditor in accordance with Article 444, Paragraph 4 of the Companies Act of Japan.
- The Company conducted a share split at a ratio of 500 to 1 with April 16, 2013 as the effective date. However, the amounts of net income per share and equity per share have been calculated on the assumption that the aforesaid share split was conducted at the beginning of the 4th fiscal year.

(4) Summary of Principal Businesses (as of December 31, 2015)

The Group manufactures and sells beverages and food including mineral water, coffee beverages, tea beverages, carbonated beverages, sports and functional 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 Service Limited	(Million) ¥100	99.0	Sale of non-alcoholic beverages
Japan Beverage Holdings Inc.	(Million) ¥500	82.6	Sale of non-alcoholic beverages
Suntory Products Limited	(Million) ¥1,000	100.0	Manufacture of non-alcoholic beverages
Orangina Schweppes Holding B.V.	(Thousand) €18	100.0	Manufacture and sale of non-alcoholic beverages
Lucozade Ribena Suntory Limited	(Million) £755	100.0	Manufacture and sale of non-alcoholic beverages
Suntory Beverage & Food Asia Pte. Ltd.	(Thousand) S\$1,543,648	100.0	Strategic planning and group supervision for beverage and food businesses in South East Asia
Cerebos Pacific Limited	(Thousand) S\$75,649	100.0	Manufacture and sale of health foods and processed foods
PT SUNTORY GARUDA BEVERAGE	(Million) IDR101,044	51.0	Manufacture and sale of non-alcoholic beverages
Suntory PepsiCo Vietnam Beverage Co., Ltd.	(Million) VND5,373,929	100.0	Manufacture and sale of non-alcoholic beverages
FRUCOR BEVERAGES LIMITED	(Thousand) NZ\$446,709	100.0	Manufacture and sale of non-alcoholic beverages
FRUCOR BEVERAGES (AUSTRALIA) PTY LTD	A\$2	100.0	Sale of non-alcoholic beverages
Pepsi Bottling Ventures LLC	(Thousand) US\$215,554	65.0	Manufacture and sale of non-alcoholic beverages

Notes:

1. The ratio of voting rights includes indirect holdings.
2. As of July 31, 2015, the Company acquired shares of Japan Beverage Holdings Inc. from Japan Tobacco Inc., thereby making Japan Beverage Holdings Inc. a

subsidiary of the Company. Accordingly, Japan Beverage Holdings Inc. has been added to the list of significant subsidiaries as of the fiscal year under review.

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

(6) Principal Offices and Plants, etc. (as of December 31, 2015)

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 Service Limited	Head Office	Shinjuku-ku, Tokyo
		Office	Metropolitan Area Sales Division (Shinjuku-ku, Tokyo), etc.
	Japan Beverage Holdings Inc.	Head Office	Shinjuku-ku, Tokyo
		Office	Tokyo branch (Bunkyo-ku, Tokyo), etc.
Suntory Products Limited	Head Office	Chuo-ku, Tokyo	
	Plant	Haruna Plant (Shibukawa-shi, Gunma), etc.	
Overseas	Orangina Schweppes Holding B.V.	Head Office	Amsterdam, the Netherlands
	Lucozade Ribena Suntory Limited	Head Office	London, U.K.
	Suntory Beverage & Food Asia Pte. Ltd.	Head Office	Singapore
	Cerebos Pacific Limited	Head Office	Singapore
	PT SUNTORY GARUDA BEVERAGE	Head Office	Jakarta, Indonesia
	Suntory PepsiCo Vietnam Beverage Co., Ltd.	Head Office	Ho Chi Minh, Viet Nam

Name of Segment	Name	Major Business Sites	
Overseas	FRUCOR BEVERAGES LIMITED	Head Office	Auckland, New Zealand
	FRUCOR BEVERAGES (AUSTRALIA) PTY LTD	Head Office	New South Wales, Australia
	Pepsi Bottling Ventures LLC	Head Office	North Carolina, U.S.A.

(7) Status of Employees (as of December 31, 2015)

Name of Segment	Number of Employees	Increase(Decrease) from Previous Fiscal Year
Japan	9,926 [1,140]	4,664 [523]
Overseas	14,307 [831]	194 [(343)]
Total	24,233 [1,971]	4,858 [180]

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. Compared with December 31, 2014, the number of employees increased by 4,858 persons, which mainly reflects making Japan Beverage Holdings Inc. a subsidiary on July 31, 2015.

(8) Status of Company's Principal Lenders (as of December 31, 2015)

Name of Lender	Amount of Loan (Millions of yen)
Sumitomo Mitsui Trust Bank, Limited	66,395
Mizuho Bank, Ltd.	60,577
Mitsubishi UFJ Trust and Banking Corporation	54,191
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	37,508
The Norinchukin Bank	30,000
Sumitomo Mitsui Banking Corporation	27,582
Shinkin Central Bank	15,000
The Chiba Bank, Ltd.	10,258
SUMITOMO LIFE INSURANCE COMPANY	10,000

(9) Status of Fund Procurement

During the fiscal year under review, the Company procured ¥100 billion from financial institutions as long-term debt to provide the necessary funds to acquire the shares of Japan Beverage Holdings Inc., etc. and beverage brands from Japan Tobacco Inc.

(10) Status of Capital Investment

Capital investment in the fiscal year under review was ¥63.5 billion. A breakdown of capital investment by segment is as follows.

Name of Segment	Capital investment (Millions of yen)
Japan	31,804
Overseas	31,731
Total	63,535

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 Minami Alps Hakushu Water Plant of Suntory Products Limited

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

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

(11) Status of Significant Business Realignment

On July 31, 2015, the Company acquired the shares of Japan Beverage Holdings Inc., etc. and beverage brands from Japan Tobacco Inc.

2. Matters Concerning Shares (as of December 31, 2015)

- (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: 55,030

(decreased by 8,854 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	6,630	2.1
HSBC BANK PLC A/C ABU DHABI INVESTMENT AUTHORITY	6,000	1.9
Japan Trustee Services Bank, Ltd. (Trust Account)	4,978	1.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,682	1.5
BBH FOR MATTHEWS ASIA DIVIDEND FUND	3,610	1.1
JP MORGAN CHASE BANK 385632	2,989	0.9
CITIBANK, N.A. –NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	2,902	0.9
STATE STREET BANK WEST CLIENT – TREATY 505234	2,769	0.8
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	2,072	0.6

3. Status of Directors

(1) Names, etc. of Directors (as of December 31, 2015)

Position	Name	Responsibilities and Important Concurrent Positions
Representative Director and President	Nobuhiro Torii	Overall Group Management Director of Suntory Holdings Limited Director of Suntory Beverage & Food Asia Pte. Ltd. Director of Cerebos Pacific Limited Director of FRUCOR BEVERAGES LIMITED Director of FRUCOR BEVERAGES (AUSTRALIA) PTY LTD Director of Pepsi Bottling Ventures LLC
Executive Vice President	Yoshihiko Kakimi	Research & Development, Production Representative Director and President of Suntory Products Limited Director of Suntory Beverage & Food Asia Pte. Ltd.
Executive Vice President	Saburo Kogo	Chief Operating Officer, Beverage & Food Business Division Director of Suntory Foods Limited Director of Suntory Products Limited
Senior Managing Director	Nobuhiro Kurihara	Chief Operating Officer, Business Administration Division Director of Japan Beverage Holdings Inc.
Director	Masato Tsuchida	Vending Machine Business Division Representative Director and President of Suntory Foods Limited Director of Suntory Beverage Service Limited Director of Japan Beverage Holdings Inc.
Director	Yasuhiko Kamada	Representative Director and President of Suntory Beverage Service Limited
Director	Shinichiro Hizuka	Senior Managing Director, 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	Seiichiro Hattori	Audit & Supervisory Board Member of Suntory Foods Limited Audit & Supervisory Board Member of Suntory Products Limited
Audit and Supervisory Committee Member	Yukihiko Uehara	Specially Appointed Professor of Institute of Current Business Studies, Showa Women's University Outside Director of INTAGE HOLDINGS Inc.

Position	Name	Responsibilities and Important Concurrent Positions
Audit and Supervisory Committee Member	Harumichi Uchida	Attorney (Partner) of Mori Hamada & Matsumoto Outside Audit & Supervisory Board Member of Daifuku Co., Ltd. Outside Audit & Supervisory Board Member of Sumitomo Dainippon Pharma Co., Ltd.

Notes:

1. The Company made the transition to a Company with Audit and Supervisory Committee on May 1, 2015 (hereinafter this transition is referred to as the “Transition”). Accompanying the Transition, the terms of office of Senior Audit & Supervisory Board Member Mr. Seiichiro Hattori and Audit & Supervisory Board Members Messrs. Yukihiro Uehara and Harumichi Uchida expired and each took office as Director serving on the Audit and Supervisory Committee (hereinafter “Audit and Supervisory Committee Member”).
2. Ms. Yukari Inoue and Messrs. Yukihiro Uehara and Harumichi Uchida are Outside Directors.
3. The Company designated Outside Directors Ms. Yukari Inoue and Mr. Yukihiro Uehara as Independent Officers and reported this designation to the Tokyo Stock Exchange.
4. The Company has concluded limited liability agreements with Mr. Shinichiro Hizuka, Ms. Yukari Inoue, Mr. Seiichiro Hattori, Mr. Yukihiro Uehara and Mr. Harumichi Uchida pursuant to Article 427, Paragraph 1 of the Companies Act of Japan. Based on these agreements, if any of them causes the Company to suffer loss through neglect of duties, then providing that he/she was fulfilling his/her duties in good faith with no gross negligence, the liability to the Company shall be limited to the minimum liability amount stipulated by Article 425, Paragraph 1 of the Companies Act of Japan.
5. Changes in Directors’ responsibilities during the fiscal year under review were as follows.

Name	Responsibilities before Change	Responsibilities after Change	Date of Change
Yoshihiko Kakimi	Research & Development, Production, Chief Operating Officer, New Product Development Division	Research & Development, Production	April 1, 2015
Masato Tsuchida	—	Vending Machine Business Division	September 1, 2015

Name	Responsibilities before Change	Responsibilities after Change	Date of Change
Shinichiro Hizuka	Corporate Planning Division, Finance & Accounting Division, and Corporate Communication Division	–	March 27, 2015

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

Position	Name	Date of Retirement
Audit & Supervisory Board Member	Toru Yamamoto	March 27, 2015

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

(2) Remuneration, etc. for Directors and Audit & Supervisory Board Members

Classification	Basic Remuneration		Bonuses		Total (Millions of yen)
	Number of Persons	Payment Amount (Millions of yen)	Number of Persons	Payment Amount (Millions of yen)	
Director (excluding Audit and Supervisory Committee Member)	10	240	7	173	413
(Outside)	(2)	(12)	(-)	(-)	(12)
Director (Audit and Supervisory Committee Member)	3	30	1	10	41
(Outside)	(2)	(16)	(-)	(-)	(16)
Audit & Supervisory Board Member	4	16	1	4	21
(Outside)	(2)	(8)	(-)	(-)	(8)
Total	14	287	8	188	475
(Outside Director and Outside Audit & Supervisory Board Member)	(4)	(36)	(-)	(-)	(36)

Notes:

1. The payment amount going to the Audit & Supervisory Board Members applies to the time before the Transition, and the payment amount going to Audit and Supervisory Committee Members applies to the time after the Transition.
2. Bonuses payment amounts are amounts to be paid.
3. The maximum remuneration limit for Directors before the Transition is an annual amount not exceeding ¥1,000 million (not including the employee portion of salaries of Directors who are concurrently employees), which was passed by resolution at the Extraordinary General Meeting of Shareholders held on December 26, 2012. Moreover, the maximum remuneration limit for Directors (excluding Audit and Supervisory Committee Members) after the Transition 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.

4. 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.
5. The maximum remuneration limit for Audit & Supervisory Board Members is an annual amount not exceeding ¥150 million, which was passed by resolution at the Extraordinary General Meeting of Shareholders held on December 26, 2012.

(3) Outside Directors

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

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

Outside Director Yukari Inoue	Managing Director of Kellogg Japan G.K. Outside Director of JC Comsa Corporation
Outside Director (Audit and Supervisory Committee Member) Yukihiko Uehara	Specially Appointed Professor of Institute of Current Business Studies, Showa Women's University Outside Director of INTAGE HOLDINGS Inc.
Outside Director (Audit and Supervisory Committee Member) Harumichi Uchida	Attorney (Partner) of Mori Hamada & Matsumoto Outside Audit & Supervisory Board Member of Daifuku Co., Ltd. Outside Audit & Supervisory Board Member of Sumitomo Dainippon Pharma Co., Ltd.

2) Principal Activities during the Fiscal Year under Review

Classification	Name	Board of Directors Meeting Attendance	Audit and Supervisory Committee / Audit & Supervisory Board Meeting Attendance	Status of Statements
Outside Director	Yukari Inoue	14/15	—	She voiced statements based on her experience and knowledge as a corporate executive.
Outside Director (Audit and Supervisory Committee Member)	Yukihiko Uehara	12/13	9/10	He voiced statements from his technical perspective as a researcher of marketing and business strategy.
	Harumichi Uchida	13/13	10/10	He voiced statements from his technical perspective as an attorney.
Outside Audit & Supervisory Board Member	Yukihiko Uehara	5/5	5/5	He voiced statements from his technical perspective as a researcher of marketing and business strategy.
	Harumichi Uchida	5/5	5/5	He voiced statements from his technical perspective as an attorney.

Notes:

1. The Board of Directors meeting attendance stated for Ms. Yukari Inoue counts the total number as the number of meetings of the Board of Directors held since March 27, 2015 when she took office.
2. The Board of Directors meeting attendance and the Audit and Supervisory Committee meeting attendance of Outside Directors (Audit and Supervisory Committee Members) applies to the time after the Transition, and the Board of Directors meeting attendance and the Audit & Supervisory Board meeting attendance of Outside Audit & Supervisory Board Members applies to the time before the Transition.

4. Status of Accounting Auditor

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

(Millions of yen)	
Amount of fees, etc. for the fiscal year under review	50
Total amount of money and other financial benefits payable to Accounting Auditor by the Company and its subsidiaries	137

Notes:

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

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

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

- (4) Content of Non-audit Service

The Company commissions the Accounting Auditor to perform services related

to consultancy service for the introduction of International Financial Reporting Standards (IFRS) and preparation of comfort letters, among other services.

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

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

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

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

The Board of Directors of the Company, in accordance with the Transition and the enforcement of the “Act for Partial Revision of the Companies Act” (Act No. 90 of 2014) and of the “Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act, etc.” (Ordinance of the Ministry of Justice No. 6 of 2015), passed the following resolutions on May 1, 2015 relating to 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 the General Affairs Department 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 Auditing Department shall be established to perform internal audits pertaining to the status of compliance and the appropriateness of business operations of the Group. The Auditing Department 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 Auditing Department shall, as necessary, report the results of Group company internal audits to 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 Auditing Department shall assist with the Audit and Supervisory Committee's duties. Matters such as those involving transfer and evaluation of Auditing Department 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 Auditing Department 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 Auditing Department 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 General Affairs Department 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 Auditing Department.
- (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.

The Company made the transition to a Company with Audit and Supervisory Committee on May 1, 2015 with the aim of enhancing the effectiveness of audit and supervision by having audits conducted by Audit and Supervisory Committee Members with voting rights at the Board of Directors, as well as aiming to improve the effectiveness of the internal control system by conducting audits that leverage the internal audit division.

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

(1) Status of initiatives related to improving efficiency in execution of businesses

- The Company has, through a resolution of the Board of Directors, delegated the execution of certain important duties to the Management Committee or to Directors in order to enable efficient decision making.
- The Board of Directors held 18 meetings where they deliberated on formulating the medium-term management plan, drafting budgets, M&A, investment in facilities and equipment and other such matters.
- At their meetings, the Board of Directors was provided with reports on the Group's monthly business performance, and accordingly verified and discussed matters such as progress made in achieving the Group's business objectives, its management challenges, along with measures in that regard.

(2) Operational status of the risk management system

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

(3) Status of initiatives related to compliance

- We implemented training programs etc. with the aim of encouraging observance of the Code of Business Ethics of the Suntory Group.
- With regard to preventing bribery and corruption, we have drawn up internal guidelines and conducted educational activities such as explanatory meetings.
- 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 general affairs division, law firms and the Audit and Supervisory Committee. These have been made known to employees through such means as the intranet and posters on noticeboards. In response to reports and requests for advice, the related divisions have taken responsibility for investigating the situation and, if necessary, taking corrective action and drawing up measures to prevent recurrence, as instructed by the Compliance Committee (or by the Audit and Supervisory Committee when reports or requests for advice are directed to it). Moreover, internal rules have been established to forbid others from subjecting a person making such a report to adverse treatment.
- The Compliance Committee held two meetings where they verified and discussed compliance issues facing the Group and countermeasures for dealing with them.
- An attitude survey was conducted among employees with the aims of checking whether compliance management is being instilled among them, and of further nurturing a wholesome workplace culture.
- The number of reports to the compliance hotlines and a summary of the same, as well as the results of the attitude survey have been reported regularly to the Board of Directors.

(4) Operational status of the Audit and Supervisory Committee

- Audit and Supervisory Committee Members have been attending important meetings of the Board of Directors, the Management Committee, the Risk Management Committee and other such bodies, through which they have been able to obtain reports on business execution provided by Directors, Executive Officers and others, in addition to which they have conducted supervisory activities in relation to the process and the content of decision making.
- As well as receiving reports on the audits carried out by the internal audit division, the Audit and Supervisory Committee has maintained day-to-day

communication with the internal audit division and has been constructing a system that allows the effective implementation of Group-wide auditing.

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

(5) Operational status of internal audits

- The internal audit division has conducted internal audits of the Company's respective divisions as well as the Group companies in Japan and overseas on the basis of the annual audit plan. In particular, in order to deal with the expanding globalization of the business, the systems for auditing overseas subsidiaries have been bolstered. Moreover, efforts have been made to strengthen cooperation with the internal audit divisions of said subsidiaries.
- The internal audit division reported the findings of its audits to the Representative Director and to the Audit and Supervisory Committee.

(6) Transactions between the parent company, etc.

- Transactions between the Suntory Group including Suntory Holdings Limited, the Company's parent company, has been examined by the Company's general affairs division and accounting division beforehand to confirm the necessity of the transaction, and the appropriateness of its terms and conditions, and decision-making process.
- The decisions regarding transactions that are deemed to be particularly important have been taken after sufficient deliberation by the Board of Directors 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 2016 fiscal year, decisions were made after thorough deliberation at a Board of Directors meeting held in December 2015 with respect to the necessity and appropriateness.

Consolidated Balance Sheet
(As of December 31, 2015)

(Unit: Millions of yen)

Assets		Liabilities	
Account Titles	Amount	Account Titles	Amount
Current assets	390,553	Current liabilities	438,881
Cash and deposits	97,746	Notes and accounts payable–trade	119,831
Notes and accounts receivable–trade	156,918	Electronically recorded obligations–operating	13,619
Merchandise and finished goods	47,844	Short-term borrowings	113,649
Work in process	6,753	Lease obligations	7,646
Raw materials and supplies	27,992	Consumption taxes payable	6,471
Deferred tax assets	12,269	Accrued income taxes	13,138
Other	41,379	Accounts payable–other	87,508
Allowance for doubtful accounts	(352)	Accrued expenses	47,661
		Provision for bonuses	7,255
Noncurrent assets	1,093,533	Other	22,096
Property, plant, and equipment	347,850	Long-term liabilities	418,662
Buildings and structures	72,729	Bonds payable	40,000
Machinery, equipment, and other	137,626	Long-term debt	258,743
Tools, furniture and fixtures	51,293	Lease obligations	16,593
Land	43,335	Deferred tax liabilities	76,821
Lease assets	21,815	Retirement allowances for directors and audit and supervisory board members	321
Construction in progress	13,387	Net defined benefit liability	6,887
Other	7,662	Other	19,294
Intangible fixed assets	711,427		
Goodwill	454,212	Total liabilities	857,543
Trademarks	188,517	Equity	
Other	68,697	Shareholders' equity	537,245
Investments and other assets	34,255	Common stock	168,384
Investment securities	9,929	Capital surplus	192,323
Net defined benefit asset	1,101	Retained earnings	176,537
Deferred tax assets	3,632	Accumulated other comprehensive income	46,249
Other	20,139	Unrealized gain on available-for-sale securities	1,894
Allowance for doubtful accounts	(547)	Deferred gain on derivatives under hedge accounting	376
Deferred assets	348	Foreign currency translation adjustments	46,993
		Remeasurements of defined benefit plans	(3,013)
		Minority interests	43,395
		Total equity	626,890
Total assets	1,484,434	Total liabilities and equity	1,484,434

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

Consolidated Statement of Income
(For the year ended December 31, 2015)

(Unit: Millions of yen)

Account Titles	Amount	
Net sales		1,381,007
Cost of sales		628,429
Gross profit		752,577
Selling, general and administrative expenses		660,570
Operating income		92,007
Non-operating income		
Interest income	437	
Dividend income	1,597	
Other	1,343	3,378
Non-operating expenses		
Interest expense	5,059	
Equity in losses of affiliates	5,316	
Other	2,140	12,516
Ordinary income		82,869
Extraordinary income		
Gain on sales of noncurrent assets	731	
Gain on step acquisitions	15,698	
Other	382	16,811
Extraordinary loss		
Loss on disposal of noncurrent assets	2,619	
Impairment loss	12,326	
Restructuring cost	3,901	
Other	1,376	20,224
Income before income taxes and minority interests		79,456
Income taxes–current	27,030	
Income taxes–deferred	7,346	34,377
Net income before minority interests		45,079
Minority interests in net income		2,616
Net income		42,462

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

Consolidated Statement of Changes in Equity
(For the year ended December 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at January 1, 2015	168,384	192,701	150,463	511,549
Cumulative effects of changes in accounting policies			3,326	3,326
Restated balance	168,384	192,701	153,790	514,876
Changes of items during the fiscal year				
Cash dividends			(19,776)	(19,776)
Net income			42,462	42,462
Changes due to purchase of shares in a foreign subsidiary from minority shareholders		(474)		(474)
Put option granted to minority shareholders			60	60
Other		96		96
Net changes of items other than shareholders' equity				
Total changes of items during the fiscal year	-	(378)	22,747	22,369
Balance at December 31, 2015	168,384	192,323	176,537	537,245

	Accumulated other comprehensive income (loss)					Minority interests	Total equity
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at January 1, 2015	1,316	606	83,801	(1,897)	83,827	40,247	635,624
Cumulative effects of changes in accounting policies						8	3,334
Restated balance	1,316	606	83,801	(1,897)	83,827	40,255	638,959
Changes of items during the fiscal year							
Cash dividends							(19,776)
Net income							42,462
Changes due to purchase of shares in a foreign subsidiary from minority shareholders							(474)
Put option granted to minority shareholders							60
Other							96
Net changes of items other than shareholders' equity	577	(230)	(36,808)	(1,116)	(37,578)	3,139	(34,438)
Total changes of items during the fiscal year	577	(230)	(36,808)	(1,116)	(37,578)	3,139	(12,069)
Balance at December 31, 2015	1,894	376	46,993	(3,013)	46,249	43,395	626,890

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

Notes to Consolidated Financial Statements

BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of consolidation

- (1) The number of consolidated subsidiaries is 93. The major such companies are Suntory Foods Limited, Suntory Products Limited, Suntory Beverage Service Limited, Japan Beverage Holdings Inc., Orangina Schweppes Holding B.V., Lucozade Ribena Suntory Limited, Suntory Beverage & Food Asia Pte. Ltd., Cerebos Pacific Limited, FRUCOR BEVERAGES LIMITED and Pepsi Bottling Ventures LLC.

The Company included Japan Beverage Holdings Inc. and 16 other companies in the scope of consolidation by new acquisition of shares, etc. during the fiscal year ended December 31, 2015. The Company also excluded 9 companies from the scope of consolidation, partly by the merger of Suntory Food Industries Co., Ltd. and Nihon Pepsi Cola Production Co., Ltd. with Suntory Products Limited.

- (2) The major unconsolidated subsidiary is Kyushu Sunvend Co., Ltd.

Our unconsolidated subsidiaries are excluded from the scope of consolidation because they have minor effects on each of total assets, net sales, net income/loss, retained earnings, and other items on a consolidated basis, and, as a whole, do not have material effects on the consolidated financial statements.

2. Application of equity method

- (1) There are no unconsolidated subsidiaries accounted for by the equity method.

The number of affiliates accounted for by the equity method is 7. The major such company is TIPCO F&B CO., LTD.

- (2) Investments in unconsolidated subsidiaries, including Kyushu Sunvend Co., Ltd., and affiliates, including Kanto Foods Service Co., Ltd., are not accounted for by the equity method but stated at cost because they have minor effects on each of net income/loss, retained earnings, and other items on a consolidated basis, and, as a whole, do not have material effects on the consolidated financial statements.

3. Fiscal year-ends of consolidated subsidiaries

The balance sheet date of the consolidated subsidiaries coincides with the consolidated balance sheet date.

4. Accounting policies

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

Securities

Held-to-maturity debt securities

Stated at cost amortized by the straight-line method.

Available-for-sale securities

Securities with readily determinable fair value:

Stated at fair market value, based on market quotation at the balance sheet date.

(Net unrealized gains and losses, net of applicable income taxes, are reported in a separate component of equity. The cost of securities sold is mainly determined based on the moving-average method.)

Securities without readily determinable fair value:

Mainly stated at cost determined by the moving-average method.

Derivatives

Stated at fair market value.

Inventories

Mainly stated at cost determined by the periodic average method.

(The value stated in the balance sheet is determined according to write-downs based on the decreased profitability of assets.)

- (2) Depreciation and amortization of significant depreciable and amortizable assets

Property, plant, and equipment (except for lease assets)

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

Buildings and structures: 5–50 years

Machinery, equipment, and other: 2–17 years

Tools, furniture and fixtures: 2–15 years

Intangible fixed assets (except for lease assets)

Mainly amortized by the straight-line method. However, trademarks for which the useful life is indefinite are not amortized. Software for internal use is amortized by the straight-line method over the internally estimated useful lives (within 5 years).

Lease assets

Lease assets in finance lease transactions that do not transfer ownership are depreciated by the straight-line method based on the assumption that the useful life is equal to the lease term and the residual value is equal to zero.

Finance lease transactions that do not transfer ownership, whose transactions commenced on or before December 31, 2008, are accounted for in a manner similar to accounting treatment for ordinary rental transactions.

(3) Basis for provision of significant reserves

Allowance for doubtful accounts

The Company and some of its domestic consolidated subsidiaries provide allowance for doubtful accounts mainly to cover possible losses from bad debts of receivables at the estimated uncollectable amount. The amount for normal receivables is determined by the credit loss ratio based on past experience, and that for specific receivables, such as receivables at high risk of bankruptcy, is determined based on the individually expected probability of those accounts being collectable. The foreign consolidated subsidiaries provide the allowance at the estimated uncollectable amount mainly for specific receivables.

Provision for bonuses

To cover the payments of bonuses, the Company and some of its consolidated subsidiaries set aside provision for bonuses based on the projected amount for such payments.

Retirement allowances for directors and audit and supervisory board members

Some domestic consolidated subsidiaries set aside retirement allowances for directors and audit and supervisory board members to prepare for expenditures of retirement allowances for directors and audit and supervisory board members at the amount such subsidiaries would be required to pay if all eligible directors and audit and supervisory board members retired at the year-end date, based on their respective internal regulations.

(4) Accounting method of retirement benefits

Methods of attributing estimated retirement benefits to accounting periods

When calculating retirement benefit obligations, the benefit formula basis is mainly used to attribute estimated retirement benefits to the period through the end of the current fiscal year.

Amortization of actuarial differences and prior service cost

Prior service cost is amortized by the straight-line method over the period (mainly 15 years) which is shorter than the average remaining service life of employees as incurred, and unrecognized actuarial differences are amortized by the straight-line method over the period (mainly 15 years) which is shorter than the average remaining service life of employees as incurred from the year following that in which they arise.

(5) Basis for translating significant assets or liabilities denominated in foreign currencies into Japanese currency

Monetary receivables and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate as of the consolidated balance sheet date. Differences arising from such translation are included in gains or losses. Assets and liabilities of foreign subsidiaries or the like are translated into Japanese yen at the spot exchange rate as of the consolidated balance sheet date. Revenue and expense accounts of such are translated into Japanese yen at the average exchange rate during the period under review. Differences arising from such translations are included in foreign currency translation adjustments and minority interests in equity.

(6) Method of significant hedge accounting

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

(7) Method and period for amortization of goodwill

Goodwill is mainly equally amortized over 20 years. However, goodwill whose amount is immaterial is fully written down in the year in which it arises.

(8) Method and period for amortization of deferred assets

Stock issuance expenses are equally amortized over 3 years starting from the time of issuance and business commencement expenses are equally amortized over 5 years.

Bond issuance expenses are amortized by the straight-line method over the period up to bond redemption.

(9) Other significant matters forming the basis of preparing the consolidated financial statements

Accounting for consumption taxes

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

CHANGES IN ACCOUNTING POLICIES

Application of the Accounting Standard for Retirement Benefits and its Guidance

For the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015), the Company has additionally applied the provisions specified under the main clause of Section 35 of the Accounting Standard for Retirement Benefits and the main clause of Section 67 of the Guidance on the Accounting Standard for Retirement Benefits from the fiscal year ended December 31, 2015 and reviewed its calculation method of retirement benefit obligations and current service cost. Accordingly, the Company changed the method of attributing expected benefit to

periods from the straight-line basis to the benefit formula basis. In addition, the Company changed the method for determining the bond maturity that forms the basis for determining the discount rate from a method that is based on a period approximate to the average remaining working lives of employees to one that uses different discount rates set according to each estimated timing of benefit payment.

The application of the Accounting Standard for Retirement Benefits and its Guidance by the Company is subject to the tentative treatment provided for in Section 37 of the Accounting Standard for Retirement Benefits. Consequently, the effects of the changes in the calculation method of retirement benefit obligations and current service cost were recognized in retained earnings as of the beginning of the fiscal year ended December 31, 2015.

As a result, as of the beginning of the fiscal year ended December 31, 2015, net defined benefit asset increased by ¥826 million, net defined benefit liability decreased by ¥4,361 million, and retained earnings increased by ¥3,326 million. The impact from this on operating income, ordinary income and income before income taxes and minority interests of the fiscal year ended December 31, 2015 is immaterial.

The impact from this on per share information is provided in the relevant section.

CHANGES IN PRESENTATION

1. Consolidated balance sheet
“Lease assets,” which was included in “Other” under “Property, plant, and equipment” in the previous fiscal year (¥2,560 million in the previous fiscal year), is reported as a separate item from the fiscal year under review because it now accounts for more than 1% of total assets.
2. Consolidated statements of income
“Impairment loss,” which was included in “Other” under “Extraordinary loss” in the previous fiscal year (¥130 million in the previous fiscal year), is reported as a separate item from the fiscal year under review because it now accounts for more than 10% of total extraordinary loss.

CONSOLIDATED BALANCE SHEET

1. Assets pledged as collateral

Assets pledged as collateral are shown below:

Buildings and structures	¥1,368 million
Land	¥4,768 million
Total	¥6,136 million

Liabilities corresponding to the above:

Long-term debt (Note)	¥250 million
Note: Current portion of long-term debt.	

2. Accumulated depreciation of property, plant, and equipment ¥387,473 million

CONSOLIDATED STATEMENT OF INCOME

1. Equity in losses of affiliates
The main component was an impairment loss of ¥5,779 million recorded for the goodwill equivalent related to an equity method affiliate in Indonesia.
2. Gain on step acquisitions
Gain on step acquisitions was recorded following the step acquisitions of shares of Japan Beverage Holdings Inc.
3. Impairment loss
The Group recorded impairment loss for the following asset groups.

Use	Location	Classification
Idle assets (Overseas)	Indonesia, etc.	Machinery, equipment, and other, etc.
Business assets (Overseas)	Indonesia, etc.	Goodwill, etc.
Idle assets (Japan)	Chuo-ku, Tokyo, etc.	Machinery, equipment, and other, etc.

The Group grouped its assets by businesses that are units of investment decision-making. For idle assets, the Group grouped each property as a separate item.

As a result, the Group has reduced book values of idle assets to the recoverable amounts because the relevant assets' market values fell considerably lower than the book value, and it has reduced book values of some of the business assets to the recoverable amounts because the relevant assets' recoverability is not recognized over the estimated future cash

flow period. The Group has recorded the relevant amount of reduction as an impairment loss (¥12,326 million). A breakdown of impairment loss is as follows: ¥9,513 million in intangible fixed assets such as goodwill, ¥2,513 million in machinery, equipment, and other, and ¥299 million in other. The recoverable amounts by asset group are either measured by the net realizable value or by the value in use. When calculating the net realizable value, the estimated disposal amount is mainly used, and when calculating the value in use, the future cash flows are discounted by 6.7%–16.5%.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. Total number of issued shares as of December 31, 2015: Common stock 309,000,000 shares

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

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date
At Ordinary General Meeting of Shareholders held on March 27, 2015	Common stock	¥9,579 million	¥31.00	December 31, 2014	March 30, 2015
At Meeting of the Board of Directors held on August 6, 2015	Common stock	¥10,197 million	¥33.00	June 30, 2015	September 3, 2015

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

Resolution [Plan]	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date
At Ordinary General Meeting of Shareholders held on March 30, 2016	Common stock	¥10,815 million	¥35.00	December 31, 2015	March 31, 2016

FINANCIAL INSTRUMENTS

1. Matters relating to the conditions of financial instruments

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

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

The Company's overseas consolidated subsidiaries invest cash on hand in financial assets that have high levels of safety and adhere to the policy of never conducting investments for trading profit or for speculative purposes. These overseas subsidiaries follow a policy of procuring funds through borrowing from the Company or from financial institutions after considering the market situation etc.

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

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

2. Matters on fair values of financial instruments

The consolidated balance sheet amounts and fair values as of December 31, 2015, and variances thereof are shown below. However, items of which it is considered extremely difficult to figure out fair values are not included in the following table (see Note 2).

(Millions of yen)			
	Balance sheet amount	Fair value	Variance
Assets			
(1) Cash and deposits	97,746	97,746	-
(2) Notes and accounts receivable-trade	156,918	156,918	-
(3) Investment securities	4,847	4,847	-
Total assets	259,513	259,513	-
Liabilities			
(1) Notes and accounts payable-trade	119,831	119,831	-
(2) Electronically recorded obligations-operating	13,619	13,619	-
(3) Short-term borrowings	113,649	114,042	393
(4) Consumption taxes payable	6,471	6,471	-
(5) Accrued income taxes	13,138	13,138	-
(6) Accounts payable-other	87,508	87,508	-
(7) Accrued expenses	47,661	47,661	-
(8) Bonds payable	40,000	40,659	659
(9) Long-term debt	258,743	262,123	3,379
Total liabilities	700,625	705,058	4,432
Derivatives (*)	396	396	-

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

Notes:

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

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

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

(3) Investment securities

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

Liabilities

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

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

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

(8) Bonds payable

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

(9) Long-term debt

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

Derivatives

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

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

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

Category	Balance sheet amount
Investment securities	
Unlisted stocks (Stocks of subsidiaries and affiliates)	¥4,337 million
Unlisted stocks (Available-for-sale securities)	¥743 million

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

PER SHARE INFORMATION

- Equity per share ¥1,888.33
- Net income per share ¥137.42

As stated in “CHANGES IN ACCOUNTING POLICIES (Application of the Accounting Standard for Retirement Benefits and its Guidance),” the Company applied the Accounting Standard for Retirement Benefits and its Guidance by following the tentative treatment provided for in Section 37 of the Accounting Standard for Retirement Benefits.

As a result, equity per share for the fiscal year ended December 31, 2015, increased by ¥10.77. The impact from this on net income per share is immaterial.

BUSINESS COMBINATIONS, ETC.

Business combination through acquisition

[Outline of business combination]

- Name of acquired entity, nature of business of acquired entity and acquired brand
 - Name of acquired entity: Japan Beverage Holdings Inc.
Nature of business of acquired entity: Formation and promotion of corporate strategy for entire group companies, sale of various foods and beverages via vending machines
 - Name of acquired entity: JT A-Star Co., Ltd.
Nature of business of acquired entity: Sale of various foods and beverages via vending machines
 - Name of acquired entity: Japan Beverage Ecology Inc.
Nature of business of acquired entity: Beverage container recycling and sales of processed goods
 - Acquired brand: “Roots” and “Momo no Tennensui” brands
- Name of counterparty company
Japan Tobacco Inc.
- Main reason for carrying out business combination
Japan Beverage Holdings Inc. and its subsidiaries have established the position as the best independent operator in the Japanese beverage market by leveraging various product lines including vending machines, tea servers, and coffee servers.

JT A-Star Co., Ltd. together with its subsidiary, Oriental Co., Ltd., are the leading vending machine operators having a solid operating base mostly in Chiba, Ibaraki, and Tochigi Prefectures.
- Date of business combination
July 31, 2015

5. Legal form of business combination
Acquisition of shares and the beverage brand of the beverage vending machine operator in exchange for cash
6. Name of entity after business combination
There is no change in the name.
7. Voting rights acquired
- (1) Japan Beverage Holdings Inc.
- | | |
|---|-------|
| (a) Ratio of voting rights before business combination (*1): | 12.0% |
| (b) Ratio of additional voting rights acquired on the date of business combination: | 70.5% |
| (c) Ratio of voting rights after business combination (*1): | 82.6% |
- (*1) The figures include the portion of voting rights indirectly owned by the Company through Suntory Foods, Limited (12.0%).
- (2) JT A-Star Co., Ltd.
- | | |
|--|--------|
| Ratio of voting rights acquired on the date of business combination: | 100.0% |
|--|--------|
- (3) Japan Beverage Ecology Inc.
- | | |
|---|--------|
| Ratio of voting rights acquired on the date of business combination (*2): | 100.0% |
|---|--------|
- (*2) The figure includes the portion of voting rights indirectly owned by the Company through Japan Beverage Holdings Inc. (50.2%).
8. Main grounds for deciding acquiring entity
The Company's acquisition of shares and the beverage brand in exchange for cash
9. Period of business results of acquiree included in consolidated financial statements
From August 1, 2015 to December 31, 2015
10. Acquisition cost and breakdown thereof
- | | |
|---|---------------------|
| Acquisition consideration (*3): | ¥166,813 million |
| <u>Direct costs of the acquisition:</u> | <u>¥238 million</u> |
| Acquisition cost: | ¥167,052 million |
- (*3) It includes cash disbursed on the date of business combination and market values, etc. of the common stock held immediately before the business combination.
11. Difference of the acquisition cost of the acquired company and the total amount of acquisition cost of every transaction associated to the acquisition
- | | |
|----------------------------|-----------------|
| Gain on step acquisitions: | ¥15,698 million |
|----------------------------|-----------------|
12. Amount of goodwill recognized, reason for recognition, and method and period for amortization of goodwill
- (1) Amount of goodwill recognized: ¥133,359 million
- (2) Reason for recognition
Since the acquisition cost exceeded the net amount of assets acquired and liabilities assumed respectively allocated as of the business combination date, the difference between the two was recognized as goodwill.
- (3) Method and period for amortization of goodwill
Straight line amortization over 20 years
13. Amount and components of assets acquired and liabilities assumed on date of business combination
- | | |
|---------------------------|------------------------|
| Current assets: | ¥42,097 million |
| Noncurrent assets: | ¥57,304 million |
| <u>Total assets:</u> | <u>¥99,401 million</u> |
| Current liabilities: | ¥35,626 million |
| Long-term liabilities: | ¥23,368 million |
| <u>Total liabilities:</u> | <u>¥58,995 million</u> |
| Minority interests: | ¥6,713 million |

SIGNIFICANT SUBSEQUENT EVENTS

No items to report.

NOTES ON OTHER MATTERS

Additional Information

Establishment of a subsidiary for Full-line Beverage Service Business

The Company resolved, at the meeting of the Board of Directors held on December 10, 2015, to establish Suntory Beverage Solution Limited (the “New Company”) as a new subsidiary of the Company, and to make the New Company start the business operations of the vending machine business, fountain business and water business (“Full-line Beverage Service Business”) currently operated by the Company’s consolidated subsidiary Suntory Foods Limited on April 1, 2016 (planned).

[Outline of business combination]

1. Name and description of the business involved in the business combination

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

2. Date of business combination
April 1, 2016 (planned)

3. Legal form of business combination
It is planned that the business combination will follow an absorption-type company split under which Suntory Foods Limited will be the splitting company and newly established Suntory Beverage Solution Limited will be the successor company.

4. Name of entity after business combination
Suntory Beverage Solution Limited

5. Other matters regarding the outline of the transaction
The transaction will be conducted in order to expedite decision-making regarding this business within the Group, to improve customer satisfaction, and to increase management efficiency. Moreover, the Group aims to accelerate the expansion of its customer base even further by unifying its strategy to further enhance customer response capabilities and sales capabilities, as well as providing high added value to customers through the development of new products and services.

6. Outline of the accounting treatment to be adopted
This absorption-type company split will be accounted for as a transaction under common control pursuant to the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on September 13, 2013) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 issued on September 13, 2013).

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

Balance Sheet
(As of December 31, 2015)

(Unit: Millions of yen)

Assets		Liabilities	
Account Titles	Amount	Account Titles	Amount
Current assets	177,535	Current liabilities	203,501
Cash and deposits	34,475	Accounts payable–trade	60,892
Accounts receivable–trade	75,512	Electronically recorded obligations–operating	6,104
Merchandise and finished goods	26	Current portion of long-term debt	91,860
Work in process	826	Accounts payable–other	9,976
Raw materials and supplies	6,239	Accrued expenses	13,059
Advance payments–trade	113	Consumption taxes payable	1,590
Prepaid expenses	652	Accrued income taxes	4,035
Deferred tax assets	1,547	Deposits received	11,489
Short-term loans receivable	48,900	Provision for bonuses	1,829
Accounts receivable–other	7,796	Other	2,662
Other	1,446		
Noncurrent assets	850,740	Long-term liabilities	308,729
Property, plant, and equipment	27,858	Bonds payable	40,000
Buildings	882	Long-term debt	248,843
Machinery and equipment	2,030	Deferred tax liabilities	19,191
Tools, furniture and fixtures	852	Liability for employee retirement benefits	487
Land	23,979	Asset retirement obligations	189
Construction in progress	73	Other	18
Other	40		
Intangible fixed assets	814	Total liabilities	512,231
Goodwill	776	Equity	
Other	38	Shareholders' equity	516,397
Investments and other assets	822,067	Common stock	168,384
Stocks of subsidiaries and affiliates	696,744	Capital surplus	213,425
Long-term loans receivable from subsidiaries and affiliates	119,982	Legal capital surplus	145,884
Guarantee deposits	858	Other capital surplus	67,541
Long-term prepaid expenses	463	Retained earnings	134,587
Prepaid pension cost	3,940	Other retained earnings	134,587
Other	78	Reserve for advanced depreciation of noncurrent assets	978
Deferred assets	348	General reserve	34,982
Stock issuance expenses	217	Retained earnings brought forward	98,625
Bond issuance expenses	131	Valuation and translation adjustments	(3)
		Unrealized gain on available-for-sale securities	31
		Deferred loss on derivatives under hedge accounting	(34)
		Total equity	516,393
Total assets	1,028,624	Total liabilities and equity	1,028,624

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

Statement of Income
(For the year ended December 31, 2015)

(Unit: Millions of yen)

Account Titles	Amount	
Net sales		377,601
Cost of sales		276,843
Gross profit		100,758
Selling, general and administrative expenses		72,749
Operating income		28,008
Non-operating income		
Interest income	2,572	
Dividend income	18,389	
Other	668	21,630
Non-operating expenses		
Interest expense	2,758	
Amortization of stock issuance expenses	434	
Other	468	3,660
Ordinary income		45,979
Extraordinary income		
Gain on sales of noncurrent assets	2	2
Extraordinary loss		
Impairment loss	967	
Restructuring loss	1,041	
Other	2	2,011
Income before income taxes		43,969
Income taxes—current	7,550	
Income taxes—deferred	2,135	9,685
Net income		34,284

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

Statement of Changes in Equity
(For the year ended December 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings				Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings			Total retained earnings	
					Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward		
Balance at January 1, 2015	168,384	145,884	67,541	213,425	938	34,982	81,221	117,142	498,952
Cumulative effects of changes in accounting policies							2,936	2,936	2,936
Restated balance	168,384	145,884	67,541	213,425	938	34,982	84,157	120,078	501,888
Changes of items during the fiscal year									
Cash dividends							(19,776)	(19,776)	(19,776)
Net income							34,284	34,284	34,284
Increase in reserve for advanced depreciation of noncurrent assets due to change in tax rate					48		(48)	–	–
Reversal of reserve for advanced depreciation of noncurrent assets					(8)		8	–	–
Net changes of items other than shareholders' equity									
Total changes of items during the fiscal year	–	–	–	–	40	–	14,468	14,508	14,508
Balance at December 31, 2015	168,384	145,884	67,541	213,425	978	34,982	98,625	134,587	516,397

	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, 2015	26	234	260	499,213
Cumulative effects of changes in accounting policies				2,936
Restated balance	26	234	260	502,149
Changes of items during the fiscal year				
Cash dividends				(19,776)
Net income				34,284
Increase in reserve for advanced depreciation of noncurrent assets due to change in tax rate				—
Reversal of reserve for advanced depreciation of noncurrent assets				—
Net changes of items other than shareholders' equity	4	(268)	(264)	(264)
Total changes of items during the fiscal year	4	(268)	(264)	14,244
Balance at December 31, 2015	31	(34)	(3)	516,393

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

Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Available-for-sale securities:

Securities with readily determinable fair value:

Stated at fair market value, based on market quotation at the balance sheet date.

(Unrealized gains and losses, net of applicable income taxes, are reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.)

Securities without readily determinable fair value:

Stated at cost determined by the moving-average method.
 - (2) Derivatives: Stated at fair value.
 - (3) Inventories: Stated at cost determined by the periodic average method.
 - (The value stated in the balance sheet is determined according to write-downs based on the decreased profitability of assets.)

2. Depreciation and amortization of noncurrent assets
 - (1) Property, plant, and equipment

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

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

Intangible fixed assets are amortized by the straight-line method. Goodwill is equally amortized over 20 years. Software for internal use is amortized by the straight-line method over the internally estimated useful lives (within 5 years).

3. Basis for provision of reserves
 - (1) Provision for bonuses

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

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

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

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

Prior service cost is amortized by the straight-line method over the period (15 years), which is shorter than the average remaining service life of employees as incurred, and unrecognized actuarial differences are amortized by the straight-line method over the period (15 years) which is shorter than the average remaining service life of employees as incurred from the year following that in which they arise.

4. Other significant matters forming the basis of preparing financial statements
 - (1) Method of hedge accounting

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

Stock issuance expenses are equally amortized over 3 years starting from the time of issuance.

Bond issuance expenses are amortized by the straight-line method over the period up to bond redemption.
 - (3) Accounting for consumption taxes

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

CHANGES IN ACCOUNTING POLICIES

Application of the Accounting Standard for Retirement Benefits and its Guidance

For the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015), the Company has additionally applied the provisions specified under the main clause of Section 35 of the Accounting Standard for Retirement Benefits and the main clause of Section 67 of the Guidance on the Accounting Standard for Retirement Benefits from the fiscal year ended December 31, 2015 and reviewed its calculation method of retirement benefit obligations and current service cost. Accordingly, the Company changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis. In addition, the Company changed the method for determining the bond maturity that forms the basis for determining the discount rate from a method that is based on a period approximate to the average remaining working lives of employees to one that uses different discount rates set according to each estimated timing of benefit payment.

The application of the Accounting Standard for Retirement Benefits and its Guidance by the Company is subject to the tentative treatment provided for in Section 37 of the Accounting Standard for Retirement Benefits. Consequently, the effects of the changes in the calculation method of retirement benefit obligations and current service cost were recognized in retained earnings as of the beginning of the fiscal year ended December 31, 2015.

As a result, as of the beginning of the fiscal year ended December 31, 2015, prepaid pension cost increased by ¥3,584 million, liability for employee retirement benefits decreased by ¥977 million, and retained earnings increased by ¥2,936 million. The impact from this on operating income, ordinary income and income before income taxes of the fiscal year ended December 31, 2015 is immaterial.

As a result, equity per share for the fiscal year ended December 31, 2015 increased by ¥9.50. The impact from this on net income per share is immaterial.

CHANGES IN PRESENTATIONS

Statement of income

“Gain on sales of noncurrent assets,” which was included in “Other” under “Extraordinary Income” in the previous fiscal year is reported as a separate item because it has become material in terms of amount.

Account titles	For the year ended December 31, 2014
Gain on sales of noncurrent assets	¥0 million

BALANCE SHEET

1. Assets pledged as collateral

Assets pledged as collateral are shown below:

Buildings	¥5 million
Land	¥4,768 million
Total	¥4,773 million

Liabilities corresponding to the above:

Long-term debt (Note)	¥250 million
Note:	Current portion of long-term debt.

2. Accumulated depreciation of property, plant, and equipment ¥7,569 million

3. 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.

PT SUNTORY GARUDA BEVERAGE	¥11,569 million
Suntory Capital, Inc.	¥8,375 million
TRITEGUH MANUNGGALSEJATI, PT.	¥3,500 million
Suntory Products Limited	¥2,445 million
Other	¥3,200 million
Total	¥29,091 million

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

Short-term monetary receivables	¥127,184 million
Short-term monetary payables	¥18,969 million
Long-term monetary payables	¥3 million

STATEMENT OF INCOME

Transactions with associate companies

Volume of operating transactions	
Net sales	¥366,682 million
Cost of sales	¥49,090 million
Selling, general and administrative expenses	¥22,090 million
Volume of non-operating transactions	
Non-operating income	¥21,552 million
Non-operating expenses	¥17 million

STATEMENT OF CHANGES IN EQUITY

Number of treasury shares as of December 31, 2015: No items to report.

TAX EFFECT ACCOUNTING

1. Significant components of deferred tax assets

Temporary differences for investments in subsidiaries	¥3,672 million
Accounts payable–other	¥575 million
Provision for bonuses	¥554 million
Accrued enterprise tax	¥349 million
Other	¥570 million
Subtotal	¥5,721 million
Valuation allowance	¥(3,741) million
Total deferred tax assets	¥1,980 million

2. Significant components of deferred tax liabilities

Temporary differences for investments in subsidiaries	¥(17,872) million
Prepaid pension cost	¥(1,271) million
Reserve for advanced depreciation of noncurrent assets	¥(466) million
Other	¥(15) million
Total deferred tax liabilities	¥(19,624) million
Net deferred tax liabilities	¥(17,644) million

NONCURRENT ASSETS USED THROUGH LEASES (EXCEPT FOR THOSE BOOKED ON BALANCE SHEET)

1. Acquisition cost equivalent of leases as of December 31, 2015:	¥137 million
2. Accumulated depreciation equivalent of leases as of December 31, 2015:	¥122 million
3. Present value of future minimum lease payments equivalent of leases as of December 31, 2015:	¥16 million

PER SHARE INFORMATION

1. Equity per share	¥1,671.18
2. Net income per share	¥110.95

RELATED PARTY TRANSACTIONS

Attribute	Name of company	Percentage of voting rights owned or owning	Relationship	Content of transaction	Transaction amount (Millions of yen) (Note 1)	Account title	Balance as of December 31, 2015 (Millions of yen) (Note 1)
Parent company's subsidiary	Suntory Business Expert Limited	None	-Contract work of indirect operations	Advance payment for raw materials, etc. (Note 2)	-	Accounts payable-trade	59,892
Subsidiary	Suntory Foods Limited	Directly owning 100%	-Sales of products of the Company -Interlocking of officers	Sales of products of the Company (Note 3)	366,315	Accounts receivable-trade	74,709
Subsidiary	Suntory Products Limited	Directly owning 100%	-Outsourcing of manufacturing operations -Interlocking of officers	Payment of processing fee (Note 3)	44,800	Accounts payable-other	3,658
Subsidiary	Suntory Beverage & Food Asia Pte. Ltd.	Directly owning 100%	-Proceeds from dividends -Interlocking of officers	Dividend income (Note 4)	5,805	-	-
Subsidiary	PT SUNTORY GARUDA BEVER-AGE	Indirectly owning 51.0%	-Guarantee for obligations	Guarantee for obligations (Note 5)	11,569	-	-
Subsidiary	Orangina Schweppes Holding B.V.	Directly owning 100%	-Money lending	Capital reduction with compensation (Note 6)	13,298	-	-
				Money lending (Note 7)	align="right">67,202	Short-term loans receivable	27,671
						Long-term loans receivable from subsidiaries and affiliates	39,531
Proceeds from interest (Note 7)	493	Other current assets	295				
Subsidiary	Lucozade Ribena Suntory Limited	Directly owning 100%	-Money lending	Money lending (Note 7)	align="right">89,390	Short-term loans receivable	8,939
						Long-term loans receivable from subsidiaries and affiliates	80,451
				Proceeds from interest (Note 7)	1,835	Other current assets	612

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

Notes:

- Consumption taxes are not included in the transaction amounts. Consumption taxes are included in the balance as of December 31, 2015.
- This advance payment was implemented by Suntory Business Expert Limited to external business partners, etc. As the transactions were not direct transactions with a parent company's subsidiary, the disclosure of transaction amount is omitted.
- Price and other terms and conditions of transactions are decided upon negotiations with each of counterparties considering the actual market prices.
- 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.
- The Company extends guarantee for the subsidiary's obligations for borrowings. The Company receives a guarantee fee of 0.1% per annum.
- Capital reduction with compensation represents capital reduction made by the subsidiary.

7. Money borrowing and money lending are carried out based on the group company loan system. Applicable interest rates are decided considering the market interest rates. Transaction amounts of money borrowing and money lending indicate the balance as of December 31, 2015.

SUBSEQUENT EVENTS

No items to report.

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

Audit Report by Accounting Auditor Pertaining to Consolidated Financial Statements

AUDIT REPORT BY INDEPENDENT AUDITOR

February 5, 2016

To: Board of Directors
Suntory Beverage & Food Limited

Deloitte Touche Tohmatsu LLC

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

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

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

We have audited, pursuant to the provisions of Article 444, Paragraph 4 of the Companies Act, the Consolidated Financial Statements of Suntory Beverage & Food Limited (the “Company”) for the consolidated fiscal year which commenced on January 1, 2015 and ended on December 31, 2015, i.e., the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Conflicts of Interest

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

[End]

Audit Report by Accounting Auditor Pertaining to Financial Statements

AUDIT REPORT BY INDEPENDENT AUDITOR

February 5, 2016

To: Board of Directors
Suntory Beverage & Food Limited

Deloitte Touche Tohmatsu LLC

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

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

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

We have audited, pursuant to the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act, the Financial Statements of Suntory Beverage & Food Limited (the “Company”) for the 7th business term which commenced on January 1, 2015 and ended on December 31, 2015, i.e., the Balance Sheet, the Statement of Income, the Statement of Changes in Equity and Notes to Financial Statements, and the Supplementary Schedules.

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

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

Auditors' Responsibility

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

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

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

Opinion

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

Conflicts of Interest

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

[End]

Audit Report by Audit and Supervisory Committee

AUDIT REPORT

The Audit and Supervisory Committee (the “Committee”) of Suntory Beverage & Food Limited (the “Company”) has audited the performance of the duties of Directors during the 7th business term which commenced on January 1, 2015 and ended on December 31, 2015. 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 controls system), the Committee periodically received reports from the Directors, employees and other personnel concerning the establishment and management of such system, sought explanations as necessary, and expressed opinions. In addition, the Committee carried out audits according to the following method:

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

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

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

2. Result of audit

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

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

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

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

Independent Auditor, are reasonable.

(3) Result of audit of the Consolidated Financial Statements

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

February 12, 2016

Audit and Supervisory Committee of
Suntory Beverage & Food Limited

Full-time Audit and Supervisory Committee Member

Seiichiro Hattori (seal)

Audit and Supervisory Committee Member

Yukihiko Uehara (seal)

Audit and Supervisory Committee Member

Harumichi Uchida (seal)

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