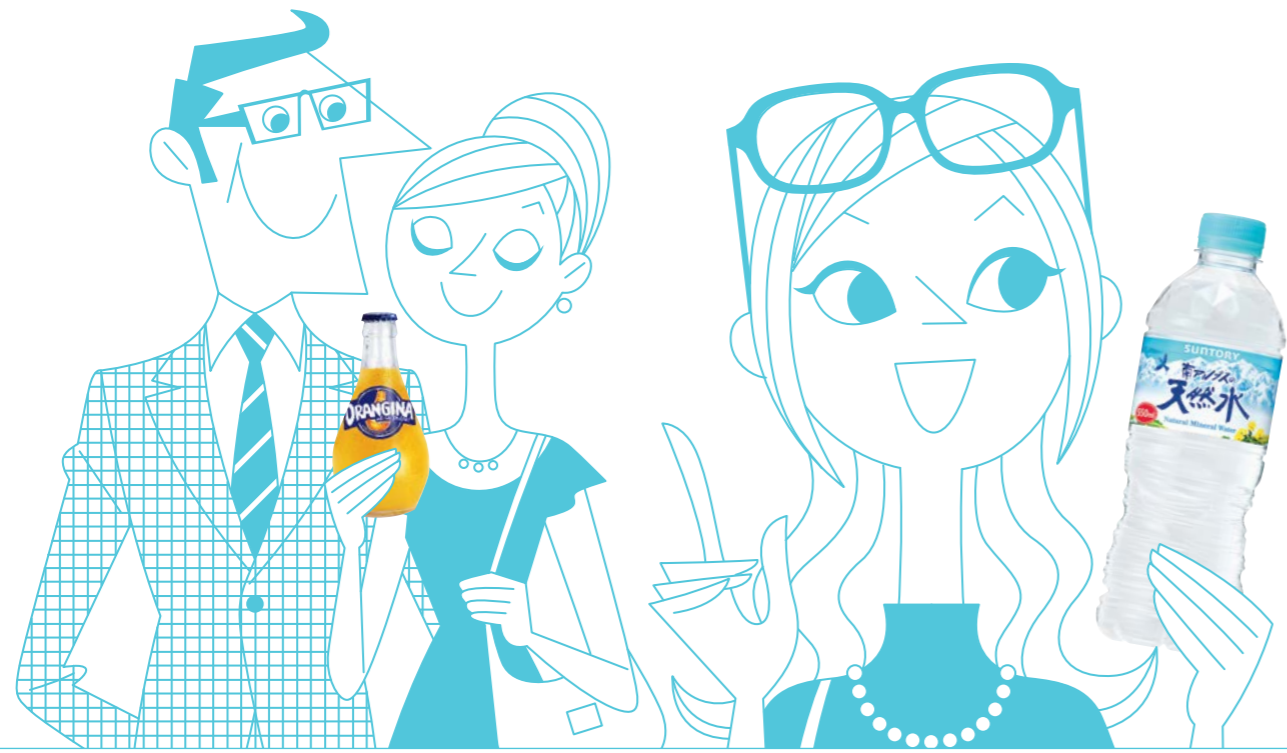


# ANNUAL REPORT 2015





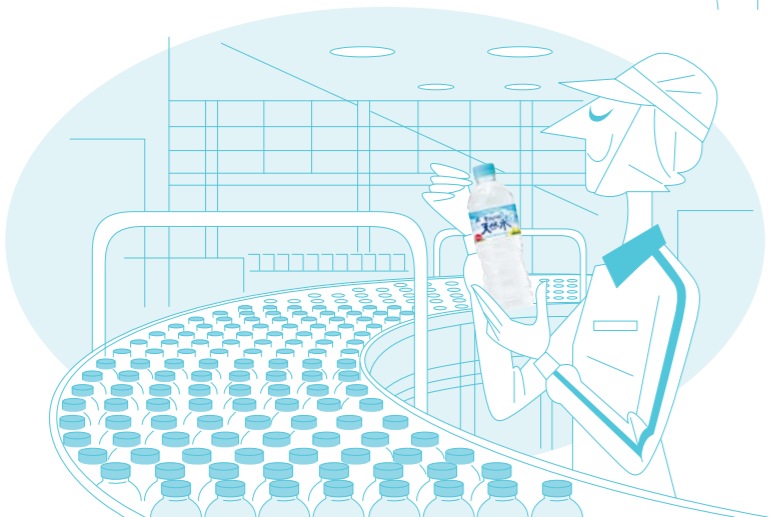
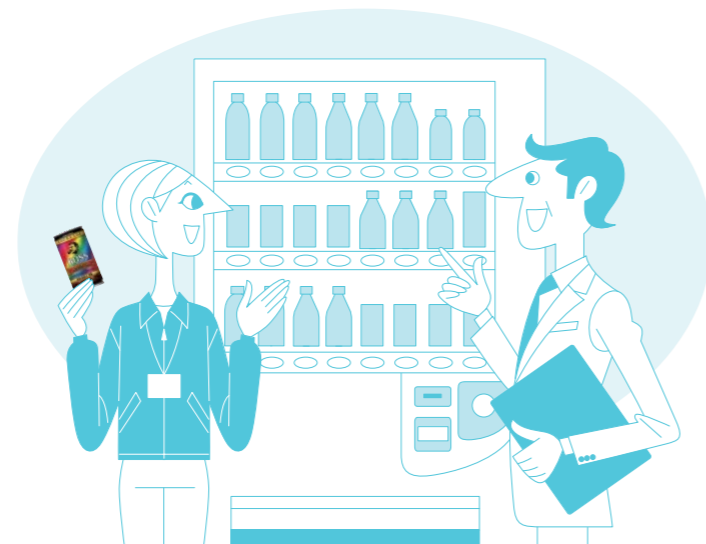
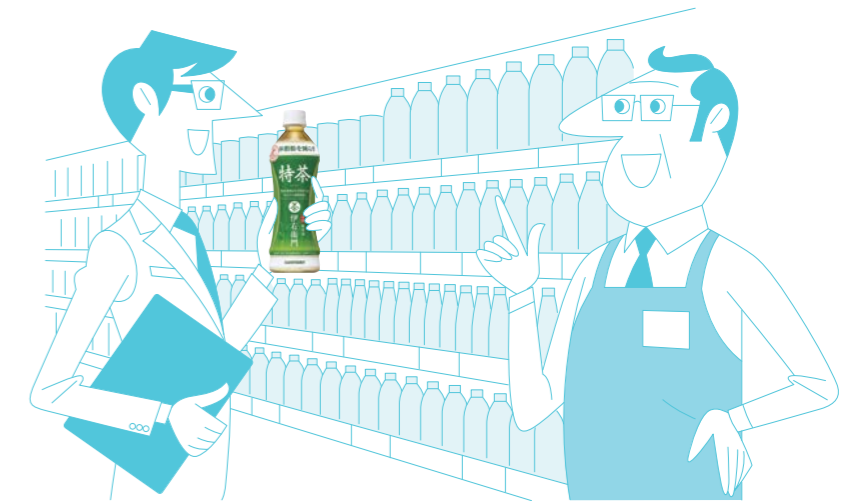
**Our vision for value**

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



**Our vision for the Company**

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



**Contents**

President's Message .....	4	Strategy Overseas .....	26
Brand Equity x Innovation .....	8	Europe .....	28
Innovation of R&D .....	10	Asia .....	30
Innovation of Production .....	12	Oceania / Americas .....	32
Innovation of Marketing .....	14	CSR Approach and Initiatives .....	34
Innovation of Sales .....	16	Corporate Governance .....	38
Performance Highlights .....	18	Board of Directors .....	46
Business Overview .....	20	Financial Section .....	47
Strategy in Japan .....	22	Corporate Overview .....	98
		Stock Overview .....	99

**Forward-Looking Statements**

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

## President's Message



Saburo Kogo  
President & CEO

### Opening Greetings

My name is Saburo Kogo, and I have recently been appointed as president and CEO of Suntory Beverage & Food Limited.

Suntory Beverage & Food (SBF) has until now adopted a medium-to-long-term vision of becoming a leading global soft drink company. Guided by that vision, the Company has grown its existing businesses and enhanced its global business foundation by such means as conducting M&A both in Japan and overseas. Now, the Company has reached a stage where it must reinforce its enhanced business foundation and accelerate organic growth in order to achieve further rapid progress. I have assumed the responsibility of the Company in this next stage.

To fulfill that responsibility, I believe that my most important mission is to lead the Company through this stage of further rapid progress by steadily carrying out the reinforcement of the existing business foundation while achieving accelerated growth. In working to accomplishing this mission, I would like us to continue to evolve our brand and innovation strategy and our high-value-added strategy, which we have made strenuous efforts to implement domestically. At the same time, I see us expanding these strategies globally, which will help accelerate the growth of our existing businesses both in Japan and overseas and reinforce our earnings foundation.

In addition, we will embrace the essence of "*Yatte Minahare – Go for it!*" which continuously flows through the Suntory Group, and engage in open and natural debate Groupwide. With an emphasis on creativity and originality, we will aim for an in-house culture that gives rise to new ideas and innovations one after the other.

## Management Strategies for 2015–2017

By having its shares listed on the Tokyo Stock Exchange and conducting M&A, SBF has enhanced its business foundation. In 2015, we established management strategies for 2015–2017 that aim to leverage our business foundation to accelerate independent growth in each area of our operations while creating synergies and promoting integrated development.

1. Maintain a focus on core geographical areas
2. Establish a strong market presence in each geographical area
3. Promote integrated development

The key targets for existing businesses are as follows.

### Key targets

#### Operating profit

Mid single digit or above CAGR growth  
Further improve ratio of operating income to net sales

#### ROE

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

## Review of 2015 and Forecasts for 2016

In the fiscal year ended December 31, 2015, the first year after establishing our management strategies for 2015–2017, we engaged in initiatives in three different areas. First, we worked to strengthen our brands. In Japan, sales of core brands, such as *Suntory Tennensui* and *Boss*, grew steadily due to the introduction of new, high-value-added products. Overseas, *Schweppes* performed well in Europe, as did the *TEA+ Oolong Tea* in Vietnam. Second, we made efforts to reinforce our distribution network. No matter how strong of a product portfolio we possess, consumers will not be able to experience the value of our products if we do not have a strong distribution network that can deliver our products to them. Domestically, we joined forces with the Japan Beverage Group in August 2015, thereby acquiring a foundation for a “full-line beverage service business.” And third, we endeavored to reduce manufacturing costs. In Japan, we started up a new manufacturing line at the Minami Alps Hakushu Water Plant and a manufacturing line for bottle-shaped canned coffee at the Haruna Plant. We also moved forward with increasing the number of products with roll labels and expanding the use of lightweight PET bottle caps. In addition, we extended the cost reduction know-how we have long cultivated in Japan into countries overseas.

As a result of these initiatives, net sales increased 9.8% year on year, to ¥1,381.0 billion, and operating income rose 7.0%, to ¥92.0 billion. Net income was up 17.2%, to ¥42.5 billion.

At SBF, we view 2016 as a year that carries great significance for reinforcing our existing businesses and realizing independent growth. As such, we will engage in initiatives in accordance with three policies.

The first policy is to bolster the growth and earning power of our existing businesses. To this end, we will create new demand by reinforcing our brands and introducing high-value-added products. We will also strengthen our product portfolio in each country where we operate. In addition, we will work to redevelop and revamp our business foundation in Asia and Africa to capture market growth in these regions.

The second is to take on the challenge of introducing a new business model. I would like to introduce our initiatives in Japan as an example of this policy. In 2015, we welcomed Japan Beverage Holdings Inc. and A-Star Co., Ltd. into the SBF Group. With this move, we acquired a “full-line beverage service business” that offers consumers a wide range of options for enjoying beverage products, including vending machines that offer products of other beverage manufacturers, cup-type vending machines, tea servers, and coffee servers, in addition to the can and PET bottle products of SBF. We will advance this business by drawing on our product and vending machine development capabilities, networks, and synergies among Group companies as well as on the collaborations with external partners. In this way, we will offer new solutions to the workplace.

The third policy is to bring out our global synergies. By leveraging our product portfolio, which differs from those of other major beverage companies around the world by emphasizing the concepts of “natural & healthy” and “unique & premium,” we will combine the development and production technologies that our Group companies have cultivated over the years to roll out new products on a global scale. In addition, we will collaborate with Group companies in raw material procurement and share the know-how we possess in terms of production. We will also promote the optimal placement of human resources that extends beyond geographical boundaries.

As for forecasts for the fiscal year ending December 31, 2016, we anticipate a 3.5% increase in net sales, to ¥1,430.0 billion, and a 2.2% decrease in operating income, to ¥90.0 billion. We are also expecting a 4.6% decline in net income, to ¥40.5

billion. On a currency neutral basis, we forecast a 6.6% rise in net sales and a 3.2% increase in operating income.

## Efforts toward Enhancing Shareholder Value

At SBF, we believe our prioritization of strategic investments as well as capital expenditures for sustainable revenue growth and increasing the value of our business 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. 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. In 2015, we declared an annual dividend of ¥68 per share, a year-on-year increase of ¥8 per share.

In addition, we intend to apply the IFRS for consolidated financial statements, commencing from the fiscal year ending December 31, 2017. Amid the ongoing globalization of the SBF Group's business activities, we aim to improve the quality of the SBF Group's business management through unified financial reporting standards and to increase international comparability of our financial information in the capital markets.



Saburo Kogo  
President & CEO



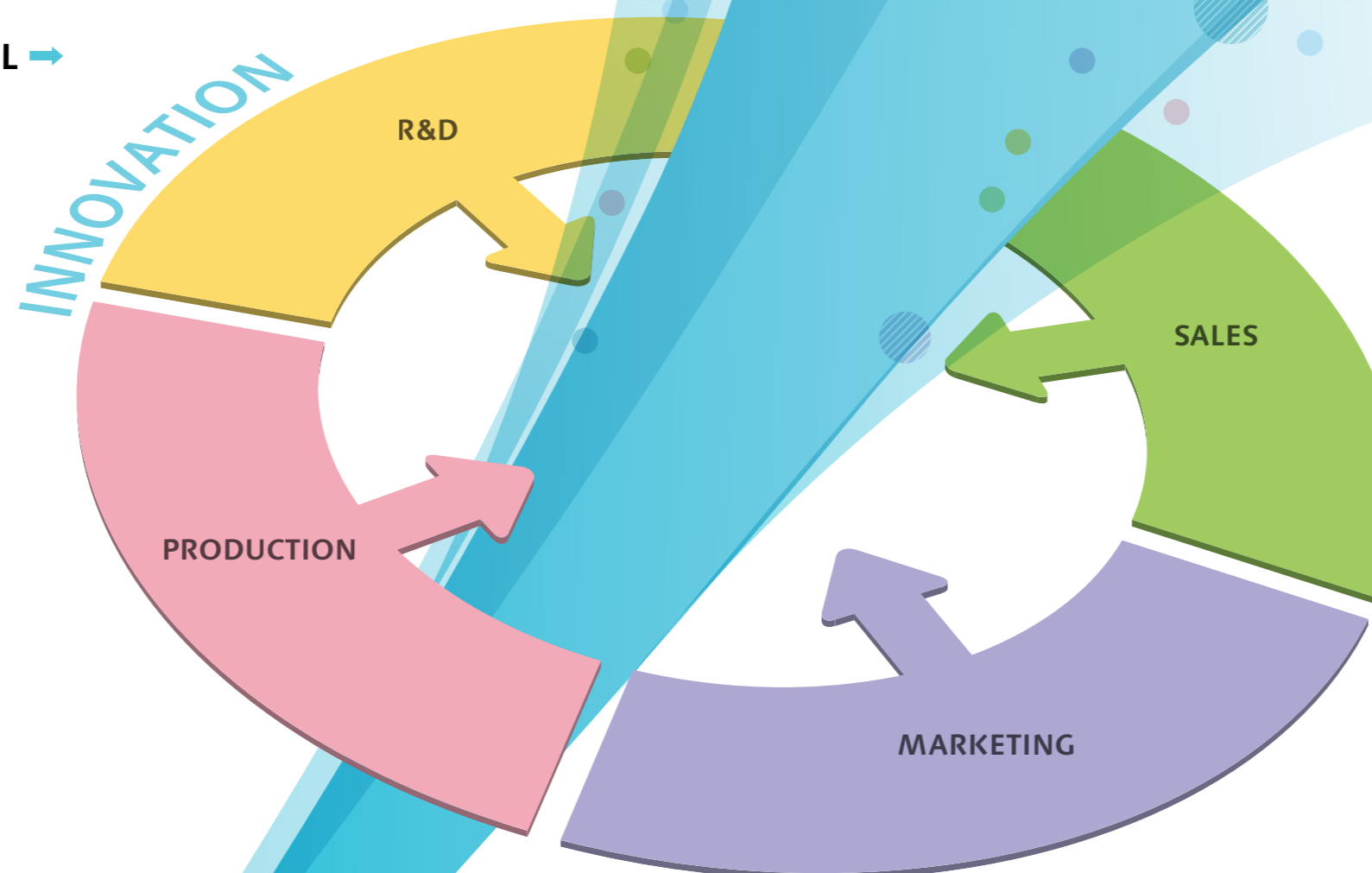
President & CEO Kogo with the regional CEOs

## THE STRENGTHS of Suntory Beverage & Food

At SBF, we leverage the brand equity that we have cultivated over many years to create innovations in all stages of our business, from R&D and production to marketing and sales. By incorporating the concept of "newness," we have realized a virtuous cycle that further enhances our brand equity.

We believe that, through this virtuous cycle, we will be able to increase our competitiveness and achieve sustainable growth.

### Suntory Beverage & Food's VALUE CREATION MODEL →



#### Innovation of R&D

Development of high-value-added products and products that offer new value to consumers

For more details → P.10

#### Innovation of PRODUCTION

Enhancement of cost competitiveness with an emphasis on safety, security, and high quality

For more details → P.12

#### Innovation of SALES

Implementation of sales that allows consumers to experience the value of our products without relying on low prices

For more details → P.16

#### Innovation of MARKETING

Thorough and quick understanding of the diverse needs of consumers to create new demand

For more details → P.14

## Innovation of R&D



Iyemon Tokucha

## High-Value-Added Products that Leverage Our R&D Capabilities

At SBF, we are taking initiatives to further expand our business by creating new demand through the development and launch of new high-value-added products. Our R&D capabilities provide the source for the creation of such products. In this section, we introduce *Iyemon Tokucha* as an example.

*Iyemon Tokucha* is one of our FOSHU\*1 drinks. The majority of FOSHU drinks in the market to date worked to make fat more difficult to absorb when consumed with a meal. However, *Iyemon Tokucha* is the first FOSHU drink that focuses on mechanisms that assist with the breakdown of stored body fat. Therefore, it is suitable to drink during work or exercise or in a variety of other settings outside of regular meals. It also has a delicious taste that the consumer will not tire of drinking on a daily basis.

This accomplishment is the result of the R&D capabilities that the Suntory Group has cultivated over the years. During our continued research on polyphenols, we discovered that quercetin glucoside, a type of polyphenol commonly found in vegetables and fruits, such as onions, broccoli, and

apples, works to support the breakdown of body fat. After approximately seven years from the start of initial research, we were able to develop *Iyemon Tokucha*, which contains quercetin glucoside.

With its value proposition as a drink that has efficacy and a delicious taste, we have actively carried out advertising and marketing activities to promote *Iyemon Tokucha*. As a result, the sales volume of *Iyemon Tokucha* exceeded 14 million cases in 2015, the third year since its launch, thereby making it the number one FOSHU tea drink in the Japanese market.\*2

\*1 FOSHU (Foods for Specified Health Uses) refers to foods and drinks that have been scientifically proven to be beneficial for maintaining and promoting health and approved by the Consumer Affairs Agency of Japan.

\*2 INTAGE SRI data; FOSHU tea drink market; sales of *Iyemon Tokucha* for Jan.–Dec. 2015 (total of supermarkets, convenience stores, and drugstores)

## Product Development that Utilizes Our Global Expertise

SBF's product portfolio, which emphasizes the concepts of "natural & healthy" and "unique & premium," differs from those of other major beverage companies around the world. By leveraging this portfolio, SBF continues to roll out new products, combining the development and production technologies that Group companies both in Japan and overseas have cultivated over the years.

In 2012, we released *Orangina*, which originates in France, as a product that is better tailored to consumers in Japan. In addition, we combined our technologies with those of the Orangina Schweppes Group to create *Lemongina*, which was launched in 2015. Furthermore, we released *Blood Orangina* in March 2016. In 2013, drawing on our development technologies for *Suntory Oolong Tea* in Japan, we

launched *TEA+ Oolong Tea* in Vietnam and *MYTEA Oolong Tea* in Indonesia. Furthermore, in 2014, we released the functional drink *OVI*, which contains antioxidants sourced from green tea, in Australia. This drink was subsequently released in New Zealand in 2015, and in the United States in January 2016.



Orangina



Lemongina



Blood Orangina



MYTEA Oolong Tea



TEA+ Oolong Tea

## Innovation of PRODUCTION



### Innovations in the Weight Reduction of Container and Packaging Materials

SBF is carrying out on-site innovations in production. The representative example of these innovations is the weight reduction of container and packaging materials, beginning with PET bottles. Not only are we taking steps to reduce the weight of PET bottles and bottle caps, we are also moving forward with the use of roll labels. These initiatives aim to reduce our environmental impact, and they are also contributing to decreased production costs.

Specifically, for PET bottles, we introduced our proprietary 11.3g PET bottle, the lightest PET bottle in Japan,\*1 to be used for 550ml bottles of *Suntory Tennensui* (excluding 550ml bottles sold in vending machines) in 2013. We have also introduced a 29.8g PET bottle for 2L bottles of the brand.

As for PET bottle caps, we realized a 30φ (phi) cap weighing 2.05g in 2008, which is used exclusively for the *Suntory Tennensui* brand. For the *Iyemon*, *Suntory Oolong Tea*, and *Green DAKARA* brands, we introduced a 28φ cap weighing 2.04g, the lightest weight bottle cap in Japan\*2 for normal-temperature aseptic packaged products\*3

at the Haruna Plant (Shibukawa City, Gunma Prefecture) in 2015.

Also, we are working to make labels thinner and expanding the range of products using roll labels, which cover less of a PET bottle's surface than shrink labels. Since April 2014, we have been introducing a thinner 12μm (micron) product label for the *Suntory Tennensui* brand as well as for products that use roll labels, such as the *Iyemon* and *Suntory Oolong Tea* brands.

\*1 PET bottles (500ml to 600ml) for domestic mineral water, as of March 26, 2013

\*2 Weight according to design value as of January 2015

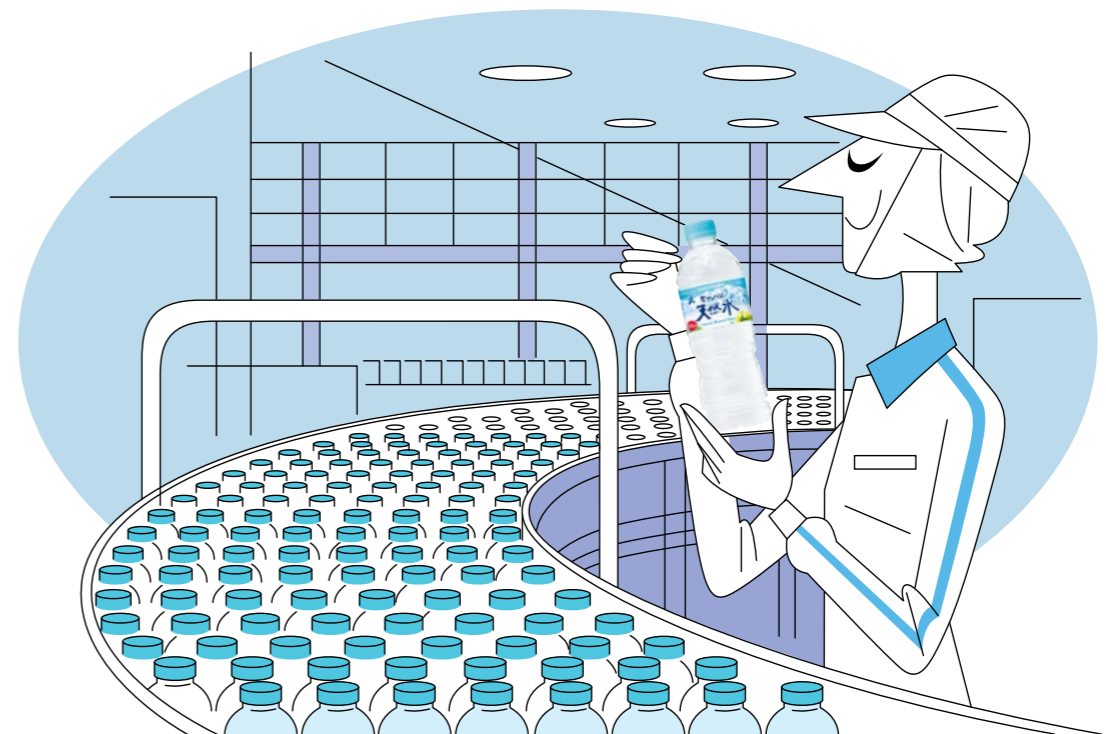
\*3 Excluding domestic mineral water and products sold warmed

### Activities to Reduce Costs Overseas

SBF's cost reduction activities are not limited only to Japan. For example, in the Asian region, where sales are expected to grow and prices are low, the need to reduce costs is becoming a significant issue. To respond to this issue, we began operation of a PET bottle preform production line in Vietnam in 2015.

PET bottle preforms, made from PET resin, are the original mold for a PET bottle, and PET bottles are made by feeding air into the preform and inflating it. Producing preforms in-house leads to reduced costs.

Through such initiatives as these, we are advancing cost reduction activities in all areas in which we operate overseas.





## Innovation of MARKETING



### Expanding *Schweppes* Brand in Europe

Innovations in marketing are essential in assessing consumer needs and launching products that create new value into the market. In this section, we introduce the success of the *Schweppes Premium Mixers* as an example of how we identified the kind of product consumers desire and created new demand.

Currently, the SBF Group is selling the *Schweppes* brand in a large number of European countries.

Among these countries, Spain is especially important. In the on-premise market in Spain, which includes bars and restaurants, sales of the *Schweppes Premium Mixers* are growing. The gin and tonic cocktail is currently extremely popular in Spain, and we were able to successfully capitalize on the country's custom of selecting a brand of gin and a brand of tonic when ordering the cocktail.

In addition to the detailed response by our direct sales department to consumer preferences at bars and restaurants, the brand's unique bottle, which conveys a sense of luxury, is also contributing to improving the strength of the *Schweppes Premium Mixers*. Furthermore, we are developing a number of different flavors that pair well with a variety of spirits.

By building on our success in Spain, we will expand such business in other European countries, beginning with France, to create a new pillar for profits going forward.



## Creating New Demand that Leverages the Strength of Our Brands

Another of our innovations in marketing is the new demand we have created by leveraging the strength of our brands to develop products in various categories that offer new value. In this section, we introduce examples of how we created new demand in Japan.

*Suntory Tennensui* is one of our core brands in Japan, and, accordingly, we promote its unique brand value, by emphasizing its qualities of "clear & tasty" and "natural & healthy." Currently, *Suntory Tennensui* is the top brand in the domestic mineral water market.\*1

By leveraging the strength of the *Suntory Tennensui* brand, we are making strides in creating new brand subcategories that offer new value to consumers, such as launching sparkling water products in 2013, and a flavored water product in 2014. In April 2015, we launched *Suntory Yogurina & Minami-Alps Tennensui*, which has the distinct feature of being clear but offering a full-bodied flavor of yogurt and refreshingly sweet taste. Since its launch, the drink has proved to be extremely popular, selling more than 10 million cases as of March 2016.

The long-selling canned RTD coffee brand *Boss* has continued to grow since its release over 20 years ago. To respond to consumer taste and preferences, which change from generation to generation, we have created new subcategories for the brand, such as *Boss Zeitaku Bito*, *Boss Muto Black*, and *Boss Café au Lait*, in addition to the regular *Boss Rainbow Mountain Blend*. We have also implemented various marketing initiatives for the brand, such as creating memorable TV commercials and appealing sales promotions. In 2014, we implemented a new production method that leverages our technological capabilities to launch *Premium Boss*, which realizes the richest flavor in the history of *Boss* products and has led to a solid market share in the domestic canned RTD coffee market.



\*1 INTAGE SRI data; domestic mineral water market; sales of *Suntory Tennensui* for Jan.–Dec. 2015 (total of supermarkets, convenience stores, and drugstores)

## INNOVATION of SALES



### Taking on the Challenge of a New Business Model through the Full-Line Beverage Service Business

In the mature markets of Japan and Europe, where significant population increases are not expected, pressure related to prices is becoming a growing issue. In addition to engaging in activities that promote new value to the consumer, we believe that in markets such as these, there is a need for game-changing innovations in our business model. In 2016, we will take on the challenge of introducing a new business model for the Japanese market.

In 2015, SBF welcomed Japan Beverage Holdings Inc. and A-Star Co., Ltd. into the SBF Group. In doing so, we acquired a so-called "full-line beverage service business" that can provide consumers with a variety of options for enjoying beverage products, such as vending machines that deliver products from other beverage manufacturers, tea servers, and coffee servers, in addition to the can and PET bottle products of SBF.

We will advance the full-line portfolio this business has to offer by bringing together various strengths, including the distribution network, product and vending machine development capabilities, and the synergies among Group companies

that we possess, as well as the capabilities of external partners. In this way, we will offer new solutions to offices.

To realize a revitalized Japanese society, a work environment where everyone can work happily is essential. Through the experience we can bring in offering unique, premium beverages, we would like to create a comfortable work environment and contribute to the happiness of the people that work in that environment.

At SBF, we do not want to simply deliver our products to consumers; rather, we want to provide consumers with solutions to invigorate the workplace. In other words, we want people to think of



our products as a refreshment that provides them with a change of pace, a time to consider their health, or even a means to promote communication with their colleagues and enhance their individual productivity.

This kind of direct-sales business that provides solutions for the workplace represents a new business model that differs from conventional, over-the-counter channels that sell our products through convenience stores and supermarkets. The mechanism that generates profit is different, and so are the performance indicators that we manage. Accordingly, we established the new company Suntory Beverage Solution Limited

and conducted a company split for the vending machine, fountain drink, and water dispenser businesses, which were all managed by Suntory Foods Limited. Through this move, we can further technicalize and specialize the value chain in each of our businesses—including the over-the-counter business and the vending-machine-oriented, direct-sales business—from product development, marketing, sales, and cost efficiency. By doing so, we will increase the speed and enhance the consistency of our business decision making.

# Performance Highlights

Suntory Beverage & Food Limited and Consolidated Subsidiaries

	Millions of yen			
FOR THE YEAR	2012	2013	2014	2015
Net sales	992,160	1,121,362	1,257,280	1,381,007
Operating income	58,447	72,716	85,950	92,007
Net income	23,385	31,196	36,240	42,463
Depreciation and amortization	36,570	43,719	50,032	56,302
Amortization of goodwill	19,666	23,211	25,075	27,226
Net income before amortization of goodwill	43,051	54,407	61,315	69,688
EBITDA*1	114,682	139,646	161,057	175,535
<b>Before amortization of goodwill</b>				
EPS (Yen)*2	199.31	207.17	198.43	225.53
ROE*3	24.2%	14.5%	10.6%	11.8%
<b>After amortization of goodwill</b>				
EPS (Yen)*2	108.27	118.79	117.28	137.42
ROE*3	13.2%	8.3%	6.3%	7.2%
<b>Cash flows</b>				
Cash flows from operating activities	85,830	114,082	108,639	145,741
Cash flows from investing activities	(75,874)	(290,613)	(67,483)	(188,847)
Cash flows from financing activities	(15,249)	190,409	13,671	38,505
Cash and cash equivalents at end of the term	26,061	45,851	105,505	97,719

## AT YEAR-END

	2012	2013	2014	2015
Total assets	844,450	1,256,702	1,389,096	1,484,434
Total equity	204,276	592,969	635,624	626,890
Capital expenditures	50,823	62,582	69,141	63,535
D/E ratio (Times)*4	1.5	0.4	0.4	0.5

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

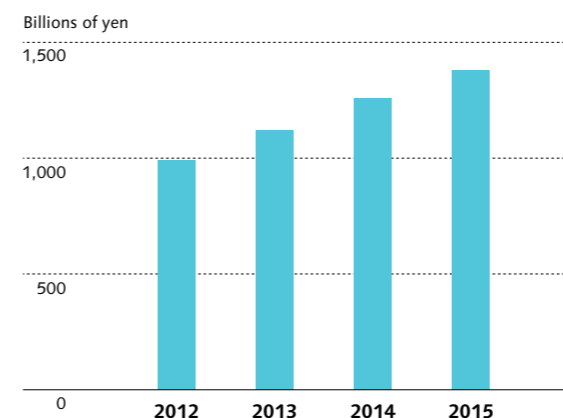
\*2 SBF calculated EPS for the fiscal year ended December 31, 2013 based on the average number of issued shares during the year including the issuance of 93,000,000 new shares.

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

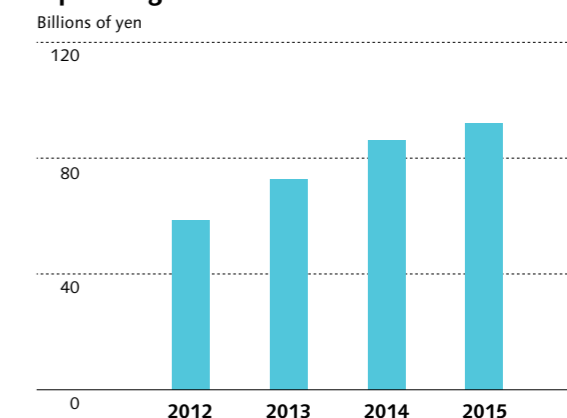
\*3 SBF calculated ROE for the fiscal year ended December 31, 2013 based on the average shareholders' equity at the beginning and end of the fiscal year including the equity increase during the fiscal year.

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

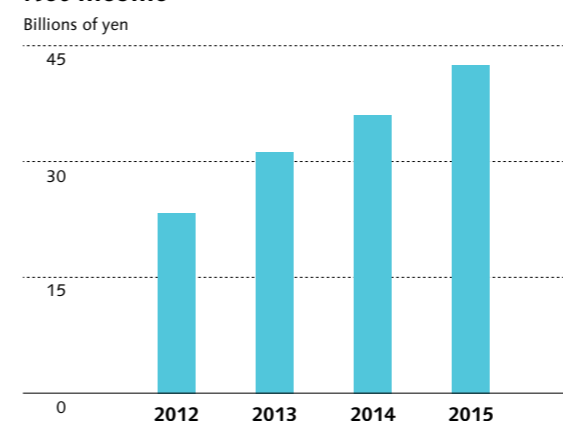
## Net Sales



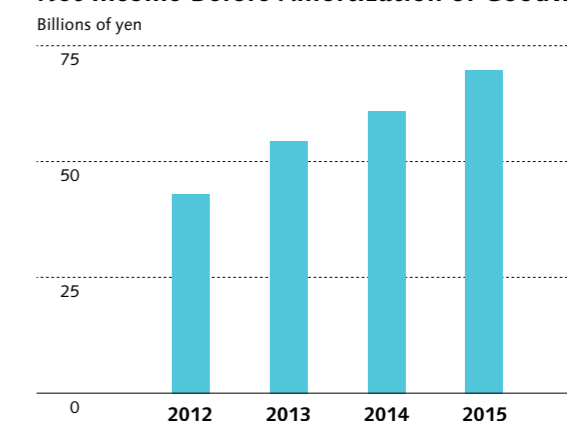
## Operating Income



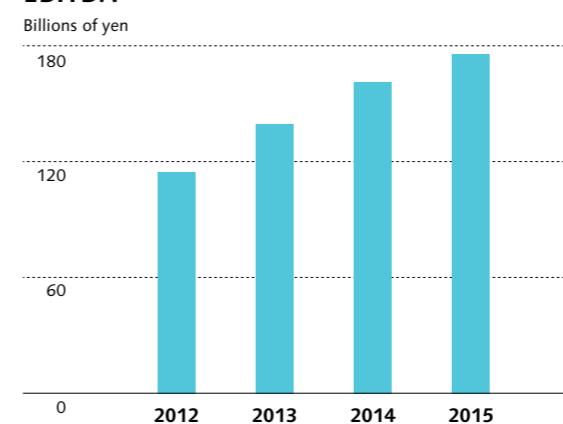
## Net Income



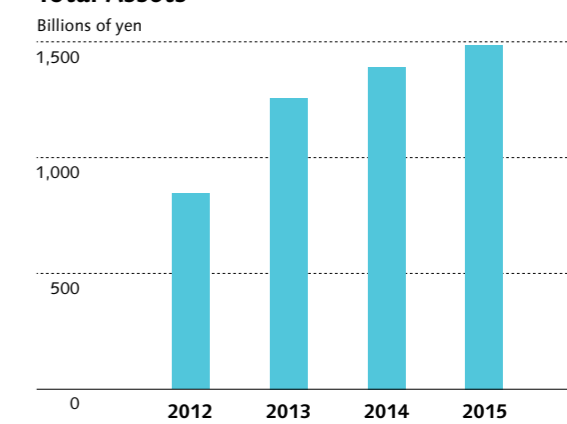
## Net Income Before Amortization of Goodwill



## EBITDA



## Total Assets

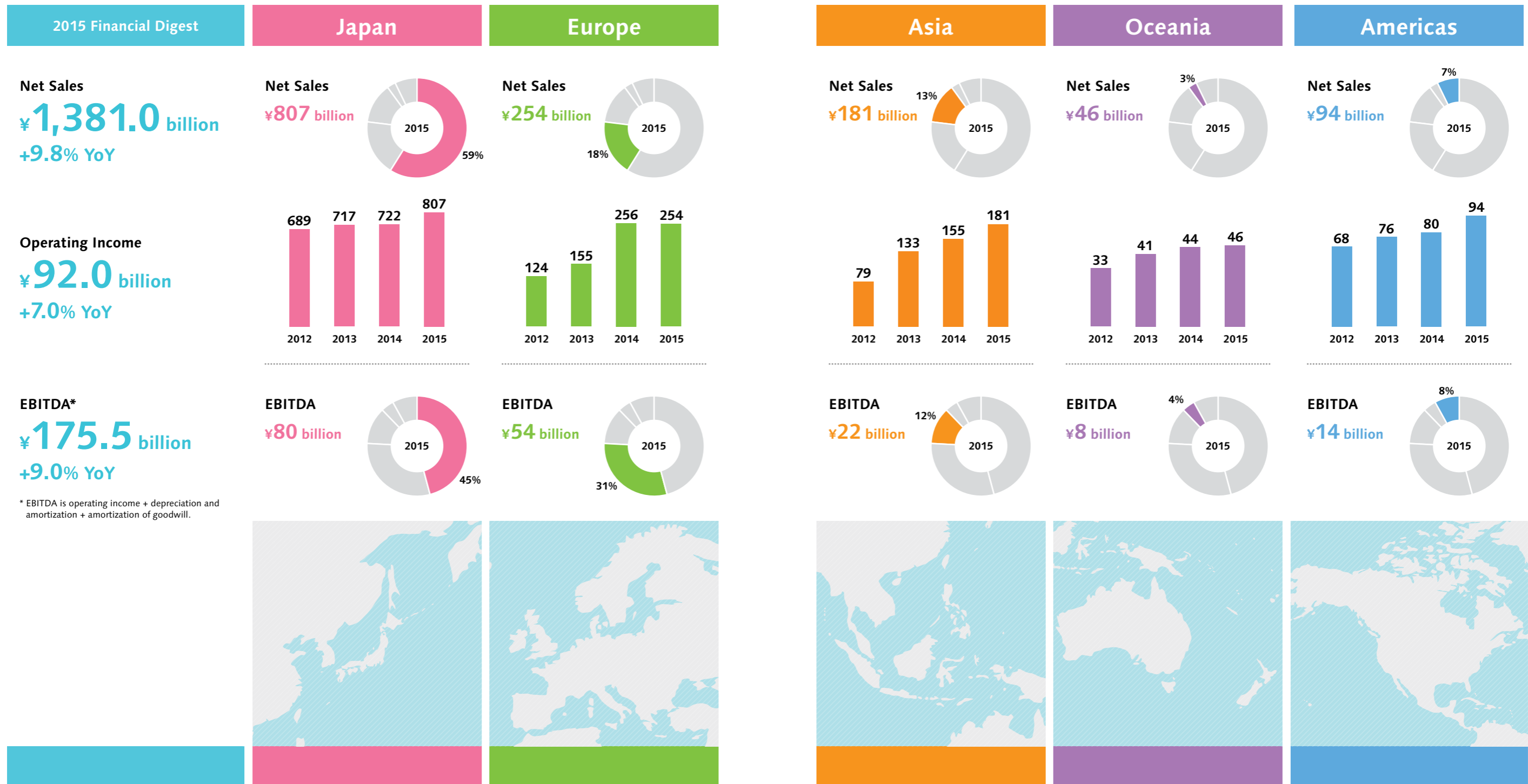


# Business Overview

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

Suntory Beverage & Food Limited (SBF) has a diverse portfolio of soft drinks, including mineral water, ready-to-drink (RTD) coffee, RTD tea, carbonates, hydration, and fruit juices. We are expanding our businesses globally with a focus on five key regions: Japan, Europe, Asia, Oceania, and the Americas.

On July 3, 2013, we successfully listed our shares on the First Section of the Tokyo Stock Exchange. Through this listing, we aim to accelerate our growth globally to become the leading global soft drink company.





# Strategy in Japan

## Our Innovative Products Have Led Robust Organic Growth Outperforming the Japanese Market

It is estimated that throughout the course of 2015 overall sales volume in the soft drink market in Japan remained roughly unchanged from the previous year. Although the influence of the April 2014 consumption tax hike continued to dampen consumer sentiment in the first half of the fiscal year, weather conditions were favorable from fall, helping the market to remain roughly unchanged. Guided by the notion of offering unique and premium products that meet the needs and tastes of consumers to enrich their everyday life, we made efforts to reinforce core brands as well as develop new demand. As a result, our sales volume increased 3% year on year, surpassing that of the previous year for the 23rd consecutive year.\*1

We have identified *Suntory Tennensui*, *Boss*, *Iyemon*, *Pepsi*, *Suntory Oolong Tea*, *Green DAKARA*, and *Orangina* as our seven core brands and, as such, have invested a significant amount of management resources into those brands.

Among these brands, we have positioned *Suntory Tennensui* as a core brand for our business in Japan, and we engaged in active marketing activities and worked to develop new product categories for the brand. *Suntory Yogurina* &

*Minami-Alps Tennensui*, which was released in April, was extremely popular among consumers, contributing to a 14% increase in sales volume for the entire *Suntory Tennensui* brand.

For our *Boss* brand, we also actively conducted marketing activities throughout the year amid forecasts of flat sales volume in the canned RTD coffee market compared with the previous fiscal year. In addition to the solid performance of the *Boss* brand's flagship products, *Premium Boss Black* and *Premium Boss Bito*—two products of the *Premium Boss* brand that were launched in the considerably expanding bottle-shaped canned RTD coffee market—also performed favorably. As a result, the sales volume for the entire *Boss* brand increased 4% year on year.

In FOSHU (Foods for Specified Health Uses) drinks, *Iyemon Tokucha*, which has a delicious taste and helps to reduce stored body fat, was heavily backed by consumers. This strong consumer support resulted in significant sales growth for the product in the third year since its launch. In addition, *Suntory Black Oolong Tea*, which was revamped in March, secured new customers and performed solidly.

As for initiatives to improve profitability, we strengthened sales of high-value-added products, such as FOSHU drinks, and small-volume products, such as beverages offered in 500ml PET bottles. Also, we continued to reduce manufacturing costs through such means as introducing manufacturing facilities for bottle-shaped canned coffee.

Furthermore, on July 31, the Japan Beverage Group and the A-Star Group became new additions

to the SBF Group. Utilizing the full-line portfolio of these groups, such as vending machines, tea dispensers, and coffee servers, we started the “full-line beverage service business,” which satisfies a wide range of consumer needs.

As a result of these initiatives, net sales for the Japan segment were ¥806.9 billion, up 11.7%, and segment profit was ¥46.7 billion, a 0.2% increase.

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

### Soft Drink Sales Volume in Japan (from 1996)\*2

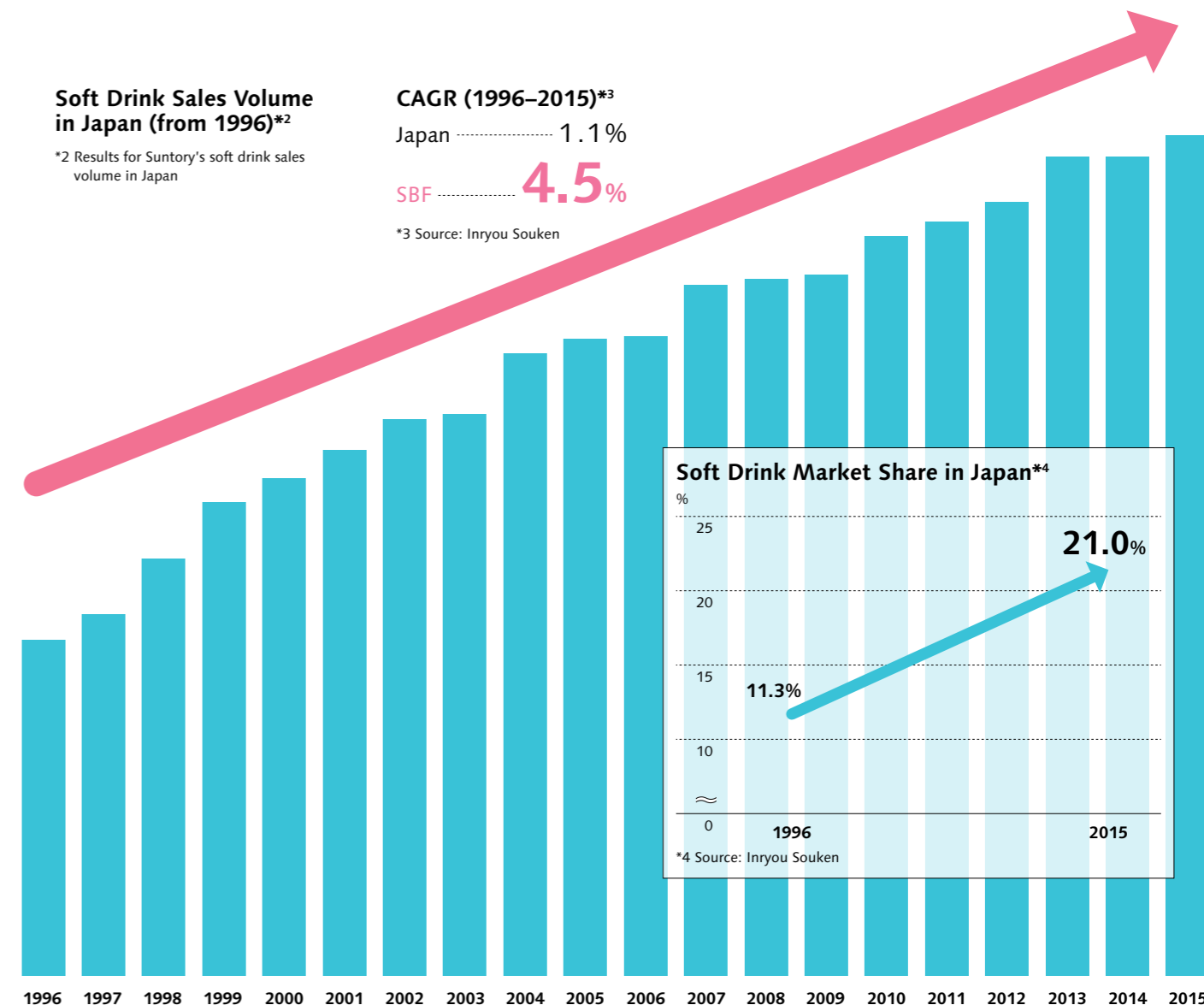
\*2 Results for Suntory's soft drink sales volume in Japan

### CAGR (1996–2015)\*3

Japan ..... 1.1%

SBF ..... **4.5%**

\*3 Source: Inryou Souken



### Major Brands and Year of Launch





Strategy in Japan

In 2016, we forecast further changes in the consumption environment surrounding the Japanese soft drink market. However, we view these changes as an opportunity. Going forward, we will further enhance and promptly advance initiatives that aim to improve brand value and create new demand. Specifically, we will continue to position *Suntory Tennensui*, *Boss*, *Iyemon*, *Pepsi*, *Suntory Oolong Tea*, *Green DAKARA*, and *Orangina* as our seven core brands, and we will engage in strategic marketing strategies for those brands. Moreover, we will offer products with new value, similar to *Iyemon Tokucha* and *Suntory Yogurina & Minami-Alps Tennensui*, to gain greater consumer endorsement, and we will aim to create new product categories.

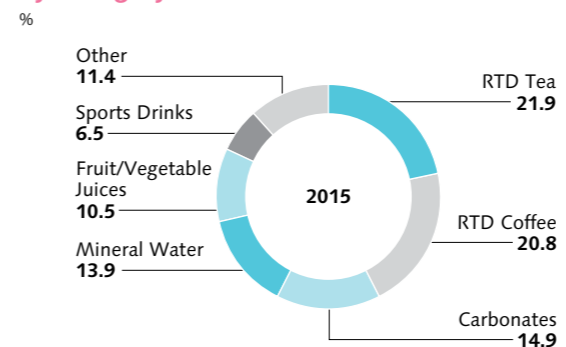
In April, Suntory Beverage Solution Limited will begin operations. This new company will manage the "full-line beverage service business," which includes the vending machine business, the fountain drink business, and the water dispenser business.

Also, the company will take steps to speed up the decision-making process related to these businesses and improve both customer satisfaction and integrated management efficiency. By leveraging the strengths of each business, Suntory Beverage Solution will provide new products and services that meet consumer needs and work to create new demand. In doing so, the company will advance the "full-line beverage service business."

Through these initiatives, we will continue to promote and strengthen our brands. At the same time, we will introduce products that offer new value by pursuing innovations in R&D and production technologies and work to create a positive cycle that will further enhance brand value. To those ends, we will invest in R&D initiatives, marketing, and production facilities while continuing to implement cost reduction initiatives to generate capital for growth investments.



Soft Drink Market Share in Japan by Category\*



\* Source: Inryou Souken

"Promoting Seven Core Brands"

We are focusing our management resources on the following seven core brands: *Suntory Tennensui*, *Boss*, *Iyemon*, *Pepsi*, *Suntory Oolong Tea*, *Green DAKARA*, and *Orangina*. In 2015, we achieved a 4% increase in the sales volume of these seven brands and their composition of overall sales volume was 78%.

Sales volume: **78%** of total





## Strategy Overseas

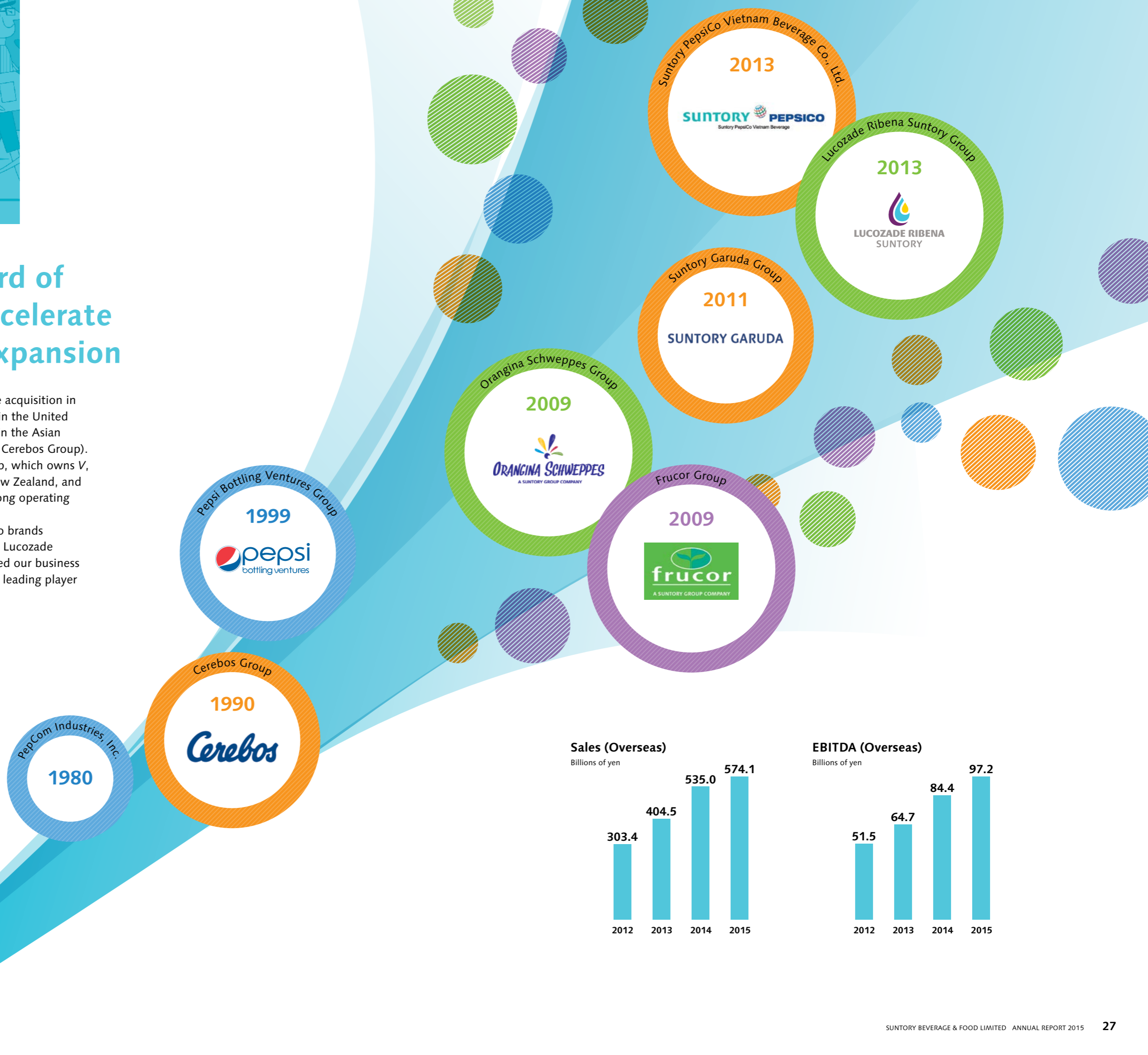
# Strong Track Record of Acquisitions to Accelerate Global Business Expansion

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

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

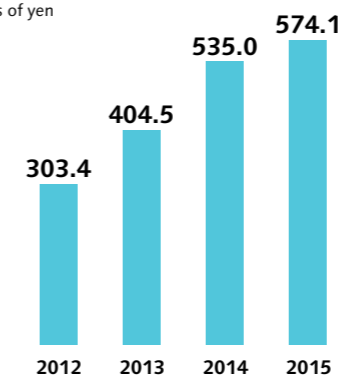
### M&A Track Record

- Europe
- Asia
- Oceania
- Americas



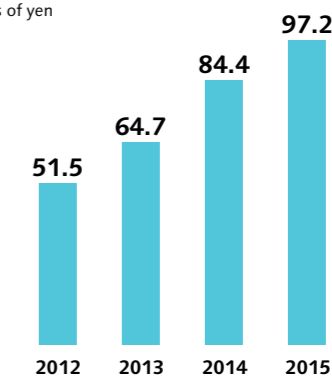
### Sales (Overseas)

Billions of yen



### EBITDA (Overseas)

Billions of yen



# Europe

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

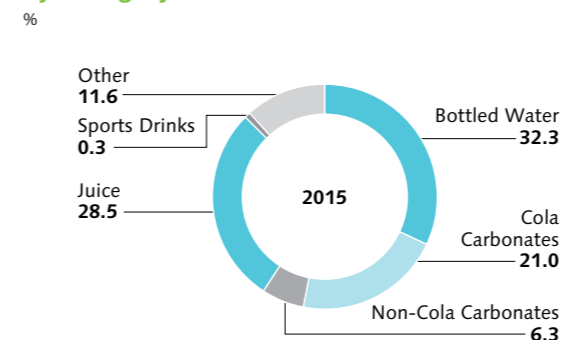
As for our business performance in Europe, net sales were ¥254.2 billion, a 0.9% decrease, and segment profit was ¥44.0 billion, up 11.3%.

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

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

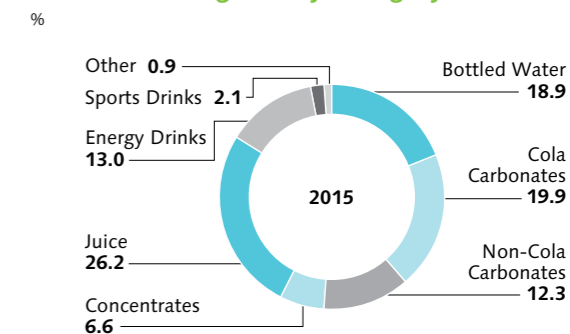


Soft Drink Market Share in France by Category\*

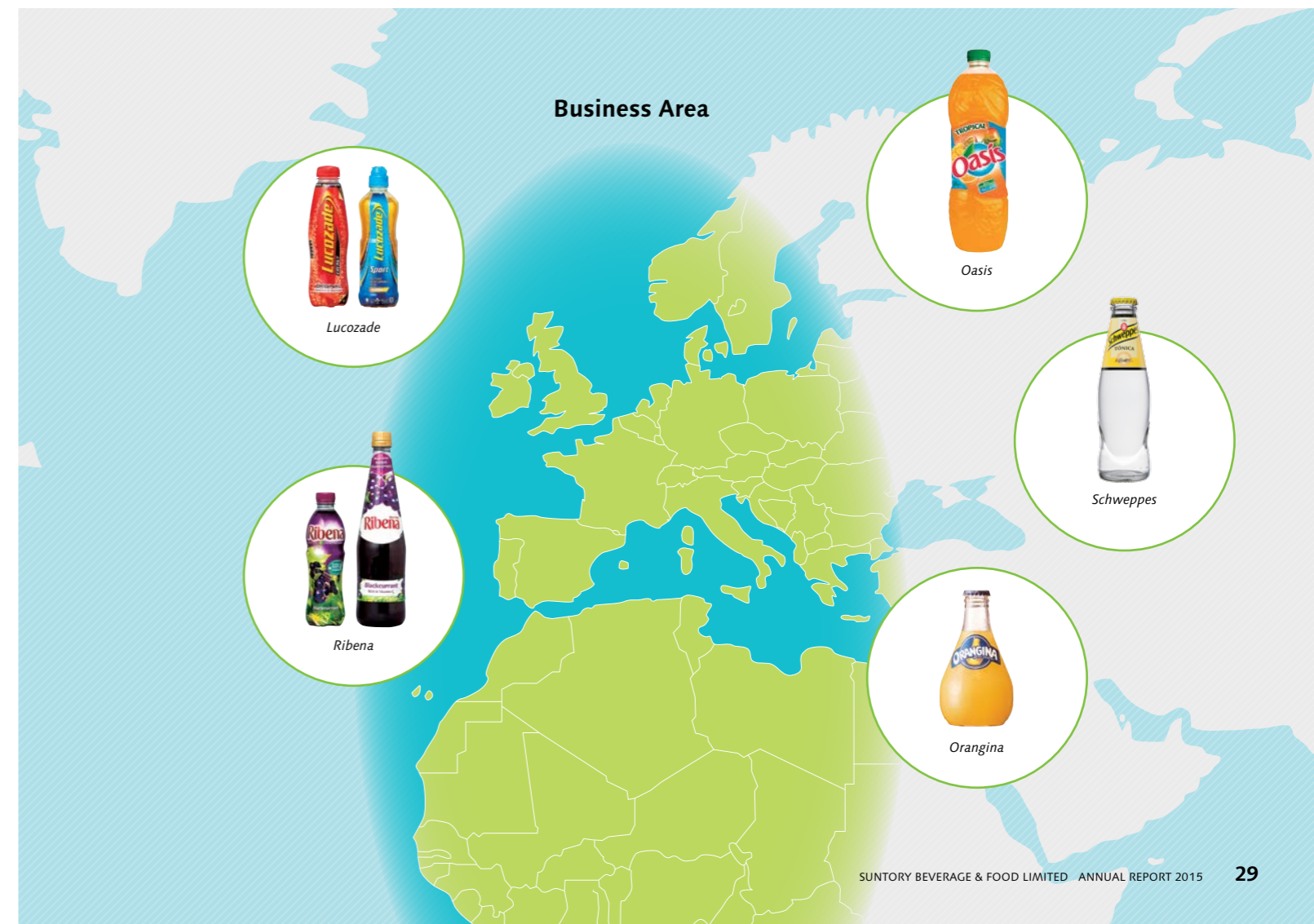


\* Source: Euromonitor 2016, Off-trade Value RSP

Soft Drink Market Share in the United Kingdom by Category\*



\* Source: Euromonitor 2016, Off-trade Value RSP





Strategy Overseas

# Asia

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

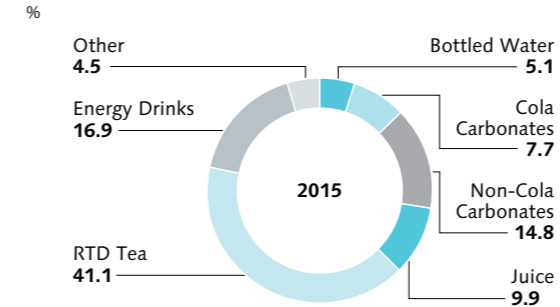
As a result, net sales in Asia were ¥180.5 billion, up 16.8%, and segment profit was ¥13.6 billion, up 30.4%.

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

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

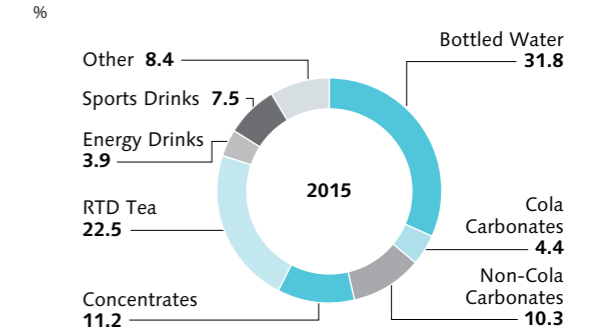


Soft Drink Market Share in Vietnam by Category\*

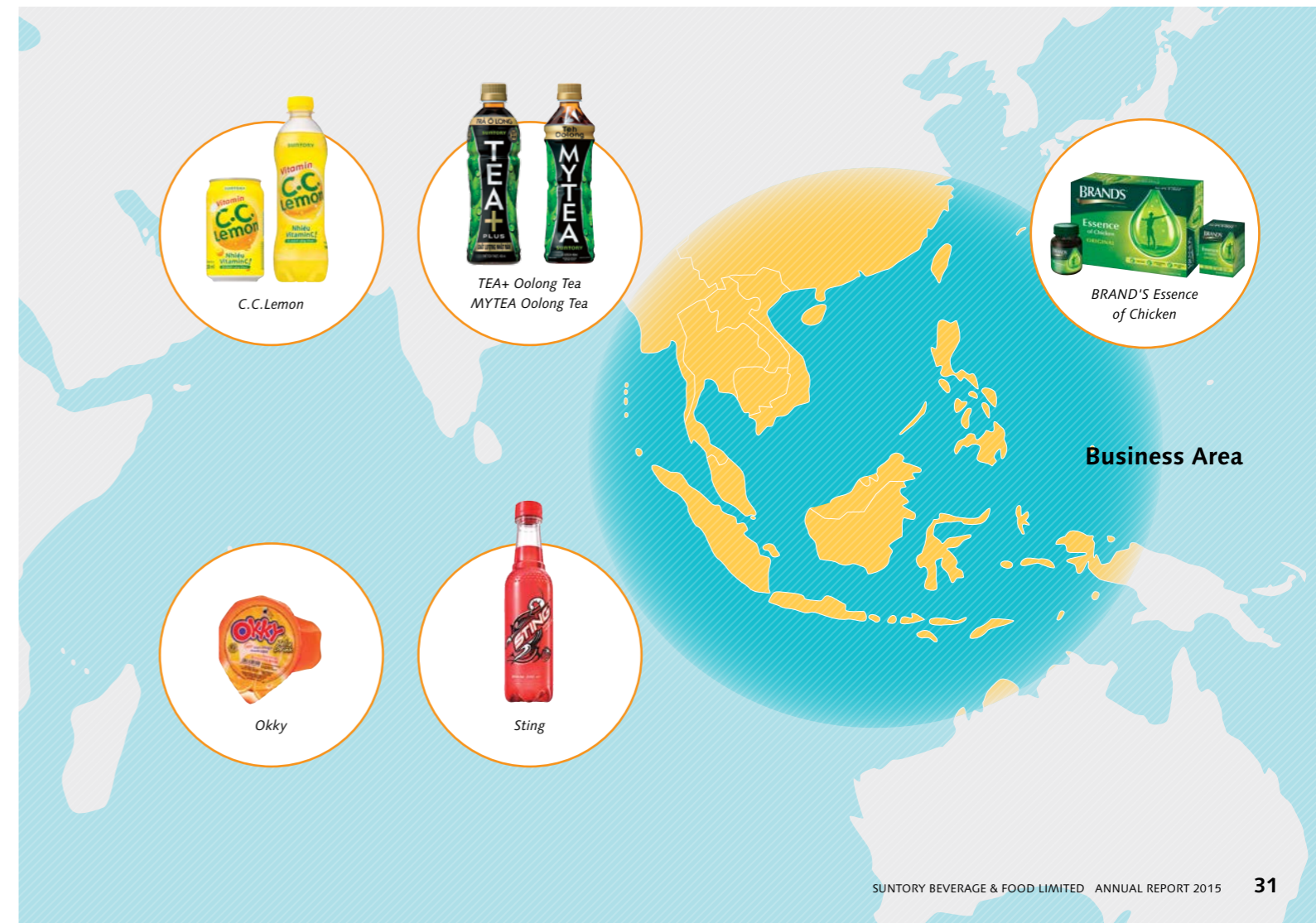


\* Source: Euromonitor 2016, Off-trade Value RSP

Soft Drink Market Share in Indonesia by Category\*



\* Source: Euromonitor 2016, Off-trade Value RSP





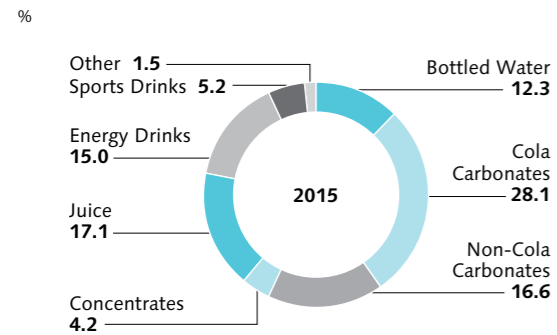
Strategy Overseas

# Oceania

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

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

Soft Drink Market Share in New Zealand by Category\*



\* Source: Euromonitor 2016, Off-trade Value RSP



Strategy Overseas

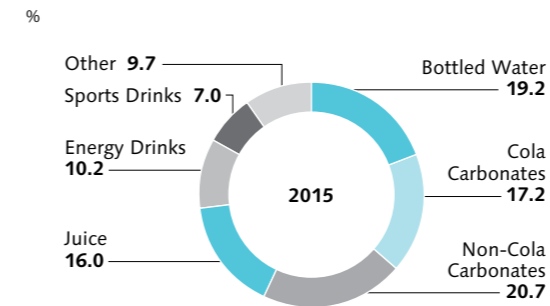
# Americas

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

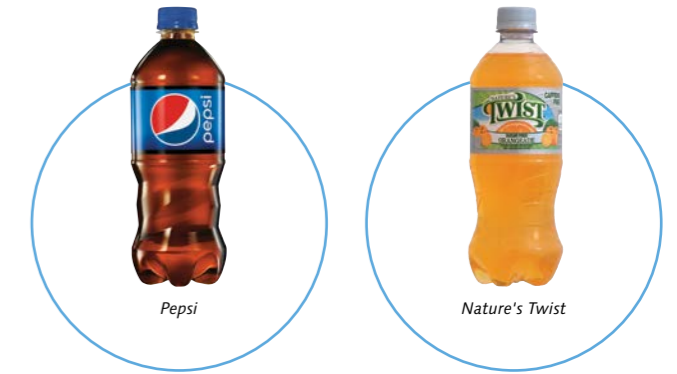
While there was a trend in exchange rates of a depreciating yen and an appreciating U.S. dollar, net sales were ¥93.7 billion, up 17.8%, and segment profit was ¥10.5 billion, up 19.1%.

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

Soft Drink Market Share in the United States by Category\*



\* Source: Euromonitor 2016, Off-trade Value RSP



# CSR Approach and Initiatives

We are working with the entire Suntory Group to promote environmental management and contribute to the formation of a sustainable society. As the responsibility of a company that is supported by the blessings of nature, we have established our own "Target toward 2020" environmental plan under the umbrella of the Suntory Group's "Environmental Vision toward 2050." Specifically, we have positioned environmental conservation and restoration as well as the reduction of our environmental impact as pillars to contribute to the creation of a sustainable society. We are also strengthening our efforts toward the environment throughout the entire life cycle of our products. In order to realize "In Harmony with People and Nature," the corporate philosophy of the Suntory Group, we are working with our stakeholders to expand a variety of CSR activities on a global scale.\*

\* Further details about the CSR activities of the Suntory Group are described on its website at the following URL.  
<http://www.suntory.com/csr/>

## Recognition of Our Efforts toward Reducing Our Environmental Impact

For the second consecutive year, SBF was selected by the Carbon Disclosure Project (CDP) to be included on the "A List" of the Climate Performance Leadership Index in the *CDP Global Climate Change Report 2015*. The Company was selected for inclusion on this list due to its activities geared toward reducing greenhouse gas emissions and easing climate change risks.

CDP is an international NPO established so that companies and cities can measure, disclose, manage, and share vital environmental information. We believe that our high evaluation in the *CDP Global Climate Change Report 2015* is a recognition of the accomplishments we have made in initiatives toward reducing our environmental impact and disclosing information on our environmental management. Going forward, we will continue to make concerted efforts to further promote environmental management as a member of the Suntory Group.



## CSR Activities in Japan

### Developing Environmentally Friendly Packaging Materials

SBF has introduced the world's first\*1 PET bottle cap made from 30% plant-based materials.

From the spring of 2016, we began introducing these caps at our plants in Japan for use with the *Suntory Tennensui* brand. Compared with our existing PET bottle caps, these new caps will cut our usage volume of petroleum-based materials by approximately 30%\*2 and enable a 21%\*2 reduction in CO<sub>2</sub> emissions.

Through this initiative, we will realize completely environmentally conscience packaging for the *Suntory Tennensui* brand, from the bottle, cap, and label. In regard to PET bottle containers, we are making efforts in accordance with Suntory's unique "2R+B" strategy.

\*1 As of January 2016, SBF research

\*2 Per each *Suntory Tennensui* (550ml) PET bottle cap



### Launching Our New Strategy for Containers and Packaging: "2R+B"

Suntory's "2R+B" (Reduce/Recycle + Bio) strategy is an approach taken in the development of PET bottles that makes thorough efforts to effectively use resources by reducing the volume of resin used and utilizing renewable materials. In addition, this strategy pursues the use of renewable alternatives to petroleum-based materials.

For the "reduce" aspect of the strategy, in addition to promoting efforts for bottles themselves, we are taking decisive steps to reduce the weight of labels and caps. For "recycle," we have created a bottle-to-bottle mechanical recycling system, the first of its kind in Japan. And, for the "bio" aspect, we have introduced PET bottles made from 30% plant-based materials for the *Suntory Tennensui* brand (550ml), which are already being put to use.

-  **Reduce**  
使う量を減らす
-  **Recycle**  
繰り返し使う
-  **Bio**  
植物由来の資源





**Suntory Beverage & Food Europe**

**Promoting Environmental Conservation and the Protection of Wild Animals in Areas Producing Blackcurrants, a Raw Material of Ribena**

At Suntory Beverage & Food Europe, we use blackcurrants grown in the United Kingdom as a raw material for Ribena, a blackcurrant-based beverage produced by Lucozade Ribena Suntory Limited (LRS). To protect the nature in blackcurrant-producing areas, LRS has been making efforts in biodiversity conservation since 2004 with the cooperation of The Wildlife Trusts, an organization committed to nature conservation.

In addition, LRS has established a biodiversity action plan (BAP) in order to preserve the natural environment in the vast woodlands surrounding the Coleford Factory, in the United Kingdom. Guided by surveys of the wildlife that inhabits the region's forests and grasslands, LRS is formulating an annual plan to increase the variety of wildlife in the region as well as cooperating with the local community to maintain these forests and grasslands.

**Suntory PepsiCo Vietnam Beverage**

**Implementing a Water Education Program at Elementary Schools in Vietnam**



With the cooperation of such organizations as the international NGO Live and Learn, Suntory PepsiCo Vietnam Beverage implemented "Mizuiku – I love clean water," a water education program of the Suntory Group with a demonstrated track record, in March 2015, marking the first time for the program to be launched overseas. The Suntory Group has been carrying out the Mizuiku program in Japan since 2004. Mizuiku is an original environmental education program designed for the next generation that aims to communicate to children the importance of water. Going forward, Suntory PepsiCo Vietnam Beverage will expand this original education program to target roughly 1,600 elementary school students in the Vietnamese capital Hanoi, having them take part in classes where they learn about the importance of water, including hygiene management and water source conservation, as well as offering them tours of the company's beverage plants.

**Cerebos Group**

**Pursuing a Wide Range of CSR Activities around the World**



The Cerebos Group is involved in long-term volunteer activities, such as the Volunteer Doctor Foundation in Thailand and BRAND'S® Summer Camp, a camp that supports students for their college entrance exams.

BRAND'S® Summer Camp is in its 25th year of operation and has supported more than 50,000 students studying for college entrance exams. As another initiative, employees of the Cerebos Group in Singapore invite 100 children in need of assistance to the Cerebos Christmas Party. The children attending receive presents from Cerebos Group employees and enjoy special Christmas programs and activities.

**Pepsi Bottling Ventures Group**

**Implementing Activities to Improve Water Quality in the Upper Neuse River Region near the PBV Headquarters**

The Pepsi Bottling Ventures (PBV) headquarters is situated in the Upper Neuse River region in the center of the U.S. state of North Carolina.

As the population in the region is rapidly increasing, the need to preserve the water quality of the Neuse River and continuously provide a plentiful water supply to the growing number of people living in the region is rising.

Since 2005, PBV has been cooperating with forest preservation organizations, the local government, and landowners through the Upper Neuse Clean Water Initiative to preserve soil in order to protect the river's water quality.

In addition, PBV is engaging in other activities that have a positive impact on water quality, such as bringing back the habitat of species native to the region.



# Corporate Governance

## Basic Policy on Corporate Governance

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

brands." Guided by our vision, the Group will strive to enhance corporate governance in order to maintain good relationships with shareholders and other investors, customers, communities, suppliers, employees, and other stakeholder groups, and fulfill its corporate social responsibilities.

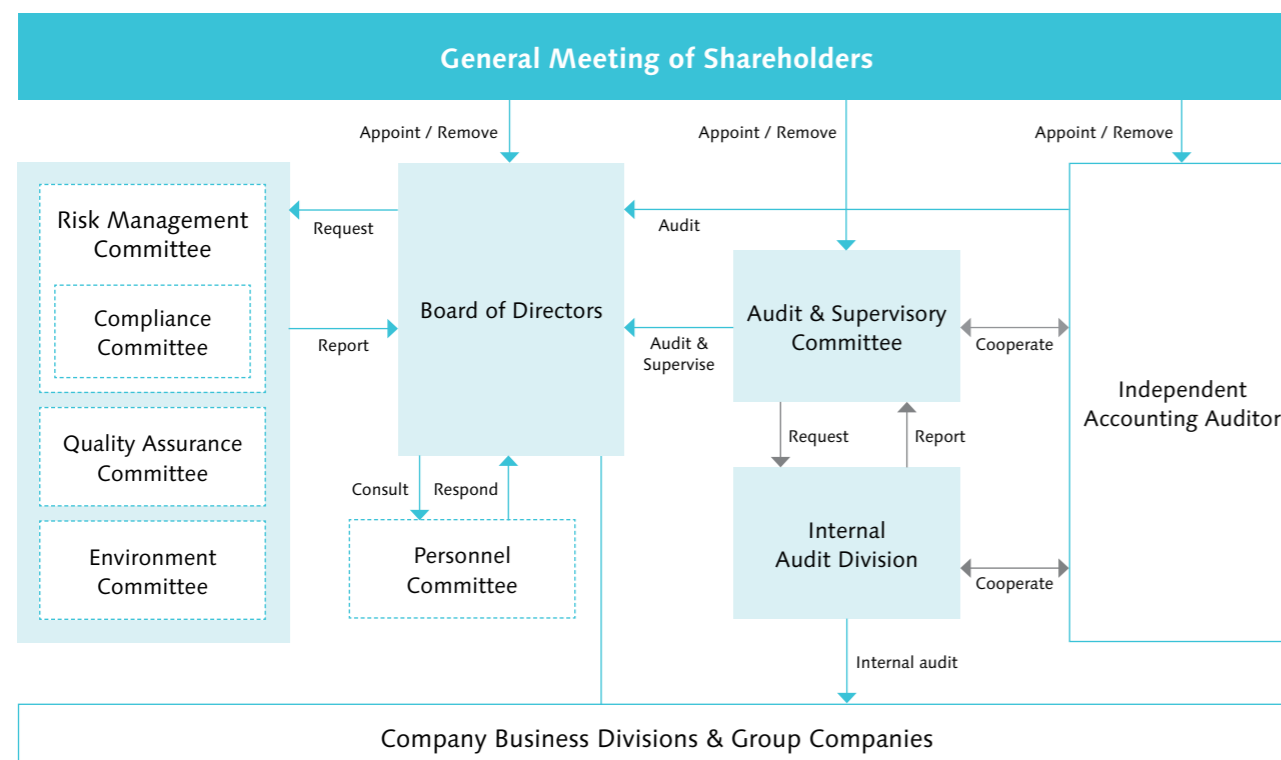
### Basic Policy on Corporate Governance:

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

## Overview of Corporate Governance Framework

For its corporate governance framework, SBF has shifted to a Company with an Audit & Supervisory Committee system and has put in place the requisite structures, the Board of Directors, the Audit & Supervisory Committee, and Independent Accounting Auditor. The purpose of this framework is to further enhance SBF's corporate governance through various means. These include improving the effectiveness of audits and supervision by having a Director who is also an Audit & Supervisory Committee

member with voting rights on the Board of Directors (hereinafter referred to as an "Audit & Supervisory Committee member") conduct audits, further strengthening the supervisory functions of the Board of Directors by increasing the percentage of Outside Directors and realizing prompt decision making by the Board of Directors, by entrusting Directors with the responsibility for making all or certain important decisions regarding business execution.



## Board of Directors

### (1) Directors and the Board of Directors

The number of Directors should be 20 or less (among these, five or less should be Audit & Supervisory Committee members) pursuant to the Articles of Incorporation.

As of March 31, 2016, we had eight Directors. The term of office for Directors is set at one year to create an appropriate management system that is capable of responding flexibly to changes in the operating environment.

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

In addition, SBF stipulates in its Articles of Incorporation that Directors can be entrusted with the responsibility for making all or certain important decisions regarding business execution via a vote by the Board of Directors. Among important matters related to business execution, SBF sets M&A, structural reorganization, and the acquisition/disposal of a large amount of assets as matters of resolution for the Board of Directors. As a general rule, decisions related to individual business execution are entrusted to the management ranks, such as SBF's President.

### (2) Audit & Supervisory Committee

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

Moreover, in order to strengthen the auditing and supervisory functions of the Audit & Supervisory Committee, SBF collects information from Directors (excluding Audit & Supervisory Committee members) and shares information at important meetings. Also, with the aim of ensuring ample cooperation between the Internal Audit Division and the Audit & Supervisory Committee, SBF has selected one full-time Audit & Supervisory Committee member. Centering on this full-time member, SBF works to achieve a mutual understanding between Directors and the Internal Audit Division and makes efforts to gather information and maintain a suitable environment for audits.

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

### (3) Independent Accounting Auditor

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

The following certified public accountants (CPAs) have carried out accounting auditing duties for SBF. The number of continuous years that any of these CPAs have conducted audits is less than seven.

- Koji Inagaki (Deloitte Touche Tohmatsu LLC)
- Hideyuki Hirata (Deloitte Touche Tohmatsu LLC)
- Keiko Hishimoto (Deloitte Touche Tohmatsu LLC)

In addition, 18 other CPAs and 19 other individuals are involved in assisting with accounting auditing duties.

### (4) Internal Audit Division

SBF has established an Auditing Department that acts as the Internal Audit Division. The Auditing Department conducts audits of SBF and its Group companies to ensure business operations are being conducted in an appropriate manner.

As of March 31, 2016, there were 15 members in the Auditing Department. Many of these members possess a high level of expertise related to finance and accounting.

### (5) Personnel Committee

SBF has established the Personnel Committee as a voluntary committee that deals with Director nomination and remuneration. The Personnel Committee discusses prospective candidates for Director and submits reports to the Board of Directors regarding the suitability of Director candidates. The Committee also holds deliberations regarding the standard and index for Director remuneration (excluding Audit & Supervisory Committee members), and reports their validity to the Board of Directors. The Committee comprises four members in total: two Outside Directors, SBF's President, and the Human Resources Department Chief.

#### **(6) Risk Management Committee, etc.**

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

The Risk Management Committee takes on the role of promoting the risk management activities of the entire Group. The Committee identifies the Group's risks, designs countermeasures for these risks, and verifies the progress of responding to these risks. The Compliance Committee confirms and deliberates on issues related to compliance for the Group and measures to respond to these issues.

The Quality Assurance Committee is in charge of promoting quality assurance activities for the entire Group. The Committee identifies issues pertaining to the Group in terms of quality assurance, works to develop countermeasures, and confirms the progress of response to such quality assurance issues.

The Risk Management Committee and Quality Assurance Committee have also established corrective actions in the event a risk becomes real, such as determining reporting rules for when a crisis occurs.

The Environment Committee oversees the promotion of Group wide environmental management. The Committee designs and promotes strategies and medium- to long-term plans to advance business activities that give consideration to sustainability.

#### **Internal Control System**

SBF has decided on the following internal control system in order to ensure the appropriateness of business operations.

#### **(1) System to ensure the performance of Group and Group subsidiaries Directors' and Executive Officers' (hereinafter referred to as "Directors and Executive Officers") and Employees' duties conform to laws, regulations, and the Articles of Incorporation**

1. The Group shares the beliefs set forth in our corporate philosophy, "In Harmony with People and Nature." As international corporate citizens, the Group respects the rules of civil society and places the highest priority on compliance. As we expand our business activities, each Director, Executive Officer, and Employee of the Group will make decisions as corporate citizens based on social ethics.

2. To implement the above philosophy in our business operations, every Director, Executive Officer, and Employee shall respect compliance and social ethics, and base their standard of conduct on the Group's corporate ethics. The Directors and Executive Officers shall take the initiative in complying with laws, regulations, the Articles of Incorporation, and corporate ethics, and actively make efforts to maintain and improve management based on compliance.

3. To ensure that the Group's Directors, Executive Officers, and Employees perform their duties in compliance with laws, regulations, and the Articles of Incorporation, the Group has established the Compliance Committee, a subordinate body of the Risk Management Committee. The Compliance Committee promotes Group wide compliance activities and deliberates important issues related to compliance promotion. Moreover, the Compliance Committee and the General Affairs Department conduct regular compliance education and training activities, as well as work to establish and promote a Group wide compliance system.

4. The Risk Management Committee and Compliance Committee shall report the details of discussed matters and compliance activities to the Board of Directors and the Audit & Supervisory Committee in a timely manner.

5. In the case that a Director and Executive Officer discover an issue related to the Group's compliance, the Director and Executive Officer shall report the issue promptly to the Compliance Committee. Moreover, compliance hotlines are established both inside and outside the Group to allow Employees to directly report compliance issues. After making efforts to secure information on the issue, the Compliance Committee, when receiving a report on the issue, shall investigate the details. As necessary, the Compliance Committee shall consult with related departments to take corrective action and establish measures to prevent recurrence. These measures shall then be enforced Group wide.

6. As necessary, a Director shall be dispatched to Group companies to oversee the appropriateness of business execution and decision making. As necessary, this Director shall work in coordination with related departments to provide Group companies with advice, guidance, and support.

7. As necessary, a corporate auditor shall be dispatched to Group companies to conduct an audit.

8. An Auditing Department has been established and shall conduct internal audits relating to compliance and the appropriateness of business execution. The Auditing Department shall report the results of internal audits to the Audit & Supervisory Committee and the President and Representative Director in a timely manner.

9. The Group shall establish and maintain internal control systems to ensure the appropriateness of its financial reporting.

10. The Directors and Executive Officers shall establish and promote a system in order to block any association with anti-social forces and clearly reject improper demands from them.

#### **(2) System for the preservation and management of information concerning the performance of Directors' and Executive Officers' duties**

1. The Directors and Executive Officers shall preserve and manage valuable documents related to decision making, such as the minutes of the General Meeting of Shareholders and Board of Directors meetings (including electromagnetic records), as well as any other valuable information related to the performance of Directors' duties, in accordance with laws, regulations, and internal rules.

2. The Directors shall maintain the availability of documents and information mentioned above for inspection as necessary.

3. The Risk Management Committee shall establish and promote an information security governance system that not only protects and preserves information, including personal information, but also boosts corporate value by utilizing information.

#### **(3) Rules and other systems for the risk management of loss for the Group**

1. The Group's basic policy for risk management shall be determined by the Board of Directors.

2. Each Director and Executive Officer shall be responsible for taking measures against risks that occur in business execution. Material risks shall be analyzed and evaluated, and plans for improvement shall be discussed and determined by the Board of Directors.

3. Risks related to Group management, such as quality risks pertaining to the Group as a whole and risks related to business execution throughout the Group, shall each be managed comprehensively and collectively by the Risk Management Committee and Quality Assurance Committee. In addition, these committees shall establish rules, formulate guidelines, and conduct training activities to manage such risks as necessary.

4. As for newly arising material risks, Directors who can respond to such risks with a sense of responsibility will be promptly appointed to the Board of Directors, and measures against these risks shall be determined by such Directors.

#### **(4) System to ensure the efficient performance of duties by Group Directors**

1. The Group's basic management policies shall be determined by the Board of Directors.

2. The Group's Directors and Executive Officers shall establish Company wide goals to be shared among Directors, Executive Officers, and Employees. Directors shall work to determine efficient methods for achieving Company wide goals, such as appropriately allocating specific goals and authority to business divisions.

3. The Directors in charge shall confirm the progress of the achievement of goals and shall be required to report specific measures being taken to achieve the goals at Board of Directors meetings.

4. Each Director shall be in charge of their duties appropriately and engage in efficient decision making based on internal regulations for responsibility and authority.

#### **(5) System for Directors and Executive Officers of Group companies to report matters relating to business execution by the Group**

1. Business execution of Group companies shall be reported regularly to the Executive Committee and the Board of Directors.

2. Directors and Executive Officers in charge of Group companies shall request reports on business execution from Group companies as necessary.

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

4. The Auditing Department shall report the results of internal audits of Group companies to the President and Representative Director in a timely manner.

**(6) System to ensure the appropriateness of business operations of the Group and its parent company**

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

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

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

2. In the case that a Director or an Employee of the Auditing Department is requested to assist with the duties of the Audit & Supervisory Committee, such Directors or Employees shall strictly follow the direction and commands of the Audit & Supervisory Committee.

**(8) System for Directors (excluding Directors who are members of the Audit & Supervisory Committee), Executive Officers, Employees, and auditors of the Group (or equivalent persons) to report to the Audit & Supervisory Committee, as well as persons who receive reports from Directors, Executive Officers, Employees, and auditors of the Group to report to the Audit & Supervisory Committee, and system for other reports to the Audit & Supervisory Committee**

1. The President and Representative Director and Group Directors shall report on their business execution at Board of Directors meetings as necessary.

2. In the case that the Audit & Supervisory Committee requests a report on a business or conducts an investigation of a business or property, the Directors (excluding Directors who are members of the Audit & Supervisory Committee), Executive Officers, and Employees of the Group shall respond to the request or investigation promptly and accurately.

3. In the case that a Director (excluding a Director who is a member of the Audit & Supervisory Committee), Executive Officer, and Employee discover any incident that could bring harm to the Group, such as a violation of laws or regulations, the Director, Executive Officer, and Employee shall immediately report the incident to the Audit & Supervisory Committee.

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

5. The General Affairs Department shall regularly report the status of internal reporting at Group companies to the Audit & Supervisory Committee.

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

Directors (excluding Directors who are members of the Audit & Supervisory Committee), Executive Officers, and Employees of the Group shall be able to submit reports directly to the Audit & Supervisory Committee. Internal regulations prohibit disadvantageous treatment of any Director, Executive Officer, and Employee due to their submission of reports.

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

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

2. In the case that the Audit & Supervisory Committee independently requests the use of external specialists for its business execution, excluding cases where such a request is not necessary for said business execution, SBF shall cover the expenses.

3. The Audit & Supervisory Committee shall work to ensure that information is exchanged between auditors of Group companies (or equivalent persons), the Auditing Department, and themselves, and that a mutual understanding is shared by all parties.

4. The Audit & Supervisory Committee shall provide regular opportunities for the exchange of opinions with the President and Representative Director and the Independent Accounting Auditor.

## Outside Directors

### (1) Selection of Outside Directors

The Outside Directors shall express their opinions through observations based on their experience and insight as corporate managers or through observations formulated from their expert viewpoints as researchers, attorneys, and so forth, thereby aiding in appropriate decision making and oversight of business execution by the Board of Directors, as well as enhancing the auditing functions of the Audit & Supervisory Committee.

As of March 31, 2016, SBF had three Outside Directors, of whom two were also members of the Audit & Supervisory Committee.

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

Outside Director and Audit & Supervisory Committee member Yukihiro Uehara possesses extensive knowledge and a high level of insight as a researcher in the fields of marketing and management strategy. As an Outside Director, he provides appropriate advice about the validity and suitability of decision making related to SBF's business execution from an objective and neutral position. As such, SBF believes that he is properly qualified for the post of Outside Director.

Outside Director and Audit & Supervisory Committee member Harumichi Uchida possesses an abundance of experience and knowledge, as well as a high level of insight as an attorney who is well-versed in the field of corporate law. As an Outside Director, he offers appropriate advice about the validity and suitability of decision making related to SBF's business execution from an objective and neutral position. Accordingly, SBF believes that he is properly qualified for the post of Outside Director.

### (2) Interests between SBF and Outside Directors

Outside Director Yukari Inoue is the Managing Director of Kellogg Japan G.K., and serves as an Outside Director for JC Comsa Corporation. There are no special related-party interests between SBF and either of these two companies.

Outside Director and Audit & Supervisory Committee member Yukihiro Uehara is the representative director at Comtec 22 Inc. and a specially appointed professor of Institute of Current Business Studies, Showa Women's University. He also serves as an Outside Director for INTAGE HOLDINGS Inc. There are no special interests between SBF and these entities.

Outside Director and Audit & Supervisory Committee member Harumichi Uchida is an attorney with Mori Hamada & Matsumoto and serves as an outside Audit & Supervisory board member for both Daifuku Co., Ltd. and Sumitomo Dainippon Pharma Co., Ltd. There are no special interests between SBF and these entities.

### (3) Selection standards for Outside Directors

SBF views Outside Directors as independent if they do not fall into the categories below.

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

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

Transactions between the Suntory Group including Suntory Holdings Limited, SBF's parent company, are examined by SBF'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. Working to ensure its independence from the parent company, the decisions regarding transactions with the parent company and other Suntory Group members, deemed to be particularly important, are taken after sufficient deliberation by the Board of Directors including several independent Outside Directors in 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 fiscal 2016, it was deliberated upon at a Board meeting held in December 2015 and approved after being deemed necessary and appropriate.

In addition to deliberation beforehand, the Internal Auditing Division conducts a post-transaction check on

details of the transaction and whether it was based on the contents of the deliberation. Also, the Audit & Supervisory Committee conducts an audit to assess the soundness and appropriateness of the transaction.

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

Through a resolution of the Ordinary General Meeting of Shareholders held on March 27, 2015, remuneration for directors (excluding directors who are Audit & Supervisory Committee members) was determined to be within ¥1,000 million a year (not including the employee portion of salaries of Directors who are concurrently employees), and remuneration for Outside Directors was determined to be within ¥100 million a year. The limit for Audit & Supervisory Committee member remuneration was set at ¥150 million a year through a resolution at the same meeting.

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

#### (1) Total amount of compensation, total amount by type of compensation, and number of recipients by Director category

Position	Millions of yen			Number of eligible Directors
	Total compensation and other remuneration	Total by compensation and remuneration category	Bonuses	
		Basic compensation		
Directors (excluding Outside Directors)	391	228	163	8
Outside Directors (excluding Audit & Supervisory Committee members)	12	12	–	2
Audit & Supervisory Committee members (excluding Outside Directors)	23	14	9	1
Outside Directors (Audit & Supervisory Committee members)	16	16	–	2
Auditors (excluding Outside Directors)	12	8	4	2
Outside auditors	8	8	–	2

Note: Not including employee salary

#### (2) Total compensation amounts for persons receiving total compensation of ¥100 million or more

Name	Category	Millions of yen		Total compensation amount
		Basic compensation	Bonuses	
Nobuhiro Torii	Director	72	50	122

#### (3) Policy on determining the amount of compensation for Executive Officers

Remuneration for Directors is structured to be at levels that correspond to their role and responsibilities. This structure provides Directors with motivation to improve SBF's performance and corporate value and also gives consideration to securing outstanding personnel.

Compensation for executive directors comprises a basic salary (a monthly, fixed amount) and bonuses (annual, performance-based). Compensation levels are determined based on each Director's role and responsibilities. The amounts for bonuses are primarily determined by a benchmark based on SBF's consolidated operating income.

In principle, non-executive Directors' compensation comprises only a basic salary (a monthly, fixed amount). As for full-time Audit & Supervisory Committee member's compensation, in addition to the basic salary, a bonus is paid (annual, performance-based) in consideration of a member's contribution to SBF's performance. Compensation levels are determined based on each member's role and responsibilities. The amounts for bonuses are primarily determined by a benchmark based on SBF's consolidated operating income.

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

### Compensation of the Independent Accounting Auditor

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

Category	Millions of yen			
	Fiscal year ended December 31, 2014		Fiscal year ended December 31, 2015	
	Compensation for audit certification activities	Compensation for non-audit activities	Compensation for audit certification activities	Compensation for non-audit activities
Suntory Beverage & Food Limited	50	15	50	48
Consolidated subsidiaries	29	–	39	–
Total	79	15	89	48

### Investor Relations Activities

The Corporate Communication (CC) Division is in charge of investor relations activities. SBF holds presentations on financial results (second-quarter and year-end) given by the President and Representative Director or the Chief Financial Officer. In addition, SBF holds several one-on-one meetings with institutional investors in major cities in Europe, the United States, and Asia each year. Presentations at these meetings are also given by the President and Representative Director, the Chief Financial Officer or members of the CC Division. In principle, important disclosure materials for investors are provided entirely in English and are posted on SBF's website at the same time as, or shortly thereafter, the Japanese-language materials are disclosed.



# Board of Directors

As of May 1, 2016



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



Senior Managing Director, Member of the Board  
Nobuhiro Kurihara



Senior Managing Director, Member of the Board  
Yukio Okizaki



Director, Member of the Board  
Nobuhiro Torii



Director, Member of the Board  
Yoshihiko Kakimi



Director, Member of the Board  
Masato Tsuchida



Director, Member of the Board  
Hachiro Naiki



Director, Member of the Board Outside Director  
Yukari Inoue



Director and Member of the Audit & Supervisory Committee  
Kozo Chiji



Outside Director and Member of the Audit & Supervisory Committee  
Yukihiro Uehara



Outside Director and Member of the Audit & Supervisory Committee  
Harumichi Uchida



## FINANCIAL SECTION

### Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations .....	48
Business and Other Risks .....	54
Consolidated Balance Sheet .....	60
Consolidated Statement of Income .....	62
Consolidated Statement of Comprehensive Income .....	63
Consolidated Statement of Changes in Equity .....	64
Consolidated Statement of Cash Flows .....	66
Notes to Consolidated Financial Statements .....	67
Independent Auditor's Report .....	97

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

## Operating Environment and Initiatives in the Fiscal Year Ended December 31, 2015

In the fiscal year ended December 31, 2015, 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 Suntory Beverage & Food Limited Group (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 the 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* series and *Boss* coffee series, the Group launched products with new value such as *Lemongina* and *Suntory Yogurina & Minami-Alps Tennensui*, 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 region. In Europe, the Group worked to create a more effective management information infrastructure to promote the creation of synergy through cooperation between the Orangina Schweppes Group and the Lucozade Ribena Suntory Group. Furthermore, in Asia, the Group worked to strengthen its sales and production structures.

## Analysis of Results of Operations

In the fiscal year ended December 31, 2015, net sales rose 9.8% year on year, to ¥1,381 billion. Gross profit increased 10.2% year on year, to ¥752.6 billion.

Selling, general, and administrative expenses amounted to ¥660.6 billion, consisting primarily of promotion expenses and sales commissions totaling ¥300 billion, advertising costs amounting to ¥57 billion, and labor expenses totaling ¥110.7 billion. Operating income rose 7.0%, to ¥92.0 billion.

Other expenses—net decreased 18.8% year on year, to ¥12.6 billion, primarily due to recording a gain on step acquisitions of ¥15.7 billion.

As a result of the above, net income increased 17.2%, to ¥42.5 billion. In addition, basic net income per share was ¥137.42.

The Group uses EBITDA (calculated as the aggregate of [i] operating income, [ii] depreciation and amortization, and [iii] amortization of goodwill) as a key performance indicator to monitor trends in the Group's operating results. In the fiscal year ended December 31, 2015, EBITDA was ¥175.5 billion, up 9.0% year on year. EBITDA for the Japan segment was ¥79.8 billion, an increase of 4.1%, and ¥97.2 billion for the overseas segment, an increase of 15.2%.

## Segment Performance

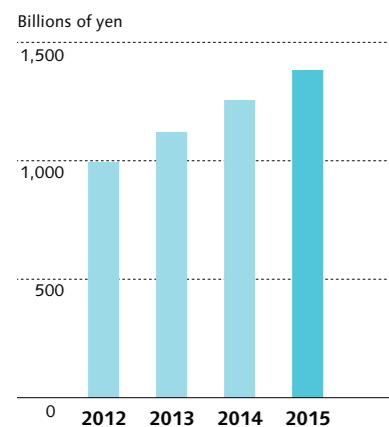
### Japan Segment

Net sales: ¥806.9 billion (+11.7% YoY)  
 Segment profit: ¥46.7 billion (+0.2% YoY)  
 EBITDA: ¥79.8 billion (+4.1% YoY) (Reference)

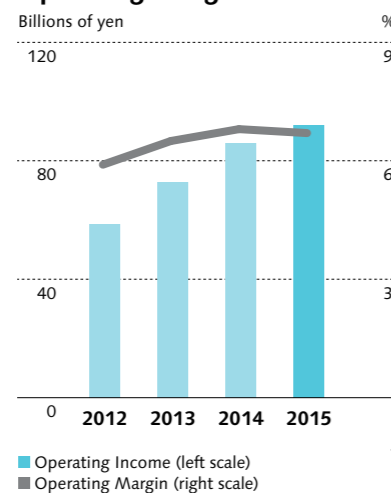
In the *Suntory Tennensui* series, the Group promoted the brand's original value by emphasizing its qualities of "clear & tasty" and "natural & healthy." Sales of small-size format products including *Suntory Minami-Alps Tennensui* were strong, and *Suntory Yogurina & Minami-Alps Tennensui*, which was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

In the *Boss* coffee series, 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*, which were launched in the bottle-shaped canned coffee market and are showing striking growth, performed strongly. As a result, sales volume for the range as a whole grew steadily.

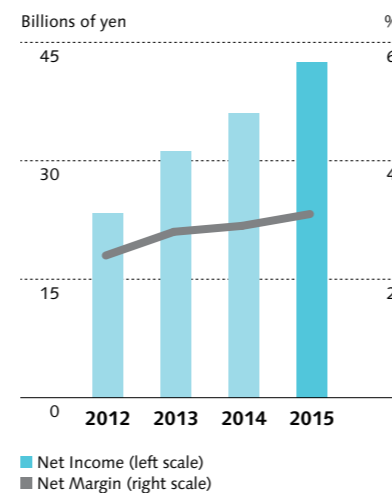
### Net Sales



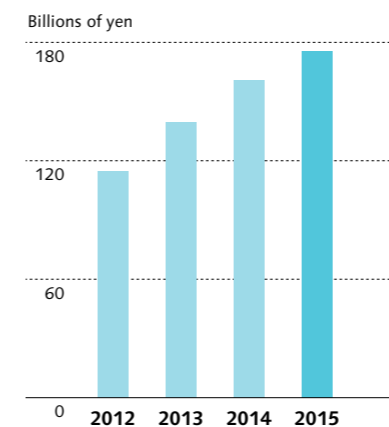
### Operating Income and Operating Margin



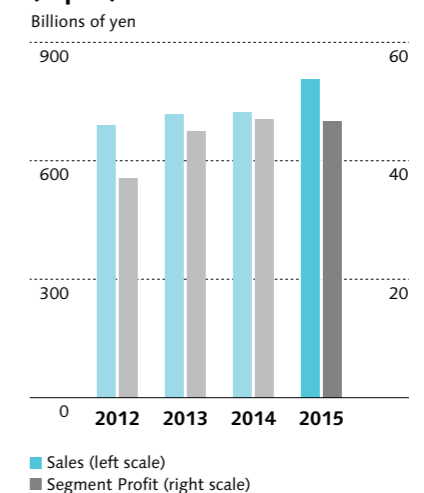
### Net Income and Net Margin



### EBITDA



### Sales and Segment Profit (Japan)



In the *Iyemon* series, although the sales volume for the range as a whole was level year on year, the FOSHU (Foods 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* series, 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* series fell year on year, despite continued marketing activities.

The sales volume of the *Green DAKARA* series rose year on year overall with steady sales for the barley tea *Green DAKARA Yasashii Mugicha*, which was renewed in June. In the *Orangina* series, 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 series as a whole grew significantly.

SBF 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 500ml 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 shipments caused by supply-demand imbalances for *Lemongina* and *Suntory Yogurina & Minami-Alps Tennensui*, as well as 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 Water Plant.

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

#### Overseas Segment

Net sales: ¥574.1 billion (+7.3% YoY)  
 Segment profit: ¥74.0 billion (+14.9% YoY)  
 EBITDA: ¥97.2 billion (+15.2% YoY) (Reference)

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 U.K., 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 an 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 revitalizing 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*.

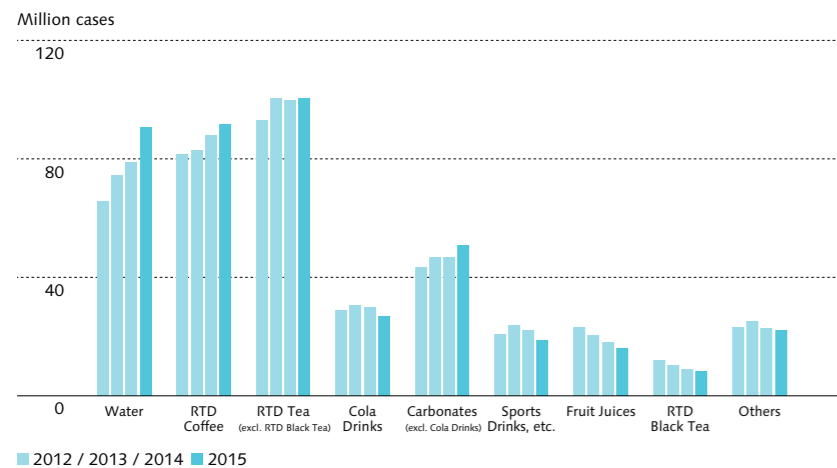
In the Americas, the Group improved business efficiency by such means as carrying out initiatives to integrate distribution bases, and further promoted PepsiCo brand products, focusing on the state of North Carolina.

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 know-how among all Group companies.

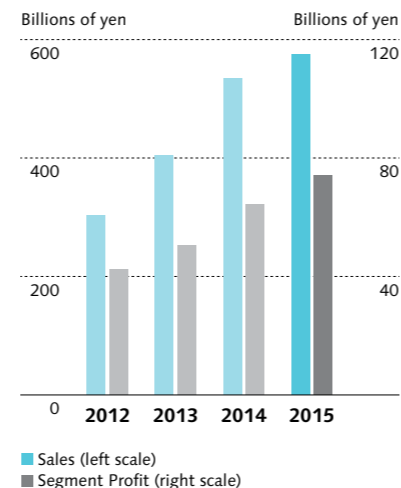
#### R&D Activities

The R&D divisions believe that great taste, underpinned by safety and reliability, lies at the heart of the value of each product. Accordingly, R&D divisions and departments established in Japan and overseas are working to develop high-value-added products. In the fiscal year ended December 31, 2015, R&D costs in the Japan segment and the overseas segment were ¥6.3 billion and ¥3.2 billion, respectively, resulting in total R&D costs of ¥9.5 billion.

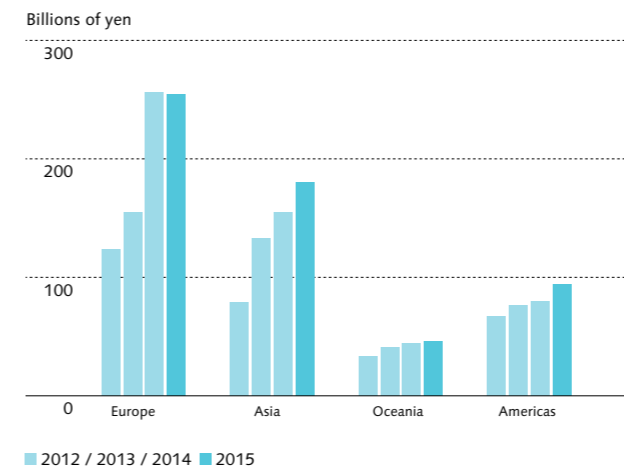
#### Sales Volume by Category (Japan)



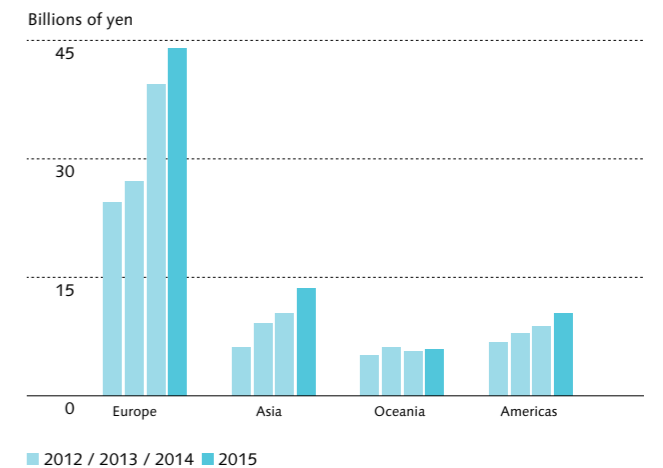
#### Sales and Segment Profit (Overseas)



#### Net Sales by Geographic Area (Overseas)



#### Segment Profit by Geographic Area (Overseas)



## Analysis of Financial Condition

Total assets as of December 31, 2015 stood at ¥1,484.4 billion, an increase of ¥95.3 billion compared to December 31, 2014. The main factors were increases in goodwill and other items.

Total liabilities stood at ¥857.5 billion, an increase of ¥104.1 billion compared to December 31, 2014. The main factors were increases in interest-bearing debt, lease obligations, and other items.

Equity stood at ¥626.9 billion, a decrease of ¥8.7 billion compared to December 31, 2014, due in part to a decrease in retained earnings resulting from payments of cash dividends and a decrease in foreign currency translation adjustments, despite other factors including an increase in retained earnings resulting from the recording of net income.

As a result of the above, shareholders' equity ratio was 39.3% and equity per share was ¥1,888.33.

## Cash Flows

Cash and cash equivalents as of December 31, 2015 amounted to ¥97.7 billion, a decrease of ¥7.8 billion compared to December 31, 2014.

Net cash provided by operating activities was ¥145.7 billion, an increase of ¥37.1 billion compared to the previous fiscal year. This was mainly the result of income before income taxes and minority interests of ¥79.5 billion and depreciation and amortization of ¥56.3 billion and others.

Net cash used in investing activities was ¥188.8 billion, an increase of ¥121.4 billion compared to the previous fiscal year. This was mainly the result of purchases of investments in subsidiaries and other assets resulting in changes in scope of consolidation of ¥134.3 billion and purchases of property, plant, and equipment and intangible fixed assets of ¥59.1 billion and others.

Net cash provided by financing activities was ¥38.5 billion, an increase of ¥24.8 billion compared to the previous fiscal year. This was mainly the result of proceeds from long-term debt of ¥103.8 billion and others.

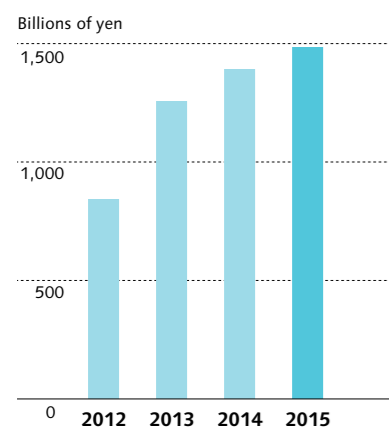
## Capital Expenditures

In the fiscal year ended December 31, 2015, the SBF Group invested a total of ¥63.5 billion on capital expenditures to increase its manufacturing capacity, strengthen its sales capability, improve the quality of its products, and streamline its businesses.

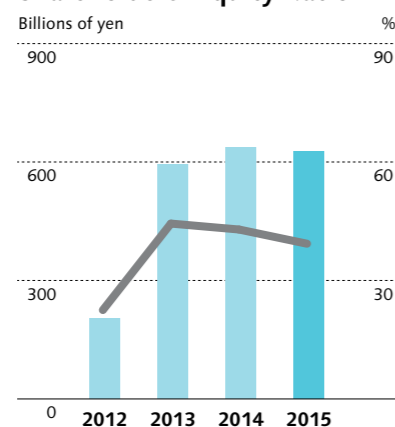
In the Japan segment, the SBF Group invested ¥31.8 billion on capital expenditures, primarily to increase its manufacturing capacity, streamline its businesses, and install new vending machines.

In the overseas segment, the SBF Group invested ¥31.7 billion on capital expenditures, primarily to increase its manufacturing capacity and streamline its businesses.

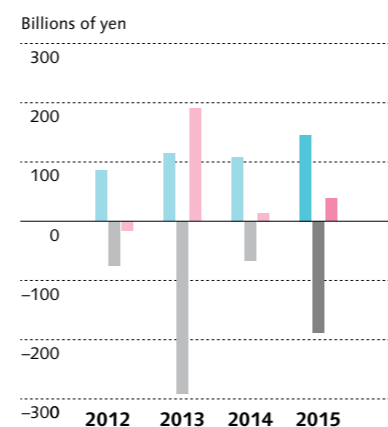
### Total Assets



### Equity and Shareholders' Equity Ratio



### Cash Flows



## Dividend Policy

The SBF Group believes in the prioritization of strategic investments, as well as capital expenditures for the pursuit of sustainable revenue growth, in increasing the value of our business, which will benefit our shareholders. In addition, we view an appropriate shareholder return as one of our core management tasks. While giving due consideration to providing a stable return and maintaining robust internal reserves for the future, the SBF Group intends to pursue a comprehensive shareholder return policy that also takes into account our business results and future funding needs. Specifically, we aim to stably increase dividends on the basis of profit growth with a targeted consolidated payout ratio of 30% or more for net income before amortization of goodwill.\* Looking to the medium and long term, the SBF Group also considers increasing the payout ratio depending on such factors as the need for funds and the progress in profit growth. The SBF Group's basic policy is to declare dividends twice a year in the form of interim and year-end dividends.

Determinations regarding year-end dividends are made at the annual general meeting of shareholders, while interim dividends are determined by the Board of Directors.

For the fiscal year under review, the SBF Group declared an annual dividend of ¥68 per share, comprising an interim dividend of ¥33 per share.

As noted above, the SBF Group uses internal reserves for strategic investments in future business expansion and capital expenditures to strengthen its core businesses. The SBF Group's Articles of Incorporation provide that interim dividends with a record date of June 30 of every year may be declared by a resolution of the Board of Directors.

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

Date of determination	Total dividend amount (millions of yen)	Dividend per share (yen)
August 6, 2015 Board of Directors	10,197	33
March 30, 2016 Ordinary general meeting of shareholders	10,815	35

\* This figure represents the sum of net income and amortization of goodwill.

## Outlook for the Fiscal Year Ending December 31, 2016

The SBF Group has expanded its business foundation through the listing of its shares on the Tokyo Stock Exchange and through conducting various M&A activities. Utilizing this business foundation, the SBF Group aims to accelerate the pursuit of self-sustainable growth in each area of its operations while creating synergies and advancing comprehensive expansion. As a result, the SBF Group has formulated management strategies for the 2015–2017 period. In the fiscal year ending December 31, 2016, in order to achieve success with these strategies, the SBF Group will work to further solidify its business foundation both in Japan and overseas. In this way, the SBF Group aspires for growth in sales and profits in each area of operation. For details on these initiatives, please refer to pages 6 and 7.

In the fiscal year ending December 31, 2016, the Group expects consolidated net sales of ¥1,430.0 billion, up 3.5% year on year, operating income of ¥90.0 billion, down 2.2%, ordinary income of ¥86.5 billion, up 4.4%, and net income attributable to owners of the parent of ¥40.5 billion, down 4.6%.

<Reference>

EBITDA (the sum of all segment profit and depreciation and amortization) is expected to be ¥180 billion, up 2.5% year on year, and net income before amortization of goodwill is expected to be ¥70 billion, up 0.4% year on year.

The main foreign exchange rates underlying the outlook for the next fiscal year are ¥125 against the euro and ¥118 against the U.S. dollar.

## Business and Other Risks

Our business, financial condition, and operating results could be materially adversely affected by the factors discussed below. The risks outlined below are those identified by Suntory Beverage & Food Limited and its consolidated subsidiaries as of March 31, 2016.

### (1) Risks related to product development and supply

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

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

In addition, the Group's continued success is also dependent on its ability to innovate, which includes maintaining a robust pipeline of new products and improving the effectiveness of product packaging and marketing efforts. While we devote significant resources to promoting our brands and new product launches, there can be no assurance as to our continued ability to develop and launch successful new products or to effectively execute our marketing programs. Any failure on our part to implement effective sales policies that respond to market trends and technological innovations, achieve appropriate innovation, or successfully launch new products could decrease demand for our products by negatively affecting consumer perception of our brands, as well as result in inventory write-offs and other costs.

### (2) Risks related to competition

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

### (3) Risks related to potential acquisitions and joint ventures

Identifying and taking advantage of additional acquisition and market entry opportunities in Japan, Europe, other developed markets and emerging markets is an important part of our growth strategy. Accordingly, we regularly evaluate potential acquisitions and joint ventures, some of which are large in size or otherwise substantial. Potential issues associated with these activities could include, among others:

- we may be unable to identify appropriate acquisitions and other opportunities or may be unable to agree on terms with potential counterparties, due to competing bids, among other reasons;
- we may fail to receive necessary consents, clearances and approvals in connection with an acquisition or joint venture;
- we may be unable to raise necessary capital on favorable terms;
- in entering new geographic markets or product segments, we may change our business profile and face challenges with which we are unfamiliar or fail to anticipate; and
- we may be unable to realize the full extent of the profits or cost savings that we expect to realize as a result of an acquisition or the formation of a joint venture.

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

### (4) Risks related to international operations

Our global operations and ongoing investment in developed and especially emerging markets mean we are subject to risks involved in international operations generally. Such risks include among others:

- the need to comply with differing or undeveloped legal, regulatory and tax regimes;

- negative economic or political developments;
- fluctuations in exchange rates; and
- disruptions from extraordinary events such as terrorism, political instability, civil unrest or epidemics such as SARS or avian flu.

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

### (5) Risks related to business plans and management strategies

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

### (6) Risks related to our product safety

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

### (7) Risks related to distribution channels

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

- consolidation among retail groups in many markets has resulted in large, sophisticated retailers with strong bargaining power in terms of pricing and sales promotions. The loss of significant customers, or unfavorable changes to pricing and other terms, could adversely affect our results of operations;
- independent retailing groups, including those in Japan, are introducing competitively priced private label products that contribute to intensifying price competition; and
- the Japanese market is relatively saturated in terms of vending machines, resulting in increased price competition. In addition, sales per machine may decrease due to increased competition from an increase in convenience store locations.

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

### (8) Risks related to economic conditions

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

The Japanese government plans to increase the rate of consumption tax from the current 8% to 10% in April 2017. It is unclear what impact these increases will have on our sales in Japan or whether we will be able to maintain current margin levels following such increases. Furthermore, Japan's long-term demographic trends generally point to an aging and declining population. This could have a negative impact on consumer demand. If the tax increases or Japan's demographic trends result in decreased demand for our products or increased pricing pressure, they may have a negative effect on our results of operations and financial position.

**(9) Risks related to foreign exchange rate fluctuations**

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

**(10) Risks related to interest rate fluctuations**

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

**(11) Risks related to goodwill and trademarks**

As of December 31, 2015, the Group's consolidated intangible assets stood at ¥711.4 billion. Among these, goodwill was ¥454.2 billion and trademarks were ¥188.5 billion. The majority of goodwill is related to the acquisition of shares in the Orangina Schweppes Group and Japan Beverage Holdings Inc. Furthermore, most of the trademarks are related to the manufacture and sales business of Lucozade and Ribena, which were acquired from GlaxoSmithKline plc.

We may record additional goodwill and trademarks as a result of conducting new acquisitions and joint ventures in the future. We are required to regularly assess our consolidated intangible assets for any signs of impairment. In cases where we determine that these consolidated intangible assets are impaired, we are required to post an impairment loss. The recording of such an impairment loss could have an adverse effect on our results of operations and financial position.

**(12) Risks related to procurement of raw materials**

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

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

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

**(13) Risks related to water supply**

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

**(14) Risks related to weather conditions**

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

**(15) Risks related to environmental problems**

Recognizing that the global natural environment constitutes one of our management resources, we are working in earnest to implement environmental preservation activities, in an effort to hand a sustainable society to future generations. We are striving to thoroughly reduce water usage, cut CO<sub>2</sub> emissions, convert waste materials into useful resources and recycle containers. In the course of executing business operations, we comply with various related environmental regulations. However, in the event of global environmental problems due to global climate change, resource depletion and other issues; environmental pollution caused by accidents, mishaps and other events; and higher cost outlays for investment in new equipment mainly due to amendments in relevant laws and regulations, our results of operations and financial position could be negatively affected.

**(16) Risks related to supply chains**

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

**(17) Risks related to management team and employees**

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

Our operating results and financial position could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs.

**(18) Risks related to employee retirement benefit obligations**

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

**(19) Risks related to information systems and services**

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

**(20) Risks related to legal compliance**

We are subject to a variety of national and local laws and regulations in Japan, Europe, Asia, Oceania, the Americas and the other regions in which we do business. These laws and regulations apply to many aspects of our business activities including the manufacture, labeling, transportation, advertising and sale of our products. In particular, if an accident or non-compliance with these laws or regulations results in environmental pollution, we could be subject to claims or sanctions and incur increased costs. Due to our global operations, we must also comply with anti-corruption provisions of Japanese law or foreign statutes. Violations of applicable laws or regulations could damage our reputation or result in regulatory or private actions with substantial penalties or damages. In addition, any significant change in such laws or regulations or their interpretation, or the introduction of higher standards or more stringent laws or regulations, could result in increased compliance costs.

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

### (21) Risks related to the reputation of our brands

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

### (22) Risks related to intellectual property

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

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

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

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

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

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

### (23) Risks associated with control by the Parent

As of March 31, 2016, our Parent, Suntory Holdings Limited, owns 59.48% of the outstanding shares of our common stock, and accordingly, has control, or a veto right with respect to fundamental decisions such as election and removal of our Directors, the approval of joint ventures or other business reorganizations, the transfer of material businesses, amendments to our Articles of Incorporation and the declaration of dividends. Suntory Holdings Limited could continue to influence the determination of all matters that require the approval of the general meeting of shareholders, regardless of the intentions of other shareholders. Our management makes decisions independently of our Parent, with no matters requiring the Parent's prior approval.

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

Type of transaction	Counterparty	Method used to determine transaction terms
Outsourcing of product shipping	Suntory Logistics Ltd.	Determined by discussions between the parties after considering the quality and market price of similar services
Payment of brand royalties	Suntory Holdings Limited	The rate of royalty was determined by discussions between the parties after considering the brand value and other factors
Outsourcing of indirect services (logistics, procurement, customer relations, etc.)	Suntory Business Expert Limited	Determined by discussions between the parties after considering the quality of operations and market price of similar services
Purchase of coffee beans	Suncafé Ltd.	Determined by discussions between the parties after considering the quality and market price of similar services

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

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

Among our eight Directors, Director Nobuhiro Torii concurrently serves as Executive Vice President of Suntory Holdings Limited. This appointment was made in the hope that Mr. Torii's track record of driving growth for the entire Group and his strong leadership as SBF's President and Representative Director, coupled with his abundant knowledge and experience in general management, will help further strengthen the functions of SBF's Board of Directors.

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

Among our personnel, a certain number of full-time employees other than employees at the managerial level and above are seconded from Suntory Holdings Limited. As of December 31, 2015, there were approximately 270 employees seconded to us from Suntory Holdings Limited. In addition, all of our employees at the managerial level and above are registered with us. Employees seconded from Suntory Holdings Limited will become SBF employees upon promotion to the managerial level and above.

### 4) Trademarks, patents, and comprehensive licensing agreements

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

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

# Consolidated Balance Sheet

Suntory Beverage & Food Limited and Consolidated Subsidiaries  
December 31, 2014 and 2015

ASSETS	Millions of Yen		Thousands of
	2014	2015	U.S. Dollars (Note 1)
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 17)	¥ 105,505	¥ 97,719	\$ 810,206
Short-term investments (Note 6)	15	28	232
Notes and accounts receivable (Note 17):			
Trade	151,763	156,110	1,294,337
Other	23,133	25,548	211,823
Allowance for doubtful accounts	(354)	(352)	(2,918)
Inventories (Note 7)	74,888	82,591	684,777
Deferred tax assets (Note 12)	11,658	12,269	101,725
Other current assets	19,838	16,640	137,965
<b>Total current assets</b>	<b>386,446</b>	<b>390,553</b>	<b>3,238,147</b>
<b>PROPERTY, PLANT, AND EQUIPMENT:</b>			
Land (Note 9)	41,831	43,336	359,307
Buildings and structures (Note 9)	111,170	120,365	997,969
Machinery, equipment, and other	509,612	519,022	4,303,308
Construction in progress	24,548	13,387	110,994
Lease assets (Note 16)	5,848	39,214	325,131
<b>Total</b>	<b>693,009</b>	<b>735,324</b>	<b>6,096,709</b>
Accumulated depreciation	(353,908)	(387,474)	(3,212,619)
<b>Net property, plant, and equipment</b>	<b>339,101</b>	<b>347,850</b>	<b>2,884,090</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investments in unconsolidated subsidiaries and associates (Note 17)	9,879	4,338	35,967
Investment securities (Notes 6 and 17)	9,399	5,592	46,364
Long-term receivables	121	76	630
Long-term guarantee deposit	2,971	5,228	43,346
Goodwill (Note 14)	381,760	454,213	3,765,965
Trademarks	199,900	188,518	1,563,038
Asset for retirement benefits (Note 10)	—	1,102	9,137
Deferred tax assets (Note 12)	3,483	3,632	30,114
Other	56,505	83,880	695,465
Allowance for doubtful accounts	(469)	(548)	(4,544)
<b>Total investments and other assets</b>	<b>663,549</b>	<b>746,031</b>	<b>6,185,482</b>
<b>TOTAL</b>	<b>¥1,389,096</b>	<b>¥1,484,434</b>	<b>\$12,307,719</b>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of
	2014	2015	U.S. Dollars (Note 1)
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Notes 9 and 17)	¥ 32,254	¥ 16,328	\$ 135,378
Current portion of long-term debt (Notes 9, 16, and 17)	23,422	104,969	870,318
Notes and accounts payable (Note 17):			
Trade	111,989	122,100	1,012,354
Other	92,340	101,208	839,134
Consumption taxes payable (Note 17)	6,122	6,472	53,661
Accrued income taxes (Notes 12 and 17)	14,456	13,139	108,938
Accrued expenses (Note 17)	55,791	54,917	455,327
Other current liabilities	18,277	19,749	163,743
<b>Total current liabilities</b>	<b>354,651</b>	<b>438,882</b>	<b>3,638,853</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 9, 16, and 17)	306,681	315,337	2,614,518
Liability for employees' retirement benefits (Note 10)	10,474	6,888	57,110
Retirement allowances for directors and Audit and Supervisory Board members	9	321	2,661
Long-term deposits payable	10,434	10,678	88,533
Deferred tax liabilities (Note 12)	63,030	76,822	636,946
Other	8,193	8,616	71,437
<b>Total long-term liabilities</b>	<b>398,821</b>	<b>418,662</b>	<b>3,471,205</b>
<b>COMMITMENTS (Notes 16 and 18)</b>			
<b>EQUITY (Notes 11 and 20):</b>			
Common stock, authorized – 480,000,000 shares, and issued – 309,000,000 shares in 2014 and 2015	168,384	168,384	1,396,103
Capital surplus	192,702	192,324	1,594,594
Retained earnings	150,463	176,538	1,463,709
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	1,316	1,894	15,704
Deferred gain on derivatives under hedge accounting	606	376	3,117
Foreign currency translation adjustments	83,802	46,993	389,628
Defined retirement benefit plans	(1,897)	(3,014)	(24,990)
<b>Total</b>	<b>595,376</b>	<b>583,495</b>	<b>4,837,865</b>
Minority interests	40,248	43,395	359,796
<b>Total equity</b>	<b>635,624</b>	<b>626,890</b>	<b>5,197,661</b>
<b>TOTAL</b>	<b>¥1,389,096</b>	<b>¥1,484,434</b>	<b>\$12,307,719</b>

See notes to consolidated financial statements.



# Consolidated Statement of Income

Suntory Beverage & Food Limited and Consolidated Subsidiaries  
Year Ended December 31, 2014 and 2015

	2014	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2015
<b>NET SALES</b>	¥1,257,280	¥1,381,007	\$11,450,187
<b>COST OF SALES</b> (Note 13)	574,203	628,430	5,210,430
Gross profit	683,077	752,577	6,239,757
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES</b> (Notes 13, 14, 15, and 16)	597,127	660,570	5,476,909
Operating income	85,950	92,007	762,848
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	476	2,035	16,872
Interest expense	(4,605)	(5,059)	(41,945)
Gain on step acquisitions (Note 4)	—	15,698	130,155
Impairment loss (Note 8)	(131)	(12,326)	(102,197)
Loss on disposal of property, plant, and equipment	(3,029)	(2,620)	(21,723)
Restructuring charges	(7,912)	(3,902)	(32,352)
Other – net (Note 21(g))	(257)	(6,377)	(52,873)
Other expenses – net	(15,458)	(12,551)	(104,063)
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	70,492	79,456	658,785
<b>INCOME TAXES</b> (Note 12):			
Current	29,375	27,030	224,110
Deferred	387	7,347	60,916
Total income taxes	29,762	34,377	285,026
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	40,730	45,079	373,759
<b>MINORITY INTERESTS IN NET INCOME</b>	4,490	2,616	21,690
<b>NET INCOME</b>	¥ 36,240	¥ 42,463	\$ 352,069

	2014	Yen 2015	U.S. Dollars (Note 1) 2015
<b>AMOUNTS PER SHARE</b> (Note 2(v)):			
Net income – basic	¥117.28	¥137.42	\$1.14
Cash dividends applicable to the year	60.00	68.00	0.56

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Suntory Beverage & Food Limited and Consolidated Subsidiaries  
Year Ended December 31, 2014 and 2015

	2014	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2015
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	¥40,730	¥ 45,079	\$ 373,759
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b> (Note 19):			
Unrealized gain on available-for-sale securities	336	600	4,975
Deferred gain (loss) on derivatives under hedge accounting	341	(284)	(2,355)
Foreign currency translation adjustments	32,583	(38,125)	(316,102)
Defined retirement benefit plans	—	(1,035)	(8,581)
Share of other comprehensive income in associates	812	(467)	(3,872)
Total other comprehensive income	34,072	(39,311)	(325,935)
<b>COMPREHENSIVE INCOME</b>	¥74,802	¥ 5,768	\$ 47,824
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent	¥65,927	¥ 4,885	\$ 40,502
Minority interests	8,875	883	7,322

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

Suntory Beverage & Food Limited and Consolidated Subsidiaries  
Year Ended December 31, 2014 and 2015

	Outstanding Number of Shares of Common Stock	Millions of Yen				
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Accumulated Other Comprehensive Income (Loss) Deferred Gain (Loss) on Derivatives under Hedge Accounting
<b>BALANCE AT JANUARY 1, 2014</b>	309,000,000	¥168,384	¥192,702	¥141,077	¥ 963	¥ 265
Net income	—	—	—	36,240	—	—
Cash dividends, ¥87.00 per share	—	—	—	(26,883)	—	—
Put option granted to minority shareholders	—	—	—	29	—	—
Net change in the year	—	—	—	—	353	341
<b>BALANCE AT DECEMBER 31, 2014 (January 1, 2015 as previously reported)</b>	309,000,000	168,384	192,702	150,463	1,316	606
Cumulative effect of accounting change	—	—	—	3,327	—	—
<b>BALANCE AT JANUARY 1, 2015 (as restated)</b>	309,000,000	168,384	192,702	153,790	1,316	606
Net income	—	—	—	42,463	—	—
Cash dividends, ¥64.00 per share	—	—	—	(19,776)	—	—
Changes due to purchase of shares in a foreign subsidiary from minority shareholders	—	—	(474)	—	—	—
Put option granted to minority shareholders	—	—	—	61	—	—
Other	—	—	96	—	—	—
Net change in the year	—	—	—	—	578	(230)
<b>BALANCE AT DECEMBER 31, 2015</b>	309,000,000	¥168,384	¥192,324	¥176,538	¥1,894	¥ 376

	Millions of Yen				
	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
<b>BALANCE AT JANUARY 1, 2014</b>	¥ 54,810	¥ —	¥558,201	¥34,768	¥592,969
Net income	—	—	36,240	—	36,240
Cash dividends, ¥87.00 per share	—	—	(26,883)	—	(26,883)
Put option granted to minority shareholders	—	—	29	—	29
Net change in the year	28,992	(1,897)	27,789	5,480	33,269
<b>BALANCE AT DECEMBER 31, 2014 (January 1, 2015 as previously reported)</b>	83,802	(1,897)	595,376	40,248	635,624
Cumulative effect of accounting change	—	—	3,327	8	3,335
<b>BALANCE AT JANUARY 1, 2015 (as restated)</b>	83,802	(1,897)	598,703	40,256	638,959
Net income	—	—	42,463	—	42,463
Cash dividends, ¥64.00 per share	—	—	(19,776)	—	(19,776)
Changes due to purchase of shares in a foreign subsidiary from minority shareholders	—	—	(474)	—	(474)
Put option granted to minority shareholders	—	—	61	—	61
Other	—	—	96	—	96
Net change in the year	(36,809)	(1,117)	(37,578)	3,139	(34,439)
<b>BALANCE AT DECEMBER 31, 2015</b>	¥ 46,993	¥(3,014)	¥583,495	¥43,395	¥626,890

See notes to consolidated financial statements.

	Thousands of U.S. Dollars (Note 1)					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Accumulated Other Comprehensive Income (Loss) Deferred Gain (Loss) on Derivatives under Hedge Accounting
<b>BALANCE AT DECEMBER 31, 2014 (January 1, 2015 as previously reported)</b>	309,000,000	\$1,396,103	\$1,597,728	\$1,247,517	\$10,911	\$ 5,024
Cumulative effect of accounting change	—	—	—	27,585	—	—
<b>BALANCE AT JANUARY 1, 2015 (as restated)</b>	309,000,000	1,396,103	1,597,728	1,275,102	10,911	5,024
Net income	—	—	—	352,069	—	—
Cash dividends, \$0.53 per share	—	—	—	(163,967)	—	—
Changes due to purchase of shares in a foreign subsidiary from minority shareholders	—	—	(3,930)	—	—	—
Put option granted to minority shareholders	—	—	—	505	—	—
Other	—	—	796	—	—	—
Net change in the year	—	—	—	—	4,793	(1,907)
<b>BALANCE AT DECEMBER 31, 2015</b>	309,000,000	\$1,396,103	\$1,594,594	\$1,463,709	\$15,704	\$ 3,117

	Thousands of U.S. Dollars (Note 1)				
	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
<b>BALANCE AT DECEMBER 31, 2014 (January 1, 2015 as previously reported)</b>	\$ 694,818	\$(15,728)	\$4,936,373	\$333,704	\$5,270,077
Cumulative effect of accounting change	—	—	27,585	66	27,651
<b>BALANCE AT JANUARY 1, 2015 (as restated)</b>	694,818	(15,728)	4,963,958	333,770	5,297,728
Net income	—	—	352,069	—	352,069
Cash dividends, \$0.53 per share	—	—	(163,967)	—	(163,967)
Changes due to purchase of shares in a foreign subsidiary from minority shareholders	—	—	(3,930)	—	(3,930)
Put option granted to minority shareholders	—	—	505	—	505
Other	—	—	796	—	796
Net change in the year	(305,190)	(9,262)	(311,566)	26,026	(285,540)
<b>BALANCE AT DECEMBER 31, 2015</b>	\$ 389,628	\$(24,990)	\$4,837,865	\$359,796	\$5,197,661

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Suntory Beverage & Food Limited and Consolidated Subsidiaries  
Year Ended December 31, 2014 and 2015

		Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2014	2015	2015
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 70,492	¥ 79,456	\$ 658,785
Adjustments for:			
Depreciation and amortization	50,032	56,302	466,810
Amortization of goodwill	25,075	27,226	225,736
Loss on disposal of property, plant, and equipment	3,029	2,620	21,723
Net gain on sales of property, plant, and equipment	(192)	(617)	(5,116)
Gain on step acquisitions	—	(15,698)	(130,155)
Impairment loss	131	12,326	102,197
(Increase) decrease in notes and accounts receivable – trade	(21,816)	634	5,257
Increase in inventories	(3,813)	(4,233)	(35,097)
Increase in notes and accounts payable – trade	8,220	570	4,726
Decrease in interest and dividends receivable	485	2	17
Increase in interest payable	617	19	158
Income taxes paid	(24,797)	(28,047)	(232,543)
Other – net	1,176	15,181	125,868
Net cash provided by operating activities	108,639	145,741	1,208,366
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant, and equipment	(68,905)	(59,089)	(489,918)
Proceeds from sales of property, plant, and equipment	1,334	2,262	18,755
Purchases of investment securities	(12)	(18)	(149)
Proceeds from sales of investment securities	3	9	75
Proceeds from refunds of investment securities	—	3,411	28,281
Purchases of investments in subsidiaries and other assets resulting in changes in scope of consolidation – net of cash acquired (Note 5)	—	(134,317)	(1,113,647)
Other – net	97	(1,105)	(9,162)
Net cash used in investing activities	(67,483)	(188,847)	(1,565,765)
<b>FINANCING ACTIVITIES:</b>			
Net decrease in short-term bank loans	(75,600)	(15,505)	(128,555)
Net decrease in commercial papers	(16,000)	—	—
Proceeds from long-term debt	144,281	103,761	860,302
Repayments of long-term debt	(47,198)	(21,698)	(179,902)
Proceeds from issuance of bonds	39,822	—	—
Repayments of lease obligations	(1,406)	(3,876)	(32,137)
Cash dividends	(26,883)	(19,776)	(163,967)
Cash dividends to minority shareholders	(3,345)	(4,422)	(36,664)
Other – net	—	21	175
Net cash provided by financing activities	13,671	38,505	319,252
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	4,827	(3,185)	(26,408)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	59,654	(7,786)	(64,555)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	45,851	105,505	874,761
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	¥105,505	¥ 97,719	\$ 810,206

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Suntory Beverage & Food Limited and Consolidated Subsidiaries

## 1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Suntory Beverage & Food Limited (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience

of readers outside Japan and have been made at the rate of ¥120.61 to \$1, the exchange rate at December 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

## 2. Summary of Significant Accounting Policies

**(a) Consolidation** – The consolidated financial statements as of December 31, 2015, include the accounts of the Company and its 93 significant (85 in 2014) subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in seven (seven in 2014) associates are accounted for by the equity method in 2015.

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

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over periods of mainly 20 years, or if immaterial, is charged to income when incurred. Acquired intangible assets with finite useful lives are

amortized over the estimated useful lives. Acquired intangible assets with infinite useful lives are not amortized and subject to impairment test.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

**(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements** –

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America ("U.S. GAAP") tentatively may be used for the consolidation

process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; 3) expensing capitalized development costs of research and development ("R&D"); 4) cancellation of the fair value model of accounting for property, plant, and equipment, and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.

**(c) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method** – In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform to the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment, and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.

**(d) Business Combination** – In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard

are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required R&D costs to be charged to income as incurred. Under the revised standard, in-process R&D costs acquired in a business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

**(e) Cash and Cash Equivalents** – Cash and cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash and cash equivalents include cash on hand and deposits in banks (including time deposits). The Group considers all time deposits with an original maturity of six months or less to be cash and cash equivalents. Generally, such time deposits can also be withdrawn at any time without penalty or diminution of the principal amount.

**(f) Inventories** – Inventories are primarily stated at the lower of cost determined by the average method or net selling value, which is defined as the selling price, less additional estimated manufacturing costs and estimated direct selling expenses.

**(g) Short-Term Investments and Investment Securities** – Short-term investments and investment securities are classified and accounted for, depending on management's intent, as either (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, and are reported at amortized cost or (2) available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by charging the related expense to income.

**(h) Allowance for Doubtful Accounts** – The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the past credit loss experience and an evaluation of potential losses in the receivables outstanding.

**(i) Property, Plant, and Equipment** – Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Group is mainly computed using the straight-line method. The range of useful lives is principally from five to 50 years for buildings and structures, and

from two to 17 years for machinery, equipment, and other. The useful lives for lease assets which do not transfer ownership of the leased property to the lessee are the terms of the respective leases.

**(j) Intangible Assets** – Intangible assets are amortized primarily using the straight-line method except for acquired intangible assets with indefinite useful lives. Trademarks whose useful lives are not determinable are not amortized and subject to impairment test. Purchased software for internal use and software development costs are amortized based on the straight-line method over an estimated useful life of up to five years.

**(k) Long-Lived Assets** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**(l) Employee Retirement and Pension Plans** – The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans, defined contribution pension plans, and unfunded retirement benefit plans for employees (see Note 10).

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

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

(2) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 19).

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

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in prior annual period, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (1) and (2) above, effective December 31, 2014, and for (3) above, effective January 1, 2015.

With respect to (3) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using different discount rates according to the estimated timing of benefit payment, and recorded the effect of (3) above as of January 1, 2015, in retained earnings. As a result, asset for retirement benefits as of January 1, 2015, increased by ¥826 million (\$6,849 thousand), liability for retirement benefits as of January 1, 2015, decreased by ¥4,361 million (\$36,158 thousand), and retained earnings as of January 1, 2015, increased by ¥3,327 million (\$27,585 thousand), and there was no material impact on operating income, ordinary income, and income before income taxes and minority interests for the fiscal year ended December 31, 2015. There was no material impact on net income per share.

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

Retirement allowances for directors and Audit and Supervisory Board members are recorded to state the liability at the amount that would be required if all directors and Audit and Supervisory Board members retired at each balance sheet date.

**(n) Asset Retirement Obligations** – In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

**(o) Research and Development Costs** – Research and development costs are charged to income as incurred.

**(p) Consumption Taxes** – Consumption taxes are excluded from the revenue and expense accounts, which are subject to such taxes.

**(q) Leases** – In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations on the balance sheet. In addition, the revised accounting standard permits leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee, to continue to be accounted for as operating lease transactions with "as if capitalized" information disclosed in the notes to the lessee's financial statements.

The Group applied the revised accounting standard effective for the year ended December 31, 2009, and accounted for leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

**(r) Income Taxes** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax rates to the temporary differences.

**(s) Foreign Currency Transactions** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen by applying the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

**(t) Foreign Currency Consolidated Financial Statements** – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen by applying the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate for their accounting periods.

**(u) Derivatives and Hedge Activities** – The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates, interest rates, and commodity prices. These derivative financial instruments are utilized by the Group to reduce volatility risks of foreign currency exchange rates, interest rates, and commodity prices. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: 1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and 2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. The foreign currency forward contracts and foreign currency option contracts employed to hedge foreign exchange exposures for import purchases, and forward contracts applied for forecasted (or committed) transactions are measured at fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

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

Interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income, and hedged items denominated in a foreign currency are translated at the contracted rates.

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

**(v) Per Share Information** – Basic net income per share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statement of income represent dividends applicable to the respective year, including dividends to be paid after the end of the year.

**(w) Accounting Changes and Error Corrections** – In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies – When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions; (2) Changes in Presentation – When the presentation of consolidated financial statements is changed, prior-period consolidated financial statements are reclassified in accordance with the new presentation; (3) Changes in Accounting Estimates – A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods; and (4) Corrections of Prior-Period Errors – When an error in prior-period consolidated financial statements is discovered, those prior-period consolidated financial statements are restated.

**(x) New Accounting Pronouncements**  
**Accounting Standards for Business Combinations and Consolidated Financial Statements** – On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and

revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

**(1) Transactions with noncontrolling interest**

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

**(2) Presentation of the consolidated balance sheet**

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

**(3) Presentation of the consolidated statement of income**

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

**(4) Provisional accounting treatments for a business combination**

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

**(5) Acquisition-related costs**

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a

business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (1) transactions with noncontrolling interest, (2) presentation of the consolidated balance sheet, (3) presentation of the consolidated statement of income, and (5) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (1) transactions with noncontrolling interest and (5) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (1) transactions with noncontrolling interest and (5) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (4) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Group expects to apply the revised accounting standards and guidance for (1), (2), (3), and (5) above from January 1, 2016, and for (4) above for a business combination which will occur on or after January 1, 2016, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

**Tax Effect Accounting** – On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the Company's classification in respect of its profitability, taxable profit, and temporary difference, etc. The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for deductible temporary differences for which it was specifically prohibited to recognize deferred tax assets under the previous guidance, if the Company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

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

The Group has not yet determined its first application date. Estimated impact on the financial statements is not determined.

### 3. Additional Information

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

The Company announced that it has resolved at a meeting of its Board of Directors held on December 10, 2015, to establish a new subsidiary of the Company ("the New Company"), and to start operation 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 at the New Company on April 1, 2016 (planned).

[Overview of Business Combination]

1. Name of business and major businesses
  - Name of business: Full-line Beverage Service Business
  - Major businesses: Soft drink vending machine business, fountain business, water business, etc., in Japan
2. Date of business combination
  - April 1, 2016 (planned)
3. Legal form of business combination
  - A company split followed by an absorption-type company split under which Suntory Foods Limited will be the splitting company and Suntory Beverage Solution Limited will be the successor company.

4. Name of company after business combination
  - Suntory Beverage Solution Limited
5. Other related information
  - This business combination will 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. Overview of accounting treatment planned to implement
  - The absorption-type company split was conducted as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, as announced on September 13, 2013) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, as announced on September 13, 2013).

### 4. Business Combination

#### Business Combination through Equity Acquisition

##### Overview of the Business Combination

- (1) Company name, its main business, and brands acquired
  - I. Company name: Japan Beverage Holdings Inc.
    - Main business: Formation and promotion of corporate strategy for all Group companies, and sale of various foods and beverages via vending machines
  - Company name: JT A-Star Co., Ltd.
    - Main business: Sale of various foods and beverages via vending machines
  - Company name: Japan Beverage Ecology Inc.
    - Main business: Regeneration of beverage containers, sales of processed goods
  - II. Acquired brands: Roots and Momono Tennen-sui
- (2) Name of counterparty of the acquisition
  - Japan Tobacco Inc.
- (3) Purpose of the acquisition
  - Japan Beverage Holdings Inc. and its subsidiaries have established leading positions in the industry as independent vending machine operators, leveraging its wide-ranging products through vending machines, tea servers, and coffee servers. JT A-Star Co., Ltd. and Oriental Corporation, a subsidiary of JT A-Star Co., Ltd., are established vending machine operators with a solid

- business foundation particularly in Chiba, Ibaraki, and Tochigi prefectures.
- (4) Date of completion of business combination
  - July 31, 2015
- (5) Legal form of business combination
  - Additional acquisition of shares and brand acquisition in exchange for cash payment
- (6) Name of acquired companies after business combination
  - No change
- (7) Percent of shares acquired
  - I. Japan Beverage Holdings Inc.
    - Percentage of shares held before business combination ..... 12.0% (Note 1)
    - Additional acquisition of shares upon date of business combination ..... 70.5%
    - Percentage of shares held after business combination ..... 82.6% (Note 1)
  - II. JT A-Star Co., Ltd.
    - Acquisition of shares upon date of business combination ..... 100%
  - III. Japan Beverage Ecology Inc.
    - Acquisition of shares upon date of business combination ..... 100% (Note 2)

(Note 1) The percentage includes those indirect holdings of shares through Suntory Foods Limited.

(Note 2) The percentage includes those indirect holdings of shares through Japan Beverage Holdings Inc.

## (8) Rationalization of the acquisition

The Company acquired shares of such companies and brands from Japan Tobacco Inc. in exchange for cash payment.

## (9) Period of operating results of the acquired company included in the Group's consolidated financial statements

From August 1, 2015, to December 31, 2015

## (10) The breakdown of acquisition cost for the acquired companies

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
Cash payment for acquisition (Note 3)	¥166,814	\$1,383,086
Cost directly incurred for the acquisition	239	1,982
<b>Total acquisition cost</b>	<b>¥167,053</b>	<b>\$1,385,068</b>

(Note 3) The amount includes actual cash payment upon acquisition and fair value of common shares held before business combination.

## (11) Difference in acquisition costs between before and after acquisition of the companies

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
Gain on step acquisitions	¥15,698	\$130,155

## (12) Goodwill recognized, reason for its recognition, method and period of amortization

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
I. Goodwill recognized	¥133,359	\$1,105,704

## II. Reason for its recognition

The total net asset value of the acquired companies at the time of the business combination was lower than the cost of acquisition; therefore, the difference was recognized as goodwill.

## III. Method and period of amortization

Straight-line method over 20 years

## (13) Assets acquired and liabilities assumed as of the acquisition date

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
Current assets	¥42,097	\$349,034
Noncurrent assets	57,304	475,118
<b>Total assets</b>	<b>¥99,401</b>	<b>\$824,152</b>
Current liabilities	¥35,627	\$295,390
Long-term liabilities	23,368	193,748
<b>Total liabilities</b>	<b>¥58,995</b>	<b>\$489,138</b>
Minority interests	¥ 6,713	\$ 55,659

## (14) Estimated impact on consolidated financial results and method of calculation if the business combination had been completed at the beginning of the fiscal year

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
Net sales	¥60,000	\$497,471
Operating loss	(3,000)	(24,874)

Estimated impact on consolidated financial results was calculated based on the difference in sales and profit information calculated as if the business combination had been completed at the beginning of the fiscal year and those included in the consolidated financial results.

The above information has not been audited.

## 5. Additional Information on Statement of Cash Flows

As disclosed in Note 4, the Group acquired Japan Beverage Holdings Inc. and JT A-Star Co., Ltd., etc., on July 31, 2015. Assets and liabilities of the acquired companies and net cash used for the acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2015	2015
Current assets	¥ 42,097	\$ 349,034
Noncurrent assets	173,287	1,436,754
Current liabilities	(35,627)	(295,390)
Long-term liabilities	(23,368)	(193,748)
Minority interests	(6,713)	(55,659)
<b>Total acquisition costs</b>	<b>149,676</b>	<b>1,240,991</b>
Cash and cash equivalents	(15,359)	(127,344)
<b>Net cash used for acquisition</b>	<b>¥134,317</b>	<b>\$1,113,647</b>

## 6. Short-Term Investments and Investment Securities

Short-term investments and investment securities as of December 31, 2014 and 2015, consisted of the following:

	2014	Millions of Yen	Thousands of U.S. Dollars
		2015	2015
Short-term investments:			
Time deposits	¥ 15	¥ 28	\$ 232
Investment securities:			
Equity securities	¥9,399	¥5,592	\$46,364

The costs and aggregate fair values of marketable securities included in short-term investments and investment securities as of December 31, 2014 and 2015, were as follows:

	Millions of Yen					
	2014			2015		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Available-for-sale securities:						
Carrying amounts exceeding their acquisition cost:						
Equity securities	¥1,487	¥3,532	¥2,045	¥1,729	¥4,771	¥3,042
Acquisition costs exceeding their carrying amounts:						
Equity securities	112	103	(9)	87	77	(10)
<b>Total</b>	<b>¥1,599</b>	<b>¥3,635</b>	<b>¥2,036</b>	<b>¥1,816</b>	<b>¥4,848</b>	<b>¥3,032</b>

	Thousands of U.S. Dollars		
	2015		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Available-for-sale securities:			
Carrying amounts exceeding their acquisition cost:			
Equity securities	\$14,336	\$39,558	\$25,222
Acquisition costs exceeding their carrying amounts:			
Equity securities	721	638	(83)
<b>Total</b>	<b>\$15,057</b>	<b>\$40,196</b>	<b>\$25,139</b>

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2014 and 2015, were as follows:

	Carrying Amounts		
	2014	2015	2015
	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale:			
Equity securities	¥5,764	¥744	\$6,168

Sales of securities classified as available-for-sale securities for the years ended December 31, 2014 and 2015, were as follows:

	Carrying Amounts		
	2014	2015	2015
	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
Amount sold	¥ 3	¥9	\$75
Total gain on sale	1	1	8
Total loss on sale	—	0	0

## 7. Inventories

Inventories as of December 31, 2014 and 2015, consisted of the following:

	Carrying Amounts		
	2014	2015	2015
	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
Finished products	¥42,255	¥47,845	\$396,692
Work in process	3,554	6,753	55,990
Raw materials and supplies	29,079	27,993	232,095
Total	¥74,888	¥82,591	\$684,777

## 8. Long-Lived Assets

The Group reviewed its long-lived assets for impairment at year-end and, as a result, recognized impairment losses of ¥12,326 million (\$102,197 thousand) for the year ended December 31, 2015, to adjust the carrying amounts of the relevant assets or asset groups to recoverable amounts.

A breakdown of impairment loss is as follows: ¥9,514 million (\$78,882 thousand) in intangible fixed assets, such as

goodwill, ¥2,513 million (\$20,836 thousand) in machinery, equipment, and other, and ¥299 million (\$2,479 thousand) in other. The recoverable amounts of these assets or groups were the higher of the discounted cash flows from the continued use and eventual disposition of the assets and were from 6.70% to 16.50%.

			2015
Location	Use	Type	
Overseas:			
Indonesia and other locations	Idle assets	Machinery, equipment, and other, etc.	
Indonesia and other locations	Business assets	Goodwill, etc.	
Japan:			
Chuo-ku, Tokyo and other locations	Idle assets	Machinery, equipment, and other, etc.	

Impairment losses for the year ended December 31, 2014, were immaterial and are not shown in the table above.

## 9. Short-Term Bank Loans and Long-Term Debt

The weighted-average interest rates applicable to the short-term bank loans were 2.25% and 2.94% as of December 31, 2014 and 2015, respectively.

Long-term debt as of December 31, 2014 and 2015, consisted of the following:

	Carrying Amounts		
	2014	2015	2015
	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
Publicly offered corporate bonds, due 2019 or 2024, rates ranging from 0.26% to 0.70%	¥ 40,000	¥ 40,000	\$ 331,648
Loans, from banks and other financial institutions, due through 2025, 0.76% and 0.62% of weighted-average interest rates as of December 31, 2014 and 2015, respectively:			
Unsecured	286,835	356,065	2,952,201
Obligations under finance leases	3,268	24,241	200,987
Total	330,103	420,306	3,484,836
Less current portion	(23,422)	(104,969)	(870,318)
Long-term debt – less current portion	¥306,681	¥ 315,337	\$2,614,518

Annual maturities of long-term debt excluding finance leases, as of December 31, 2015, were as follows:

Years Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 97,322	\$ 806,915
2017	68,360	566,786
2018	65,797	545,535
2019	47,780	396,153
2020	46,454	385,159
2021 and thereafter	70,352	583,301
Total	¥396,065	\$3,283,849

The carrying amounts of assets pledged as collateral for long-term bank loans of ¥250 million (\$2,073 thousand) as of December 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥4,768	\$39,532
Buildings and structures – net of accumulated depreciation	1,369	11,351
Total	¥6,137	\$50,883

## 10. Retirement and Pension Plans

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the

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

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



## Years Ended December 31, 2014 and 2015

### Defined Benefit Plan

(1) The changes in defined benefit obligation for the years ended December 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Balance at beginning of year (as previously reported)	¥23,826	¥29,708	\$246,314
Cumulative effect of accounting change	—	(5,187)	(43,006)
Balance at beginning of year (as restated)	23,826	24,521	203,308
Current service cost	1,463	2,106	17,461
Interest cost	414	339	2,811
Actuarial losses (gains)	3,764	(536)	(4,444)
Benefits paid	(547)	(906)	(7,512)
Past service cost	54	(214)	(1,774)
Amounts due to changes of valuation method	426	(105)	(871)
Increase due to change in scope of consolidation	—	10,633	88,160
Others	308	(163)	(1,351)
Balance at end of year	¥29,708	¥35,675	\$295,788

(2) The changes in plan assets for the years ended December 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Balance at beginning of year	¥17,055	¥19,234	\$159,472
Expected return on plan assets	429	587	4,867
Actuarial gains (losses)	868	(2,402)	(19,915)
Contributions from the employer	1,233	1,470	12,188
Benefits paid	(220)	(526)	(4,361)
Increase due to change in scope of consolidation	—	11,630	96,426
Others	(131)	(104)	(862)
Balance at end of year	¥19,234	¥29,889	\$247,815

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of December 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Funded defined benefit obligation	¥ 24,058	¥ 28,787	\$ 238,678
Plan assets	(19,234)	(29,889)	(247,815)
	4,824	(1,102)	(9,137)
Unfunded defined benefit obligation	5,650	6,888	57,110
Net liability arising from defined benefit obligation	¥ 10,474	¥ 5,786	\$ 47,973

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Liability for employees' retirement benefits	¥10,474	¥ 6,888	\$57,110
Asset for retirement benefits	—	(1,102)	(9,137)
Net liability arising from defined benefit obligation	¥10,474	¥ 5,786	\$47,973

(4) The components of net periodic benefit costs for the years ended December 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Service cost	¥1,463	¥2,106	\$17,461
Interest cost	414	339	2,811
Expected return on plan assets	(429)	(587)	(4,867)
Recognized actuarial losses	459	317	2,628
Amortization of past service cost	(74)	(74)	(614)
Loss due to changes of valuation method	426	(104)	(862)
Net periodic benefit costs	¥2,259	¥1,997	\$16,557

The loss due to changes of valuation method was included in other expenses in the consolidated statement of income for the years ended December 31, 2014 and 2015.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended December 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Past service cost	¥—	¥ (139)	\$ (1,152)
Actuarial losses	—	1,549	12,843
Total	¥—	¥1,410	\$11,691

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of December 31, 2014 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Unrecognized past service cost	¥ (905)	¥ (970)	\$ (8,042)
Unrecognized actuarial losses	3,880	5,417	44,913
Total	¥2,975	¥4,447	\$36,871

(7) Plan assets as of December 31, 2014 and 2015, were as follows:

(a) Components of planned assets

Plan assets consisted of the following:

	2014	2015
Debt investments	38%	41%
Equity investments	16	19
Insurance assets (general account)	14	16
Cash and cash equivalents	1	2
Others	31	22
Total	100%	100%

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

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

(8) Assumptions mainly used for the years ended December 31, 2014 and 2015, were set forth as follows:

	2014	2015
Discount rate	0.8%	1.2%
Expected rate of return on plan assets	2.5%	2.5%

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

### Defined Contribution Plan

Contributions to the defined contribution plans made by the Group were ¥1,589 million and ¥1,877 million (\$15,563 thousand) for the years ended December 31, 2014 and 2015, respectively.

## 11. Equity

### The Companies Act of Japan

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

#### (1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its Articles of Incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its Articles of Incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, an appointment committee, compensation committee and audit committee), or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by their nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective May 1, 2015. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the Articles of Incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

#### (2) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

#### (3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 12. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38.0% and 35.6% for the years ended December 31, 2014 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of December 31, 2014 and 2015, were as follows:

	2014	Millions of Yen 2015	Thousands of U.S. Dollars 2015
Deferred tax assets:			
Tax loss carryforwards	¥ 2,538	¥ 1,325	\$ 10,986
Accrued expenses	5,692	5,967	49,474
Unrealized profit	3,750	4,830	40,046
Temporary difference in investments in subsidiaries	2,893	3,821	31,680
Liability for employees' retirement benefits	3,570	2,039	16,906
Other	6,349	7,092	58,801
Total gross deferred tax assets	24,792	25,074	207,893
Valuation allowance	(1,981)	(5,218)	(43,263)
Net deferred tax assets	22,811	19,856	164,630
Deferred tax liabilities:			
Intangible assets	(41,201)	(47,190)	(391,261)
Investments in subsidiaries	(23,329)	(23,927)	(198,383)
Property, plant, and equipment	(2,465)	(3,948)	(32,734)
Reserves for advanced depreciation of noncurrent assets	(1,471)	(1,280)	(10,613)
Other	(2,263)	(4,958)	(41,107)
Total deferred tax liabilities	(70,729)	(81,303)	(674,098)
Net deferred tax liabilities	¥(47,918)	¥(61,447)	\$(509,468)

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended December 31, 2014 and 2015, was as follows:

	2014	2015
Normal effective statutory tax rate	38.0%	35.6%
Income not taxable for income tax purposes	(2.4)	(1.3)
Differences in tax rate of overseas consolidated subsidiaries	(7.1)	(3.6)
Amortization of goodwill	11.8	10.8
Gain on step acquisitions	—	(7.0)
Impairment loss (including goodwill equivalent related to associates accounted for by the equity method)	0.0	3.7
Other – net	1.9	5.1
Actual effective tax rate	42.2%	43.3%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 35.6% and for the fiscal year beginning on or after April 1, 2016, to approximately 33.1% and for the fiscal year beginning on or after April 1, 2017, to approximately 32.3%. The effect of these changes has no material impact on the consolidated financial statements.

### 13. Research and Development Costs

Research and development costs charged to income were ¥7,896 million and ¥9,479 million (\$78,592 thousand) for the years ended December 31, 2014 and 2015, respectively.

### 14. Amortization of Goodwill

Amortization of goodwill was ¥25,075 million and ¥27,226 million (\$225,736 thousand) for the years ended December 31, 2014 and 2015, respectively.

### 15. Advertising Costs

Advertising costs were ¥53,710 million and ¥57,006 million (\$472,647 thousand) for the years ended December 31, 2014 and 2015, respectively.

### 16. Lease Transactions

#### As Lessee

The Group leases certain machinery, vending machines, computer equipment, office space, and other assets. Total rental expenses, including lease payments under finance leases for the years ended December 31, 2014 and 2015, included in selling, general, and administrative expenses amounted to ¥8,921 million and ¥10,825 million (\$89,752 thousand), respectively.

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

ASBJ Statement No. 13 requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer

of the leased property to the lessee whose lease inception was before March 31, 2008, to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the consolidated financial statements. The Group applied ASBJ Statement No. 13 effective January 1, 2009, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before December 31, 2008, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense, and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis, were as follows:

	Millions of Yen			
	2014			
	Buildings and Structures	Machinery and Equipment	Others	Total
Acquisition cost	¥ 186	¥ 9,508	¥ 1	¥ 9,695
Accumulated depreciation	(146)	(5,787)	(1)	(5,934)
Net leased property	¥ 40	¥ 3,721	¥ 0	¥ 3,761

	Millions of Yen			
	2015			
	Buildings and Structures	Machinery and Equipment	Others	Total
Acquisition cost	¥ 186	¥ 9,422	¥ 1	¥ 9,609
Accumulated depreciation	(164)	(6,398)	(1)	(6,563)
Net leased property	¥ 22	¥ 3,024	¥ 0	¥ 3,046

Thousands of U.S. Dollars

	2015			Total
	Buildings and Structures	Machinery and Equipment	Others	
Acquisition cost	\$ 1,542	\$ 78,120	\$ 8	\$ 79,670
Accumulated depreciation	(1,360)	(53,047)	(8)	(54,415)
Net leased property	\$ 182	\$ 25,073	\$ 0	\$ 25,255

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Due within one year	¥ 723	¥ 690	\$ 5,721
Due after one year	3,075	2,386	19,783
Total	¥3,798	¥3,076	\$25,504

Depreciation expense and interest expense for finance leases as of December 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Depreciation expense	¥808	¥667	\$5,530
Interest expense	42	17	141

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

Minimum rental commitments under noncancelable operating leases as of December 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Due within one year	¥ 7,934	¥ 5,766	\$ 47,807
Due after one year	24,811	22,812	189,139
Total	¥32,745	¥28,578	\$236,946

### 17. Financial Instruments and Related Disclosures

#### (1) Group policy for financial instruments

The Company primarily invests cash surpluses, if any, in low-risk financial instruments and does not invest for trading or speculative purposes. The Company, depending on the market condition at the time, uses short-term bank loans or commercial paper for short-term cash demands and long-term bank loans or corporate bonds to satisfy long-term cash demands.

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

Consolidated overseas subsidiaries primarily invest cash surpluses, if any, in low-risk financial instruments and do not invest for trading or speculative purposes. The overseas subsidiaries utilize either (or both) the finance system provided by the Company, or (and) bank loans, depending on the market condition at the time, to satisfy their cash demands.

Derivatives are used, not for trading or speculative purposes, but to manage exposure to financial risks as described in (2) below.

#### (2) Nature and extent of risks arising from financial instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Marketable and investment securities, mainly equity instruments of unconsolidated subsidiaries and associates or customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year and are exposed to liquidity risk. Bank loans are used to fund the Group's ongoing operations or investments. A part of such debt is exposed to market risks from changes in variable interest rates or from fluctuation in foreign currency exchange rates.

Derivatives are used to manage exposure to risks of changes in foreign currency exchange rates or changes in market price fluctuations of goods, payables derived from the

Group's normal business such as purchases of raw or packaging materials, and imports of goods; risks from changes in foreign currency exchange rates of capital transactions denominated in foreign currencies and dividends receivable; and risks from changes in variable interest rates and foreign exchange rates of bank loans. The Group does not enter into derivatives for trading or speculative purposes. Please see Note 18 for more details about derivatives.

### (3) Risk management for financial instruments

#### Credit Risk Management

Credit risk is the risk of economic loss arising from the counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include the monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. With respect to financial investments and derivatives, the Group manages its exposure to credit risk by limiting its counterparties to high-credit rating financial institutions. Please see Note 18 for details about derivatives.

#### Market Risk Management (foreign exchange risk, interest rate risk, and commodity price risk)

Forward foreign currency contracts, foreign currency swaps, and foreign currency options are employed to hedge foreign exchange exposures of trade receivables and payables denominated in foreign currencies.

Interest rate swaps and interest rate and currency swaps are used to manage exposure to market risks from changes in interest rates.

#### (a) Fair value of financial instruments

December 31, 2014	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥105,505	¥105,505	¥ —
Notes and accounts receivable – trade	151,763	151,763	—
Notes and accounts receivable – other	23,133	23,133	—
Investment securities	3,635	3,635	—
<b>Total</b>	<b>¥284,036</b>	<b>¥284,036</b>	<b>¥ —</b>
Short-term bank loans	¥ 32,254	¥ 32,254	¥ —
Current portion of long-term debt	23,422	23,458	(36)
Notes and accounts payable – trade	111,989	111,989	—
Notes and accounts payable – other	92,340	92,340	—
Consumption taxes payable	6,122	6,122	—
Accrued income taxes	14,456	14,456	—
Accrued expenses	55,791	55,791	—
Long-term debt	306,681	312,351	(5,670)
<b>Total</b>	<b>¥643,055</b>	<b>¥648,761</b>	<b>¥(5,706)</b>

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

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

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

#### Liquidity Risk Management

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

### (4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 18 for the information on the fair value of derivatives.

December 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 97,719	¥ 97,719	¥ —
Notes and accounts receivable – trade	156,110	156,110	—
Notes and accounts receivable – other	25,548	25,548	—
Investment securities	4,848	4,848	—
<b>Total</b>	<b>¥284,225</b>	<b>¥284,225</b>	<b>¥ —</b>
Short-term bank loans	¥ 16,328	¥ 16,328	¥ —
Current portion of long-term debt	104,969	105,362	(393)
Notes and accounts payable – trade	122,100	122,100	—
Notes and accounts payable – other	101,208	101,208	—
Consumption taxes payable	6,472	6,472	—
Accrued income taxes	13,139	13,139	—
Accrued expenses	54,917	54,917	—
Long-term debt	315,337	319,376	(4,039)
<b>Total</b>	<b>¥734,470</b>	<b>¥738,902</b>	<b>¥(4,432)</b>

December 31, 2015	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 810,206	\$ 810,206	\$ —
Notes and accounts receivable – trade	1,294,337	1,294,337	—
Notes and accounts receivable – other	211,823	211,823	—
Investment securities	40,196	40,196	—
<b>Total</b>	<b>\$2,356,562</b>	<b>\$2,356,562</b>	<b>\$ —</b>
Short-term bank loans	\$ 135,378	\$ 135,378	\$ —
Current portion of long-term debt	870,318	873,576	(3,258)
Notes and accounts payable – trade	1,012,354	1,012,354	—
Notes and accounts payable – other	839,134	839,134	—
Consumption taxes payable	53,661	53,661	—
Accrued income taxes	108,938	108,938	—
Accrued expenses	455,327	455,327	—
Long-term debt	2,614,518	2,648,006	(33,488)
<b>Total</b>	<b>\$6,089,628</b>	<b>\$6,126,374</b>	<b>\$(36,746)</b>

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

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

#### Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Information on the fair value for investment securities by classification is included in Note 6.

#### Long-term debt

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

#### Derivatives

Information on the fair value of derivatives is included in Note 18.

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

	Carrying Amount		
	Millions of Yen	Thousands of U.S. Dollars	
	2014	2015	
Investments in unconsolidated subsidiaries and associates	¥9,879	¥4,338	\$35,967
Investments in equity instruments that do not have a quoted market price in an active market	5,764	744	6,168

## (5) Maturity analysis for financial assets and securities with contractual maturities

December 31, 2014	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥105,505	¥—	¥—	¥—
Notes and accounts receivable – trade	151,763	—	—	—
Notes and accounts receivable – other	23,133	—	—	—
<b>Total</b>	<b>¥280,401</b>	<b>¥—</b>	<b>¥—</b>	<b>¥—</b>

December 31, 2015	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 97,719	¥—	¥—	¥—
Notes and accounts receivable – trade	156,110	—	—	—
Notes and accounts receivable – other	25,548	—	—	—
<b>Total</b>	<b>¥279,377</b>	<b>¥—</b>	<b>¥—</b>	<b>¥—</b>

December 31, 2015	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	\$ 810,206	\$—	\$—	\$—
Notes and accounts receivable – trade	1,294,337	—	—	—
Notes and accounts receivable – other	211,823	—	—	—
<b>Total</b>	<b>\$2,316,366</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>

Please see Note 9 for annual maturities of long-term debt and Note 16 for obligations under finance leases.

## 18. Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Group principally to reduce interest rate and foreign exchange rate risks. The Group has established internal policies, which include procedures for risk assessment, for the approval, reporting, and monitoring of transactions involving derivative financial instruments. The Group policies state that the Group is not to hold or issue derivative financial instruments for trading or speculative purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts, swap agreements, currency option contracts, and commodity price swap contracts.

The Group is also exposed to the risk of credit loss in the event of nonperformance by the counterparties to the currency, interest, and commodity price contract; however, the Group does not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

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

(a) Derivative transactions to which hedge accounting is not applied

### (1) Foreign currency-related derivatives

December 31, 2014	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain
Forward exchange contracts to:				
Buy:				
USD	¥11,341	¥253	¥109	¥109
EUR	1,833	—	(31)	(31)
SGD	2,535	—	(70)	(70)
AUD	1,433	—	(26)	(26)
Other	50	—	1	1
Sell:				
USD	563	—	(22)	(22)
THB	2,359	—	(62)	(62)
HKD	533	—	(26)	(26)
NZD	207	—	0	0

December 31, 2015	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain
Forward exchange contracts to:				
Buy:				
USD	¥4,400	¥32	¥ 66	¥ 66
EUR	704	—	(12)	(12)
SGD	2,394	—	(1)	(1)
AUD	2,057	—	(17)	(17)
Other	299	—	3	3
Sell:				
USD	213	—	1	1
AUD	668	—	7	7
NZD	29	—	(0)	(0)
Currency swaps:				
JPY payment, NZD receipt	1,491	—	(12)	(12)
JPY payment, SGD receipt	171	—	3	3
JPY payment, HKD receipt	156	—	2	2

December 31, 2015	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss) Gain
Forward exchange contracts to:				
Buy:				
USD	\$36,481	\$265	\$ 547	\$ 547
EUR	5,837	—	(99)	(99)
SGD	19,849	—	(8)	(8)
AUD	17,055	—	(141)	(141)
Other	2,479	—	25	25
Sell:				
USD	1,766	—	8	8
AUD	5,539	—	58	58
NZD	240	—	(0)	(0)
Currency swaps:				
JPY payment, NZD receipt	12,362	—	(99)	(99)
JPY payment, SGD receipt	1,418	—	25	25
JPY payment, HKD receipt	1,293	—	17	17

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

### (2) Interest and currency-related derivatives

December 31, 2014	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized (Loss)
Interest rate and currency swaps:				
JPY payment, USD receipt				
Fixed payment and floating receipt	¥1,782	¥—	¥(23)	¥(23)
JPY payment, NZD receipt				
Fixed payment and floating receipt	1,367	—	(38)	(38)
JPY payment, GBP receipt				
Fixed payment and floating receipt	466	—	(2)	(2)

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

(b) Derivative transactions to which hedge accounting is applied

**(1) Foreign currency-related derivatives**

Millions of Yen				
December 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	¥5,048	¥—	¥362
EUR	Payable	1,137	—	(34)
Sell:				
AUD	Receivable	3,367	—	118
Currency options:				
Call options, purchased:				
USD	Payable	3,053	—	
Premium		(52)	—	259

Millions of Yen				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	¥11,607	¥ —	¥(142)
EUR	Payable	3,577	—	111
Sell:				
AUD	Receivable	5,284	—	178
Currency swaps:				
USD payment, IDR receipt	Long-term debt	3,486	3,486	62

Thousands of U.S. Dollars				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payable	\$96,236	\$ —	\$(1,177)
EUR	Payable	29,658	—	920
Sell:				
AUD	Receivable	43,811	—	1,476
Currency swaps:				
USD payment, IDR receipt	Long-term debt	28,903	\$28,903	514

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

The following foreign currency forward contracts were not measured at fair value, but the hedged items (payable) denominated in a foreign currency are translated at the contracted rates as described in Note 2(u). The fair values of such foreign currency forward contracts are included in those of the hedged items in Note 17 and are not shown in the table below:

Millions of Yen				
December 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	¥1,055	¥—	¥—
EUR	Payables	208	—	—

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

Thousands of U.S. Dollars				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Forward exchange contracts to:				
Buy:				
USD	Payables	\$9,535	\$—	\$—

**(2) Interest-related derivatives**

Millions of Yen				
December 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Fixed payment and floating receipt	Short-term loans	¥6,750	¥—	¥1

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

The following interest rate swaps were not measured at market value, but the differential paid or received under the swap agreements was recognized and included in interest expense or income as described in Note 2(u). The fair values of such interest rate swaps were included in those of hedged items (long-term debt) in Note 17, and were not shown in the table below:

Millions of Yen				
December 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Fixed payment and floating receipt	Long-term debt	¥20,249	¥20,249	¥—

Millions of Yen				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Fixed payment and floating receipt	Long-term debt	¥21,454	¥21,454	¥—

Thousands of U.S. Dollars				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps:				
Fixed payment and floating receipt	Long-term debt	\$177,871	\$177,871	\$—

### (3) Interest and currency-related derivatives

Millions of Yen				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest and currency swaps:				
Buy IDR, sell USD				
Fixed payment and floating receipt	Long-term debt	¥1,091	¥1,091	¥149

Thousands of U.S. Dollars				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest and currency swaps:				
Buy IDR, sell USD				
Fixed payment and floating receipt	Long-term debt	\$9,046	\$9,046	\$1,235

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

The following interest rate and currency swaps that qualify for hedge accounting and meet specific matching criteria were not measured at market value but the differential paid or received under the swap agreements was recognized and included in interest expense or income. In addition, the fair values of such interest rate swaps were included in those of hedged items (long-term debt) in Note 17.

Millions of Yen				
December 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate and currency swaps:				
Buy JPY, sell USD				
Fixed payment and floating receipt	Long-term debt	¥29,503	¥29,503	¥—
Buy EUR, sell USD				
Fixed payment and floating receipt	Long-term debt	23,479	23,479	—
Buy GBP, sell USD				
Fixed payment and floating receipt	Long-term debt	74,246	64,121	—

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

Thousands of U.S. Dollars				
December 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate and currency swaps:				
Buy JPY, sell USD				
Fixed payment and floating receipt	Long-term debt	\$244,615	\$162,184	\$—
Buy EUR, sell USD				
Fixed payment and floating receipt	Long-term debt	229,906	—	—
Buy GBP, sell USD				
Fixed payment and floating receipt	Long-term debt	563,270	489,155	—

### 19. Other Comprehensive Income

The components of other comprehensive income for the years ended December 31, 2014 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2015	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 544	¥ 797	\$ 6,608
Reclassification adjustments to profit or loss	1	(1)	(8)
Amount before income tax effect	545	796	6,600
Income tax effect	(209)	(196)	(1,625)
Total	¥ 336	¥ 600	\$ 4,975
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 658	¥ (316)	\$ (2,621)
Reclassification adjustments to profit or loss	(189)	(108)	(895)
Amount before income tax effect	469	(424)	(3,516)
Income tax effect	(128)	140	1,161
Total	¥ 341	¥ (284)	\$ (2,355)
Foreign currency translation adjustments:			
Gains (losses) arising during the year	¥32,583	¥(38,239)	\$(317,047)
Reclassification adjustments to profit or loss	—	114	945
Total	¥32,583	¥(38,125)	\$(316,102)
Defined retirement benefit plans:			
Losses arising during the year	¥ —	¥ (1,700)	\$ (14,095)
Reclassification adjustments to profit or loss	—	290	2,404
Amount before income tax effect	—	(1,410)	(11,691)
Income tax effect	—	375	3,110
Total	¥ —	¥ (1,035)	\$ (8,581)
Share of other comprehensive income in associates:			
Gains (losses) arising during the year	¥ 812	¥ (467)	\$ (3,872)
Total other comprehensive income (losses)	¥34,072	¥(39,311)	\$(325,935)

### 20. Subsequent Event

#### Appropriation of Retained Earnings

The following appropriation of retained earnings as of December 31, 2015, is expected to be approved at the Company's shareholders' meeting to be held on March 30, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35.00 (\$0.29) per share	¥10,815	\$89,669

## 21. Segment Information

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

### (a) Description of reportable segments

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

### (b) Methods of measurement for the amounts of sales, profit, assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

### (c) Information about sales, profit, assets, and other items was as follows:

	Millions of Yen				
	2014				
	Japan	Overseas	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥722,304	¥ 534,976	¥1,257,280	¥ —	¥1,257,280
Intersegment sales or transfers	—	1,240	1,240	(1,240)	—
Total	¥722,304	¥ 536,216	¥1,258,520	¥ (1,240)	¥1,257,280
Segment profit	¥ 46,625	¥ 64,400	¥ 111,025	¥(25,075)	¥ 85,950
Segment assets	¥365,399	¥1,023,697	¥1,389,096	¥ —	¥1,389,096
Others:					
Depreciation and amortization	¥ 30,029	¥ 20,003	¥ 50,032	¥ —	¥ 50,032
Amortization of goodwill	110	24,965	25,075	—	25,075
Investments in associates accounted for by the equity method	—	9,637	9,637	—	9,637
Increase in property, plant, and equipment and intangible assets	31,886	37,255	69,141	—	69,141

	Millions of Yen				
	2015				
	Japan	Overseas	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	¥806,938	¥574,069	¥1,381,007	¥ —	¥1,381,007
Intersegment sales or transfers	18	1,714	1,732	(1,732)	—
Total	¥806,956	¥575,783	¥1,382,739	¥ (1,732)	¥1,381,007
Segment profit	¥ 46,740	¥ 74,014	¥ 120,754	¥(28,747)	¥ 92,007
Segment assets	¥561,515	¥922,919	¥1,484,434	¥ —	¥1,484,434
Others:					
Depreciation and amortization	¥ 33,085	¥ 23,217	¥ 56,302	¥ —	¥ 56,302
Amortization of goodwill	2,888	24,338	27,226	—	27,226
Investments in associates accounted for by the equity method	—	3,722	3,722	—	3,722
Increase in property, plant, and equipment and intangible assets	31,804	31,732	63,536	—	63,536

Thousands of U.S. Dollars

	2015				
	Japan	Overseas	Total	Reconciliations	Consolidated
Sales:					
Sales to external customers	\$6,690,474	\$4,759,713	\$11,450,187	\$ —	\$11,450,187
Intersegment sales or transfers	149	14,211	14,360	(14,360)	—
Total	\$6,690,623	\$4,773,924	\$11,464,547	\$ (14,360)	\$11,450,187
Segment profit	\$ 387,531	\$ 613,664	\$ 1,001,195	\$(238,347)	\$ 762,848
Segment assets	\$4,655,626	\$7,652,093	\$12,307,719	\$ —	\$12,307,719
Others:					
Depreciation and amortization	\$ 274,313	\$ 192,497	\$ 466,810	\$ —	\$ 466,810
Amortization of goodwill	23,944	201,792	225,736	—	225,736
Investments in associates accounted for by the equity method	—	30,860	30,860	—	30,860
Increase in property, plant, and equipment and intangible assets	263,693	263,096	526,789	—	526,789

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

"Increase in property, plant, and equipment and intangible assets" does not include the amount of newly acquired companies in Note 4.

The following table shows reconciliations from segment profit to earnings before interest, taxes, depreciation, and amortization ("EBITDA") by reportable segments for the years ended December 31, 2014 and 2015:

	Millions of Yen		
	2014		
	Japan	Overseas	Total
Segment profit	¥46,625	¥64,400	¥111,025
Add: Depreciation and amortization	30,029	20,003	50,032
EBITDA	¥76,654	¥84,403	¥161,057

	Millions of Yen			
	2015			
	Japan	Overseas	Reconciliations (Note)	Total
Segment profit	¥46,740	¥74,014	¥ —	¥120,754
Add: Depreciation and amortization	33,085	23,217	—	56,302
Adjustment	—	—	(1,520)	(1,520)
EBITDA	¥79,825	¥97,231	¥(1,520)	¥175,536

	Thousands of U.S. Dollars			
	2015			
	Japan	Overseas	Reconciliations (Note)	Total
Segment profit	\$387,531	\$613,664	\$ —	\$1,001,195
Add: Depreciation and amortization	274,313	192,497	—	466,810
Adjustment	—	—	(12,603)	(12,603)
EBITDA	\$661,844	\$806,161	\$(12,603)	\$1,455,402

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



(d) Overseas information about sales and reconciliations from segment profit to EBITDA by geographic area is as follows:

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

Europe: Europe, Africa

Asia: East Asia, Southeast Asia

Oceania: Oceania

Americas: North America

	Millions of Yen				
	Europe	Asia	Oceania	Americas	Total
2014					
Sales:					
Sales to external customers	¥256,470	¥154,502	¥44,465	¥79,539	¥534,976
Intersegment sales or transfers	1,240	—	—	—	1,240
Total	¥257,710	¥154,502	¥44,465	¥79,539	¥536,216
Segment profit	¥ 39,535	¥ 10,430	¥ 5,586	¥ 8,849	¥ 64,400
Add: Depreciation and amortization	8,350	7,110	1,447	3,096	20,003
EBITDA	¥ 47,885	¥ 17,540	¥ 7,033	¥11,945	¥ 84,403

	Millions of Yen				
	Europe	Asia	Oceania	Americas	Total
2015					
Sales:					
Sales to external customers	¥254,202	¥180,530	¥45,603	¥93,734	¥ 574,069
Intersegment sales or transfers	1,714	—	—	—	1,714
Total	¥255,916	¥180,530	¥45,603	¥93,734	¥ 575,783
Segment profit	¥ 44,021	¥ 13,600	¥ 5,854	¥10,539	¥ 74,014
Add: Depreciation and amortization	9,604	8,245	1,704	3,664	23,217
EBITDA	¥ 53,625	¥ 21,845	¥ 7,558	¥14,203	¥ 97,231

	Thousands of U.S. Dollars				
	Europe	Asia	Oceania	Americas	Total
2015					
Sales:					
Sales to external customers	\$2,107,636	\$1,496,808	\$378,103	\$777,166	\$4,759,713
Intersegment sales or transfers	14,211	—	—	—	14,211
Total	\$2,121,847	\$1,496,808	\$378,103	\$777,166	\$4,773,924
Segment profit	\$ 364,986	\$ 112,760	\$ 48,537	\$ 87,381	\$ 613,664
Add: Depreciation and amortization	79,629	68,361	14,128	30,379	192,497
EBITDA	\$ 444,615	\$ 181,121	\$ 62,665	\$117,760	\$ 806,161

(e) Relevant information

Sales by geographic area were as follows:

	Millions of Yen					2014
	Japan	Europe	Asia	Oceania	Americas	Total
Sales	¥722,304	¥250,505	¥127,163	¥77,769	¥79,539	¥1,257,280

	Millions of Yen					2015
	Japan	Europe	Asia	Oceania	Americas	Total
Sales	¥806,938	¥254,549	¥147,211	¥78,575	¥93,734	¥1,381,007

	Thousands of U.S. Dollars					2015
	Japan	Europe	Asia	Oceania	Americas	Total
Sales	\$6,690,474	\$2,110,513	\$1,220,554	\$651,480	\$777,166	\$11,450,187

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

(f) Property, plant, and equipment by geographic area were as follows:

	Millions of Yen					2014
	Japan	Europe	Asia	Oceania	Americas	Total
Property, plant, and equipment	¥152,245	¥76,035	¥62,901	¥23,618	¥24,302	¥339,101

	Millions of Yen					2015
	Japan	Europe	Asia	Oceania	Americas	Total
Property, plant, and equipment	¥172,320	¥67,625	¥61,013	¥22,968	¥23,924	¥347,850

	Thousands of U.S. Dollars					2015
	Japan	Europe	Asia	Oceania	Americas	Total
Property, plant, and equipment	\$1,428,738	\$560,692	\$505,870	\$190,432	\$198,358	\$2,884,090

(g) Significant impairment loss on noncurrent assets

	Millions of Yen		2014
	Japan	Overseas	Total
Impairment losses on noncurrent assets	¥41	¥90	¥131

	Millions of Yen		2015
	Japan	Overseas	Total
Impairment losses on noncurrent assets	¥1,152	¥11,174	¥12,326

	Thousands of U.S. Dollars		2015
	Japan	Overseas	Total
Impairment losses on noncurrent assets	\$9,551	\$92,646	\$102,197

(Note) In the overseas segment, the Group has recorded impairment loss on goodwill, etc., as it no longer expects to obtain revenues that it originally forecasted due to the effect of economic slowdown in Indonesia. The amount of this impairment loss recorded in the fiscal year ended December 31, 2015, was ¥9,636 million (\$79,894 thousand). In addition, for the goodwill equivalent related to equity method affiliates associated with the aforementioned, the Group recognized impairment losses and recorded ¥5,780 million (\$47,923 thousand) in equity in losses of affiliates of other expenses (other – net) in the fiscal year ended December 31, 2015. The total amount of the aforementioned impairment loss and equity in losses of affiliates recorded in the fiscal year ended December 31, 2015, was ¥15,416 million (\$127,813 thousand).

(h) Information regarding balance of goodwill by reportable segment

	Millions of Yen		
	Japan	Overseas	Total
	2014		
Goodwill	¥940	¥380,820	¥381,760
	2015		
Goodwill	¥131,414	¥322,799	¥454,213
	Thousands of U.S. Dollars		
	2015		
Goodwill	\$1,089,578	\$2,676,387	\$3,765,965

## 22. Related-Party Transactions

The balances with related parties for the years ended December 31, 2014 and 2015, were as follows:

	2014	Millions of Yen	Thousands of U.S. Dollars
		2015	2015
Accounts payable:			
Suntory Business Expert Limited	¥56,632	¥59,892	\$496,576
Accrued expenses:			
Suntory Business Expert Limited	5,563	5,553	46,041

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

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

# Independent Auditor's Report

## Deloitte.

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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Suntory Beverage & Food Limited and its consolidated subsidiaries as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

#### Management's Responsibility for the Consolidated Financial Statements

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

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Suntory Beverage & Food Limited and its consolidated subsidiaries as of December 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

March 18, 2016

Member of  
Deloitte Touche Tohmatsu Limited

# Corporate Overview

**Company Name:** Suntory Beverage & Food Limited  
**President & Chief Executive Officer, Member of the Board, Representative Director:** Saburo Kogo  
**Head Office:** 3-1-1 Kyobashi, Chuo-ku, Tokyo 104-0031, Japan  
**Established:** January 2009  
**Capital:** ¥168,384 million  
**Employees:** 24,233 (as of December 31, 2015)

## Group Companies

### Japan

Suntory Foods Limited  
 Suntory Beverage Solution Limited  
 Japan Beverage Holdings Inc.  
 Suntory Products Limited

### Europe

Suntory Beverage & Food Europe  
 Orangina Suntory France  
 Lucozade Ribena Suntory  
 Schweppes Suntory España  
 Schweppes International

### Asia

Suntory Beverage & Food Asia  
 Cerebos Group  
 Suntory Garuda Group  
 Suntory PepsiCo Vietnam Beverage  
 TIPCO F&B

### Oceania

Frucor Group

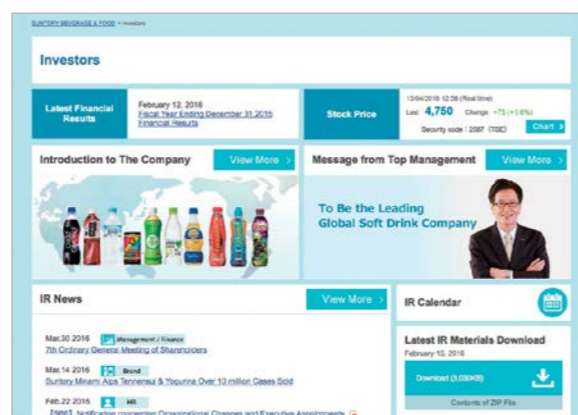
### Americas

Pepsi Bottling Ventures Group

## Suntory Beverage & Food Limited Online Investor Information

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

Suntory Beverage & Food Limited's corporate website lists information about our products, in addition to IR materials including financial information and investor briefings for shareholders and other investors.



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

# Stock Overview

As of December 31, 2015

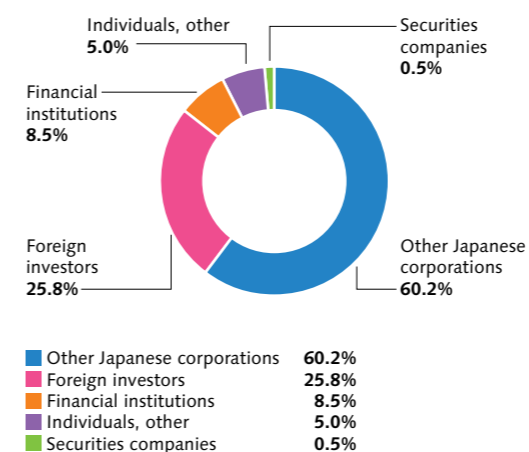
**Stock Code:** 2587  
**Date of Listing:** July 3, 2013  
**Stock Listing:** First Section of Tokyo Stock Exchange  
**Fiscal Year:** January 1 – December 31  
**Authorized Shares:** 480,000,000 shares  
**Issued Shares:** 309,000,000 shares  
**Number of Shareholders:** 55,030  
**Ordinary General Meeting of Shareholders:** March (Record date: December 31)  
**Shareholder Registry Administrator:** Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo

## Major Shareholders

Shareholders	Number of shares held (thousands)	Percentage of shareholding
Suntory Holdings Limited	183,800	59.4
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

## Composition of Shareholders

Year ended December 31



**SUNTORY**  
SUNTORY BEVERAGE & FOOD