



May 25, 2015

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**Notice Concerning a Basic Agreement
Regarding the Acquisition of the Shares of JT's Subsidiaries
Conducting Vending Machine Operation Business and Their Beverage Brands**

Suntory Beverage & Food Limited (hereinafter "SBF") hereby announces that today it entered into a basic agreement with Japan Tobacco Inc. (hereinafter "JT") to acquire certain shares held by JT in certain companies including Japan Beverage Holdings Inc. (hereinafter "JB") and JT A-Star Co., Ltd. (hereinafter "JTA"), and certain of its beverage brands (collectively hereinafter "the Acquisition").

1. Overview of the Acquisition

The overview of the basic agreement by and between SBF and JT today is as follows:

- (1) Date of the Basic Agreement: May 25, 2015
- (2) Parties to the Basic Agreement: JT (Seller) and SBF (Buyer)
- (3) Subject of the Acquisition
 - (1) Shares of JB (JT's equity interest 70.5%), all the shares of JTA, shares of Japan Beverage Ecology Inc. (JT's equity interest 49.7%)
 - (ii) *Roots* and *Momono Tennen-sui* brands
- (4) Acquisition price: Approx. 150 billion yen (Note 1)

Note 1: The above price may be adjusted in accordance with the terms and conditions of the definitive agreement to be concluded.

2. Purpose of the Acquisition

The key elements of the SBF Group's beverage business are to establish a business foundation in a number of countries and, as a company with close ties with local communities, to provide premium and unique products that suit the culture and lifestyles of those countries. To realize these key elements, the SBF has been pursuing M&A opportunities to acquire strong business foundation and well established brands.

JB and its subsidiaries (collectively hereinafter "JB Group") 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. Particularly in its can and PET bottle vending machine business, taking advantage of mixed-product machines which sell products of multiple beverage companies, JB Group has a strong competitiveness in developing indoor locations such as offices to provide drinking opportunities to customers through its nationwide business bases. JTA and Oriental Corporation, a subsidiary of JTA, are established vending machine operators with a solid business foundation particularly in Chiba, Ibaraki and Tochigi prefectures.

The SBF Group aims for further growth by evolving its beverage business into a full-line beverage service business that brings new value to consumers. Setting out a basic policy to maintain JB and JTA Group's existing businesses and current business relationships, this will be achieved by combining strengths of SBF's vending machine business in location development leveraging Suntory Group's capabilities as well as in its procurement of equipment and materials, highly efficient route sales management, and its R&D capabilities, with the JB and JTA Group's strong platform.

JT's *Roots* brand maintains a strong position in the bottle-shaped can coffee market, which has been growing in recent years while *Momono Tennen-sui* pioneered new ground in the flavored water market. The acquisition of these two brands will enhance the SBF Group's product portfolio.

3. Overview of the subsidiaries subject to change

(1) Overview of JB

(1) Name	Japan Beverage Holdings Inc.		
(2) Location	24-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo, Japan		
(3) Representative	Kazuhisa Inoue (President & CEO)		
(4) Businesses	Formation and promotion of corporate strategy for entire group companies, sale of various foods and beverages via vending machines		
(5) Paid in Capital	500 million yen (Number of shares outstanding: 32,846,487 shares)		
(6) Date of Establishment	July 1, 2010		
(7) Major Shareholder and Holding Ratio	Japan Tobacco Inc. (70.5%)		
(8) Relationship with SBF	Capital	SBF holds 12.0% of the voting rights in JB through its subsidiary Suntory Foods Limited	
	Personal	No items to report	
	Business	SBF leases vending machines and sells soft drinks to JB through its subsidiary Suntory Foods Limited	
(9) JB's Operating Results and Financial Position over the Past Three Years (Non-consolidated) (Millions of yen, except per share values)			
Fiscal Year Ended	March 2013	March 2014	December 2014 (Note 2)
Net assets	56,058	57,252	58,482
Total assets	88,291	91,337	93,904
Net assets per share (yen)	1,706.68	1,743.04	1,780.49
Net sales	160,376	159,317	120,445
Operating income	5,731	2,801	2,487
Ordinary income	5,530	2,650	2,267
Net income	3,343	1,598	1,435
Net income per share (yen)	101.80	48.66	43.70

Note 2: In accordance with a change of the accounting period, these figures of the fiscal year ended December 2014 are for the nine-month period from April 1, 2014, to December 31, 2014.

(2) Overview of JTA

(1) Name	JT A-Star Co., Ltd.		
(2) Location	1-3, Chuo 1-chome, Chuo-ku, Chiba-shi, Chiba, Japan		
(3) Representative	Kazutomo Murata (Representative Director and President)		
(4) Businesses	Sale of various foods and beverages via vending machines		
(5) Paid in Capital	78 million yen (Number of shares outstanding: 156,000 shares)		
(6) Date of Establishment	February 2, 1972		
(7) Major Shareholder and Holding Ratio	Japan Tobacco Inc. (100%)		
(8) Relationship with SBF	Capital	No items to report	
	Personal	No items to report	
	Business	SBF leases vending machines and sells soft drinks to JB through its subsidiary Suntory Foods Limited	
(9) JTA's Operating Results and Financial Position over Past Three Years (Non-consolidated) (Millions of yen, except per share values)			
Fiscal Year Ended	March 2013	March 2014	December 2014 (Note 3)
Net assets	477	480	516
Total assets	2,370	2,345	2,400
Net assets per share (yen)	3,057.87	3,077.31	3,308.79
Net sales	5,973	6,021	4,433
Operating income	106	0	60
Ordinary income	102	15	60
Net income	54	3	36
Net income per share (yen)	347.93	19.44	231.48

Note 3: In accordance with a change of the accounting period, these figures of the fiscal year ended December 2014 are for the nine-month period from April 1, 2014, to December 31, 2014.

4. Overview of the Seller (JT)

(1) Name	Japan Tobacco Inc.	
(2) Location	2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan	
(3) Representative	Mitsuomi Koizumi (President & CEO)	
(4) Businesses	Manufacture and sale of tobacco, pharmaceuticals and processed foods, etc.	
(5) Paid in Capital	100 billion yen	
(6) Date of Establishment	April 1, 1985	
(7) Net Assets	1,649,151 million yen (for the year ended Dec. 31, 2014)	
(8) Total Assets	2,729,270 million yen (for the year ended Dec. 31, 2014)	
(9) Major Shareholder and Holding Ratio	The Minister of Finance (33.3%)	
(10) Relationship with SBF	Capital	No items to report
	Personal	No items to report
	Business	No items to report
	Related Party Status	No items to report

5. Number of Shares to be Acquired and Share Ownership Status before and after the Acquisition

(1) JB Shares

(1) Number of shares held before change	3,970,000 shares (Number of voting rights: 3,970) (Proportion of voting rights held: 12.0%) (Note 4)
(2) Number of shares to be acquired	23,163,294 shares (Number of voting rights: 23,163)
(3) Number of shares held after change	27,133,294 shares (Number of voting rights: 27,133) (Proportion of voting rights held: 82.6%) (Note 4)

Note 4: The percentage includes an indirectly held shares (12.0%) through Suntory Foods Limited

(2) JTA Shares

(1) Number of shares held before change	0 shares (Number of voting rights: 0) (Proportion of voting rights held: 0%)
(2) Number of shares to be acquired	156,000 shares (Number of voting rights: 156,000)
(3) Number of shares held after change	156,000 shares (Number of voting rights: 156,000) (Proportion of voting rights held: 100%)

6. Schedule

(1) Resolution of the Board of Directors	May 25, 2015
(2) Date of Basic Agreement	May 25, 2015
(3) Date of Definitive Agreement	July 2015 (Planned)
(4) Transfer Date	Currently under consideration between the parties assuming that there are no factors that will hinder the Acquisition such as a cease and desist order as a result of Japan Fair Trade Commission's corporate merger review in relation to a notification based on Antimonopoly Act. (Scheduled for July 2015)

7. Effects on Business Performance

The effects of the Acquisition on SBF's consolidated performance for the fiscal year ending December 31, 2015, is currently examined. As soon as these effects are identified, it will be factored into the consolidated earnings forecasts for the period.

8. Other

It is assumed that there are no factors that will hinder the Acquisition including a cease and desist order as a result of Japan Fair Trade Commission's corporate merger review in relation to a notification based on Antimonopoly Act.