

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

1980
PepCom
Industries, Inc.

1990
Cerebos Group
Cerebos

1999
Pepsi Bottling
Ventures Group
pepsi
bottling ventures

2009
Frucor Group
frucor
A SUNTORY GROUP COMPANY

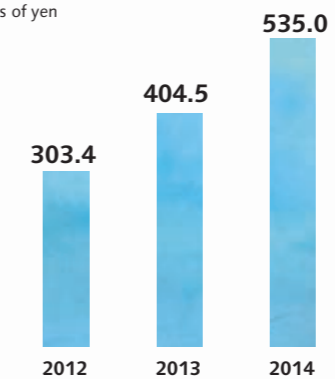
2009
Orangina
Schweppes Group
ORANGINA SCHWEPES
A SUNTORY GROUP COMPANY

2011
Suntory Garuda Group
SUNTORY GARUDA

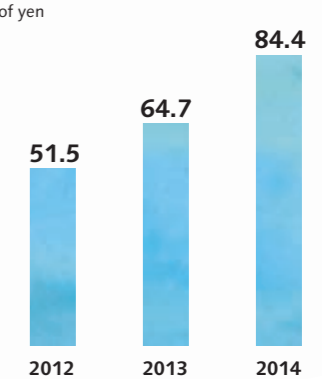
2013
Suntory PepsiCo Vietnam
Beverage Co., Ltd.
SUNTORY PEPSICO
Suntory PepsiCo Vietnam Beverage

2013
Lucozade Ribena
Suntory Group
LUCOZADE RIBENA
SUNTORY

Sales (overseas)
billions of yen



EBITDA (overseas)
billions of yen





Europe

In 2014, Lucozade Ribena Suntory Limited started operations, thereby helping to grow our business scale in Europe considerably. We conducted marketing activities focused primarily on core brands, such as *Orangina* and *Schweppes* in France and Spain as well as *Lucozade* and *Ribena* in the United Kingdom. In addition, we strengthened our sales structure in Spain for the on-premise market. Moreover, with the aim of growing our operations in Europe as a whole, we made strides in creating synergy among Group companies in Europe and optimizing our regional management base, particularly in production and sales. As part of these efforts, we transferred sales operations for *Orangina* and energy drink *V* in the United Kingdom, which were previously carried out under a consignment agreement, over to Lucozade Ribena Suntory Limited. As a result, net sales were ¥256.5 billion, up 65.5%, and segment profit was ¥39.5 billion, up 45.1%.

In 2015, we assume severe economic environment in Europe to continue. However, in order to add even more value to the *Orangina*, *Schweppes*, and *Lucozade* brands, we will strengthen our marketing activities. For *Orangina*, for example, in addition to revamping marketing efforts in France, we will also reinforce marketing activities of the brand in the United Kingdom. In addition, using the expertise of our business in Spain as a model, we will reinforce our business in on-premise market such as hotels, bars, and restaurants in France and the United Kingdom. In Spain, we will begin collaboration with PepsiCo, Inc. to further strengthen our business in the on-premise market.

We will also set our focus on core regions in Africa to advance the creation of our new regional sales structure.

GROUP COMPANIES



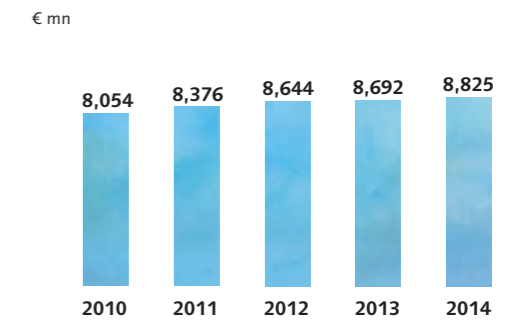
A leading company in both the French and Spanish soft drink markets, the Orangina Schweppes Group's offerings include *Orangina* and *Schweppes* brands. The company manufactures and sells beverages in-house, and also manufactures and exports concentrates as part of its wide-ranging business centered on Europe.



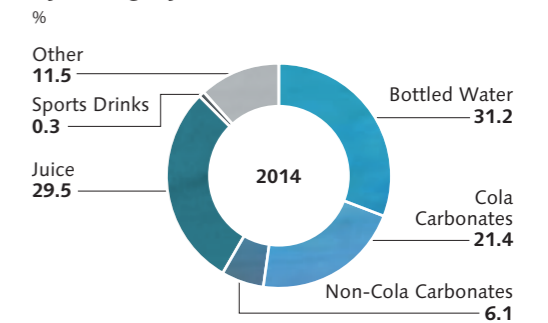
Newly established Lucozade Ribena Suntory Limited is home to two of the U.K.'s leading soft drink brands and a renowned supplier of soft drink brands in the U.K. market. In addition, *Lucozade* is a best-selling sports drink and energy drink in the United Kingdom.

Market trend in France

Soft Drink Market Size in France*



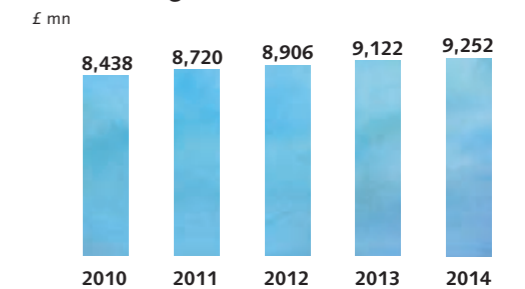
Soft Drink Market Share in France by Category*



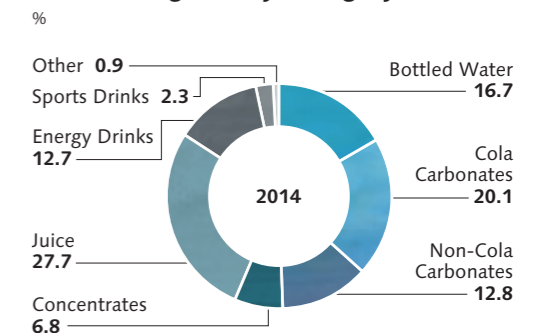
* Source: Euromonitor 2015, Off-trade Value RSP

Market trend in United Kingdom

Soft Drink Market Size in United Kingdom*



Soft Drink Market Share in United Kingdom by Category*



* Source: Euromonitor 2015, Off-trade Value RSP



Asia

In 2014, we aggressively made efforts to expand business in each country and region we operate in Asia by introducing new products and strengthening our business foundation. Although our business was affected by the unstable economic environment in Thailand and Indonesia, sales in Vietnam were favorable and the sales of Suntory brand products, such as *TEA+ Oolong Tea* increased. In addition, we made business reforms and strengthened cost management in other countries and regions. As a result, net sales were ¥154.5 billion, up 16.5%, and segment profit was ¥10.4 billion, up 13.4%.

In 2015, despite concerns of a slump in the economic growth of emerging nations, we aim to expand our business at a pace that surpasses market growth by focusing efforts on core brands and seek to solidify our position in the markets of Southeast Asia. In the health foods business, we will focus on marketing activities for the Cerebos Group's *BRAND'S*

Essence of Chicken, a leading health food supplement celebrating its 180th anniversary. In the soft drink business, we have been expanding *TEA+ Oolong Tea* and *MYTEA Oolong Tea*, our Suntory brand oolong teas, in Southeast Asia. Going forward, we will strive to grow the sales volume of these brands by approximately 1.5 times.

Additionally, we will strengthen our distribution foundations. In Vietnam, for example, where we will start operation of our new production lines, we will reinforce our sales force and endeavor to maintain double-digit sales growth. In Indonesia, we will advance the reconstruction of our sales structure to better identify changing market conditions. From the current fiscal year, we have established a sales structure in Malaysia. Starting with sales of *Ribena*, we have set our sights on expanding sales of Suntory brand products in Malaysia at the earliest timing.

GROUP COMPANY

Cerebos

In 1990, Suntory acquired the management rights for Cerebos Pacific Limited (headquartered in Singapore), a general foods company with a strong network throughout Southeast Asia and Oceania. The company operates a health food business, mainly in Thailand, Taiwan, Hong Kong, Malaysia, and Singapore, with the products *Essence of Chicken* and *Bird's Nest*, sold under the flagship brand *BRAND'S*. The Cerebos Group will concentrate on *BRAND'S* to consolidate its position in Southeast Asia.



Our Product –*BRAND'S Essence of Chicken*–

The *BRAND'S* legacy started in 1835 when Henderson William Brand, the royal chef of Buckingham Palace in London, created a fat-free, easily digested chicken consommé that later became a huge commercial success widely recognized as *BRAND'S Essence of Chicken*. After 180 years since its launch, *BRAND'S Essence of Chicken* is still widely trusted and relied upon around the world and across generations. In addition, more than 20 scientific papers have been published supporting its efficacy.

The findings show that consuming *BRAND'S Essence of Chicken* improves mental concentration and memory, a fact concurred and supported by independent scientists.



Strategy Overseas
Asia

Expanding the Sales Area in Asia

We have steadily developed our soft drink business in Vietnam, Indonesia, and Thailand. Taking advantage of our acquisition of the *Lucozade* and *Ribena* brands at the end of 2013, we also established new locations in Malaysia, Hong Kong, and Singapore in 2015. With the help of these newly established locations, we are further expanding the regional soft drink business and creating synergies among Group companies in the Asian region.



GROUP COMPANIES



Suntory PepsiCo Vietnam Beverage Co., Ltd. (headquartered in Ho Chi Minh, Vietnam) has been manufacturing and selling soft drinks in Vietnam since 2013.

The company's offerings include PepsiCo brand carbonated beverages *Pepsi* and *7UP*, the energy drink *Sting*, along with Suntory brand *TEA+ Oolong Tea* and *C.C. Lemon*.

SUNTORY GARUDA

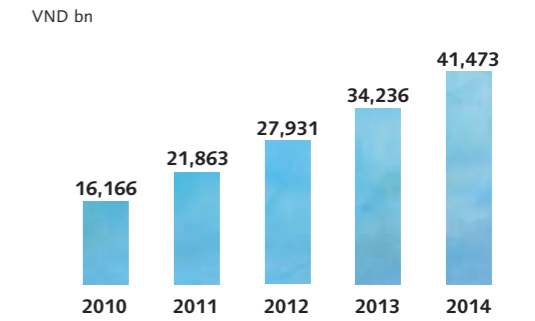


PT Suntory Garuda Beverage (headquartered in Jakarta, Indonesia) was established in 2011 as a joint venture with the GarudaFood Group, an Indonesian food and beverage group. In addition to the jelly drink *Okky*, SBF has launched *Mirai*, the first Suntory brand green tea in Indonesia, along with *MYTEA Oolong Tea*.

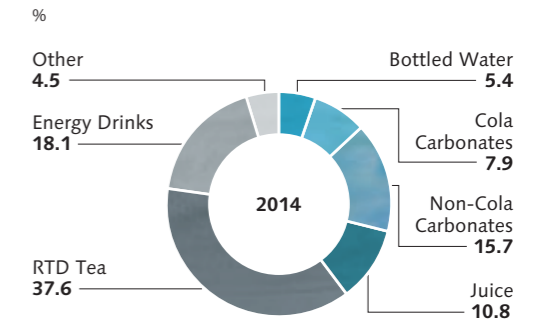
The Suntory Garuda Group will expand its business scale by continuing to strengthen the Garuda brand and launching Suntory brand products.

Market trend in Vietnam

Soft Drink Market Size in Vietnam*



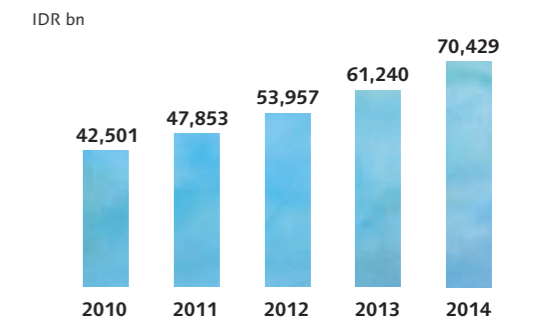
Soft Drink Market Share in Vietnam by Category*



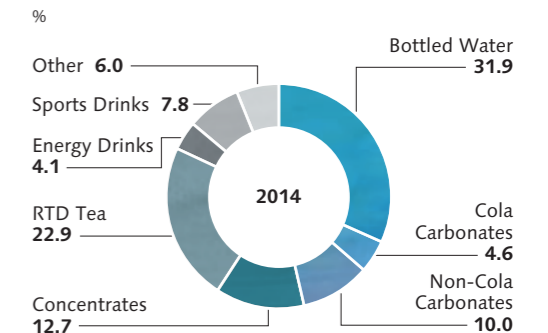
* Source: Euromonitor 2015, Off-trade Value RSP

Market trend in Indonesia

Soft Drink Market Size in Indonesia*



Soft Drink Market Share in Indonesia by Category*



* Source: Euromonitor 2015, Off-trade Value RSP

Oceania



In 2014, the Frucor Group worked to revitalize its leading energy drink V; it also expanded its product lineup by launching OVI, its first Suntory brand product, in September. In addition, the group enhanced its R&D functions in New Zealand in order to further enhance its regional product development capabilities.

As a result, net sales were ¥44.5 billion, up 8.6%. However, segment profit was ¥5.6 billion, down 10.1%. The cause of this decrease was the exchange rates for the Australian and New Zealand

dollars, with the value of the New Zealand dollar appreciating and the cost of goods purchased rising in Australia.

In 2015, we forecast competition to continue to intensify in this segment. However, in addition to reinforcing the Frucor Group's V as a leading brand in the energy drink category, we will make efforts to expand the Frucor Group's brand portfolio, including Suntory brands, and reduce costs. In this way, we will strive to improve profitability.

GROUP COMPANY

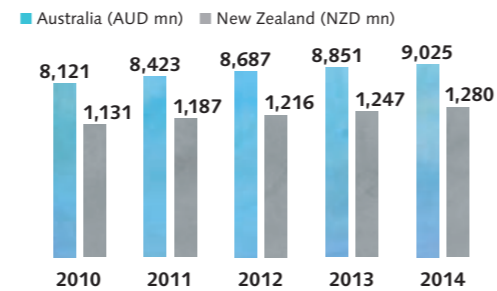


In 2009, SBF acquired the Frucor Group, which operates a soft drink business, mainly in Oceania. In addition to its flagship energy drink product, V, the group has a strong brand in its Just Juice line of fruit juice products.

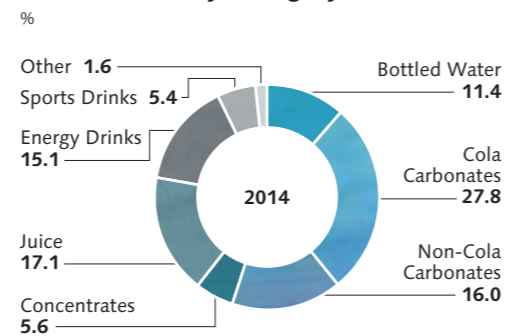
Going forward, we will reinforce the Frucor Group's position as a leader in the energy drink category in Oceania. With bottling operations for PepsiCo brand beverages in New Zealand, the group will also pursue growth in the carbonates category.

Market trend in Oceania

Soft Drink Market Size in Australia and New Zealand*



Soft Drink Market Share in New Zealand by Category*



* Source: Euromonitor 2015, Off-trade Value RSP

Americas

In 2014, Pepsi Bottling Ventures LLC improved business efficiency in sales and distribution and further strengthened PepsiCo brand products, primarily in the U.S. state of North Carolina. In addition, increased efficiency from sales area reorganization carried out in June 2013 contributed to the segment's positive results. Accordingly, net sales were ¥79.5 billion, up 4.7%, and segment profit was ¥8.8 billion, up 12.4%.

In 2015, we will work to grow our portfolio in the field of non-carbonated beverages in addition to continuing to enhance carbonated beverages, and work to increase sales and profit.



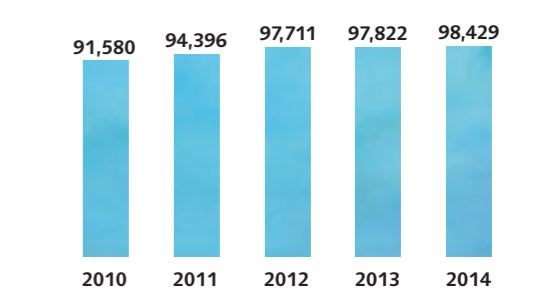
GROUP COMPANY



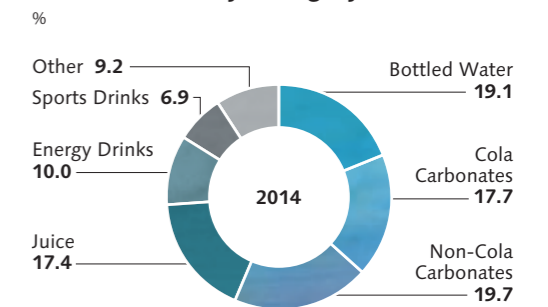
In 1980, the Suntory Group acquired PepCom Industries, Inc. and commenced a bottling business in the United States. In 1999, the group established Pepsi Bottling Ventures LLC (headquartered in Raleigh, North Carolina) as a joint venture with PepsiCo, Inc. and expanded the geographical area of the business, mainly in North Carolina, by acquiring neighboring bottlers.

Market trend in United States

Soft Drink Market Size in United States*



Soft Drink Market Share in United States by Category*



* Source: Euromonitor 2015, Off-trade Value RSP

“Launching Brands Across Regions”

As an initiative of our overseas strategy, we are using our R&D technology, which we have accumulated both in Japan and overseas, to develop new products and expand them globally. In this section, we will introduce some example cases as part of this initiative.

In order to leverage our business foundation, which has expanded through the acquisition of brands such as *Lucozade* and *Ribena*, to its maximum potential, we will create top-line synergies by expanding Group brands and product development capabilities globally.

In 2012, we launched the French soft drink *Orangina* in Japan, which we acquired in 2009. Additionally, in 2013, we launched *TEA+ Oolong Tea* and *MYTEA Oolong Tea* in Southeast Asia, leveraging the technologies we used to make *Suntory Oolong Tea* in Japan. In 2014, we launched the Japanese *C.C.Lemon* soft drink in Vietnam, in addition to

launching *OVI* in Australia, a hydration drink that leverages the technologies used to make Japanese functional drinks.

SBF is creating these top-line synergies using various methods. One method we use is expanding brands such as *Orangina* and *C.C.Lemon* under the same name in different countries and regions. Another method we use is leveraging Suntory's product development technologies to develop brands using brand names and packaging tailored to the specific country or region, such as *TEA+ Oolong Tea* and *OVI*.



Case 1 *Orangina*



Originating in France, *Orangina* has been tailored to suit consumers in Japan, where it is now produced and marketed. In addition, Suntory has combined its technologies with those of the Orangina Schweppes Group to create *Lemongina*, a carbonated beverage with a lemon flavor, which was launched in March 2015.

Case 2 *MYTEA Oolong Tea* and *TEA+ Oolong Tea*



These tea drinks, developed using technology we have accumulated over many years of product development for *Suntory Oolong Tea*, are now being marketed in Southeast Asia.

Case 3 *C.C. Lemon*



In July 2014, we launched the vitamin C carbonated beverage *C.C.Lemon* in Vietnam. Originally released in 1994 in Japan, the drink has been extremely popular among a wide range of consumers. Similar to the *C.C.Lemon* sold in Japan, the drink contains vitamin C, but its taste is tailored to suit the Vietnamese palate. The packaging, however, is designed based on the Japanese product label bearing the *C.C.Lemon* branding.

Case 4 *OVI*



OVI is a hydration beverage launched in Australia in September 2014. This product is the Suntory brand's first soft drink launched in the Australian market. Using production technologies fostered in the development of Japanese functional drinks, *OVI* contains an antioxidant (sourced from green tea), making it a great-tasting, healthy hydration beverage.