

Corporate Governance

Basic Policy on Corporate Governance

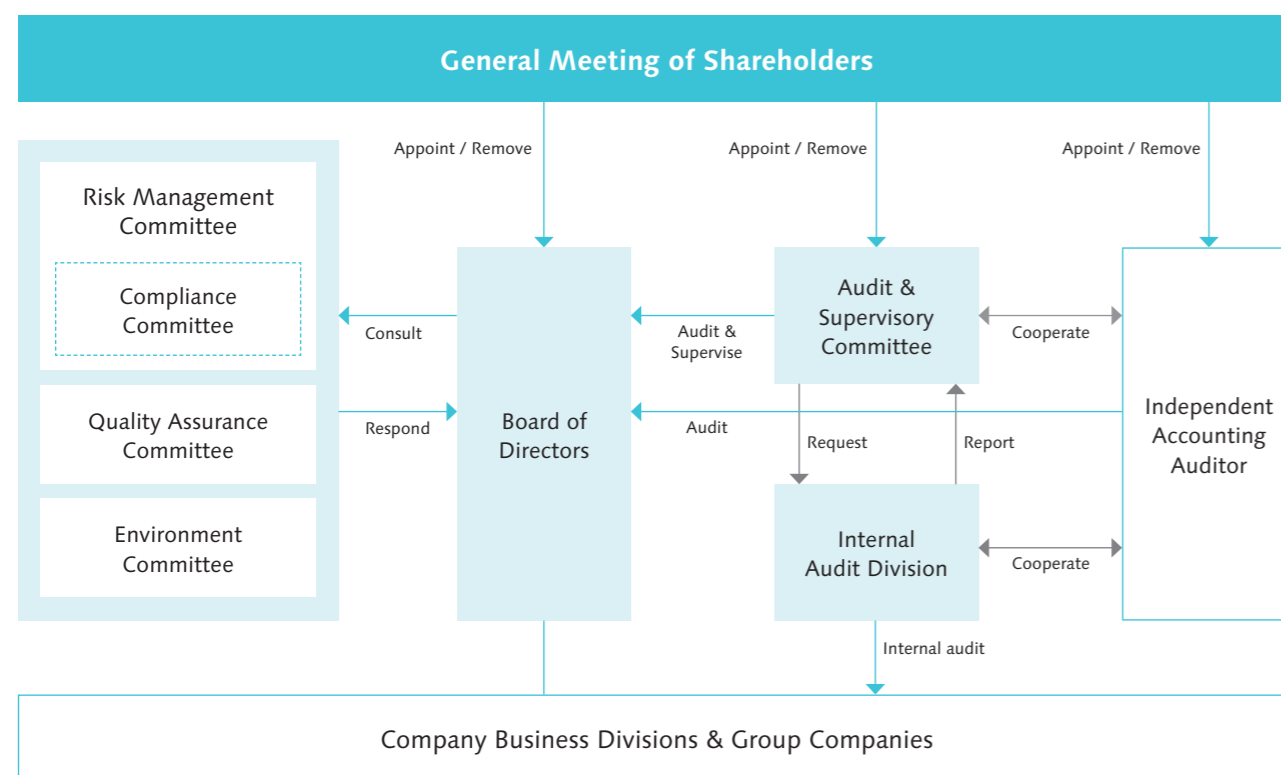
Suntory Beverage & Food ("SBF") and its subsidiaries (collectively, "the Group") strive to enhance corporate governance in order to increase the efficiency of management, maintain good relationships with shareholders and other investors, customers, communities, suppliers and other stakeholder groups, and fulfill its corporate social responsibilities. Through the products we offer, we aim to be a group of companies that consistently offers new value to customers around the world. In June, 2015, we established our basic policy on corporate governance. Under this policy, we will progress corporate governance in a creative manner in order to improve our corporate value.

Basic Policy on Corporate Governance URL below:

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

Overview of Corporate Governance Framework

SBF's corporate governance framework comprises the Board of Directors, the Audit & Supervisory Committee, and Independent Accounting Auditor. The number of Directors should be twenty or less pursuant to the Articles of Incorporation. As of May 1, 2015, we have eleven Directors (including three Audit & Supervisory Committee members), and three of these Directors (including two Audit & Supervisory Committee members) are Outside Directors.



Board of Directors

(1) Board of Directors

The Board of Directors holds regular meetings once a month and extraordinary meetings as the need arises. The board discusses and makes decisions on important management matters such as business plans and SBF's organizational structure. It also receives reports regarding business execution at Group companies, which it uses to conduct oversight. 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.

(2) Audit & Supervisory Committee

The Audit & Supervisory Committee, consisting of three Audit & Supervisory Committee members (including two Outside Directors), 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.

(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.

(4) Internal Audits

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

(5) Coordination among Audit & Supervisory Committee, Independent Accounting Auditor, and Internal Audit Division

Audit & Supervisory Committee members, Independent Accounting Auditor and the Internal Audit Division hold meetings as necessary to report and exchange opinions on internal control.

(6) Risk Management Committee, etc.

The Risk Management Committee and the Quality Assurance Committee manage important risks relating to the business performance and quality of the entire Group in a comprehensive and systematic manner. Furthermore, the Compliance Committee, a subordinate body, establishes and promotes the compliance structure of the entire Group, including our Group companies.

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 the 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 discovers 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 an issue, shall investigate the details. As necessary, the Compliance Committee shall consult with related departments to take corrective action and establish measures to prevent reoccurrence. 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 to 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 regards to transactions with the Parent company.

(7) Matters regarding Directors and Employees who are requested to assist with the duties of the 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 Director who are Member of the Audit & Supervisory Committee), Executive Officer, and Employee discovers 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 and Members of the Audit and Supervisory Committee

(1) Selection of Outside Directors and Members of the Audit & Supervisory Committee

The Outside Directors shall express their opinions based on their experience and insight as corporate managers or their expert viewpoints as researchers, attorneys, and so forth, and thereby aid in appropriate decision making and oversight of business execution by the Board of Directors. As of the issue date of this report, SBF had three Outside Directors.

Outside Director Yukari Inoue possess an abundance of experience and knowledge, and a high level of insight 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 Member of the Audit & Supervisory Committee Yukihiko 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 and Member of the Audit & Supervisory Committee, SBF is anticipating his 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.

Outside Director and Member of the Audit & Supervisory Committee Harumichi Uchida possesses an abundance of experience, extensive knowledge, and a high level of insight as an attorney who is well-versed in the field of corporate law. As an Outside Director and Member of the Audit & Supervisory Committee, SBF is anticipating his 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.

(2) Related-party interests between SBF and Outside Directors

Outside Director Yukari Inoue is the Managing Director of Japan & Korea Kellogg, and serves as an Outside Director for JC Comsa Corporation. Although SBF conducts beverage-related transactions with Kellogg Company, the Parent company of Japan & Korea Kellogg, these transactions carry no monetary importance. In addition, there are no special related-party interests between SBF and JC Comsa Corporation.

Outside Director and Member of the Audit & Supervisory Committee Yukihiko Uehara is the Chairman of the Distribution Economics Institute of Japan (DEIJ), and serves as an Outside Director for INTAGE HOLDINGS Inc. Although SBF conducts transactions related to market research with both DEIJ and INTAGE HOLDINGS

Inc., these transactions carry no monetary importance. Moreover, there are no special related-party interests between SBF and these entities.

Outside Director and Member of the Audit & Supervisory Committee Harumichi Uchida is an attorney with Mori Hamada & Matsumoto, and serves as an Outside Auditor for both Daifuku Co., Ltd. and Sumitomo Dainippon Pharma Co., Ltd. Although SBF conducts transactions related to attorney work with Mori Hamada & Matsumoto, these transactions carry no monetary importance. In addition, there are no special related-party interests between SBF and these entities.

(3) Selection standards for Outside Directors

SBF selects Outside Directors by referring to the decision-making standards related to the independence of independent officers stipulated by the Tokyo Stock Exchange. SBF also takes into account business and other relationships with the companies and groups where the Outside Directors serve in an executive capacity.

SBF has registered Outside Directors Yukari Inoue and Yukihiko Uehara as independent officers with the Tokyo Stock Exchange, as stipulated by the Tokyo Stock Exchange.

(4) Liability limitation agreements

SBF has entered into liability limitation agreements with each Outside Director in accordance with Paragraph 1 of Article 427 of the Companies Act. Under these agreements, the maximum amount of the liability to SBF of each Outside Director arising in connection with a failure to execute their duties while acting in good faith and without gross negligence shall be limited to the amount prescribed in Paragraph 1 of Article 425 of the Companies Act.

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

The Group has decided to make decisions on transactions with its controlling shareholders, including the transaction conditions, the appropriateness of the related decision-making process, and other details, only after conducting exhaustive discussions at a Board of Directors meeting where the Outside Directors are also in attendance. This is to protect the interests of minority shareholders. SBF intends to expand its business based on its own decision-making process, independently of the controlling shareholders.

SBF will build a system that presents no problems with respect to the protection of minority shareholders, without conducting any transactions, investments and business expansion initiatives that would be particularly advantageous to the controlling shareholder under the controlling shareholder's influence.

Compensation of Directors and Members of the Audit & Supervisory Committee

Compensation amounts for Directors are held within the limits set in advance at an extraordinary meeting of shareholders. Compensation for each Director (excluding Directors who are Members of the Audit & Supervisory Committee) is determined at the discretion of the Board of Directors, and compensation for each Audit & Supervisory Committee member is determined at the discretion of the Audit & Supervisory Committee. Details of the compensation amounts are as follows:

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

category	Millions of yen			Number of eligible Directors
	Total compensation and other remuneration	Total by compensation and remuneration category		
		Basic compensation	Bonuses	
Directors (excluding the Outside Director)	434	261	172	10
Outside Director	12	12	—	1

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 by compensation and compensation type		Total compensation amount
		Basic compensation	Bonuses	
Nobuhiro Torii	Director	70	46	116

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

Directors' (excluding Directors who are Members of the Audit & Supervisory Committee) compensation comprises a basic salary (monthly, fixed amount) and bonuses (annual, performance linked). When determining compensation amounts, ample consideration is given to motivating the Directors to improve SBF's performance and corporate value and enabling SBF to secure high-quality human resources. The system used to determine compensation amounts references survey data from specialist external institutions and is designed to provide an appropriate level of compensation based on each Director's role and responsibilities, as well as internal or external status. The amounts for bonuses are primarily determined by an index based on SBF's consolidated operating income. Bonuses are not paid to Outside Directors.

In principle, Audit & Supervisory Committee members' compensation comprises only a basic salary (monthly, fixed amount). Full-time Audit & Supervisory Committee members' compensation includes a bonus (annual, performance linked) in addition to the basic salary, in consideration of their contribution to SBF's performance. When determining compensation amounts, ample consideration is given to enabling SBF to secure high-quality human resources. Referencing survey data from specialist external institutions, compensation for each Audit & Supervisory Committee member is determined at the discretion of the Audit & Supervisory Committee, and is based on internal or external status. The amounts for bonuses are primarily determined by an index 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, 2013		Fiscal year ended December 31, 2014	
	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	74	50	15
Consolidated subsidiaries	18	—	29	—
Total	68	74	79	15

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 is provided entirely in English and is posted on SBF's website at the same time as, or promptly after, the Japanese-language materials are disclosed.