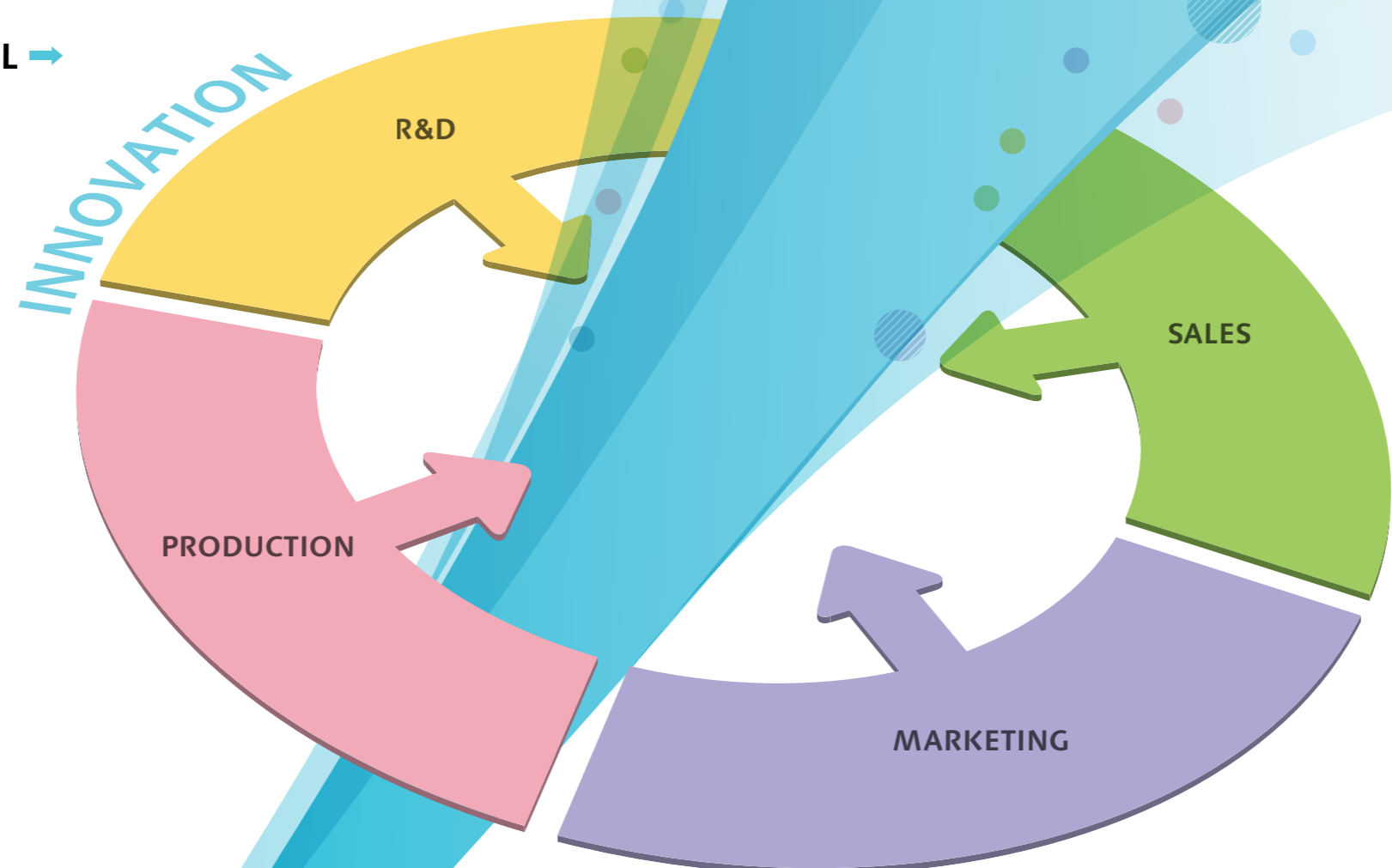


THE STRENGTHS of Suntory Beverage & Food

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

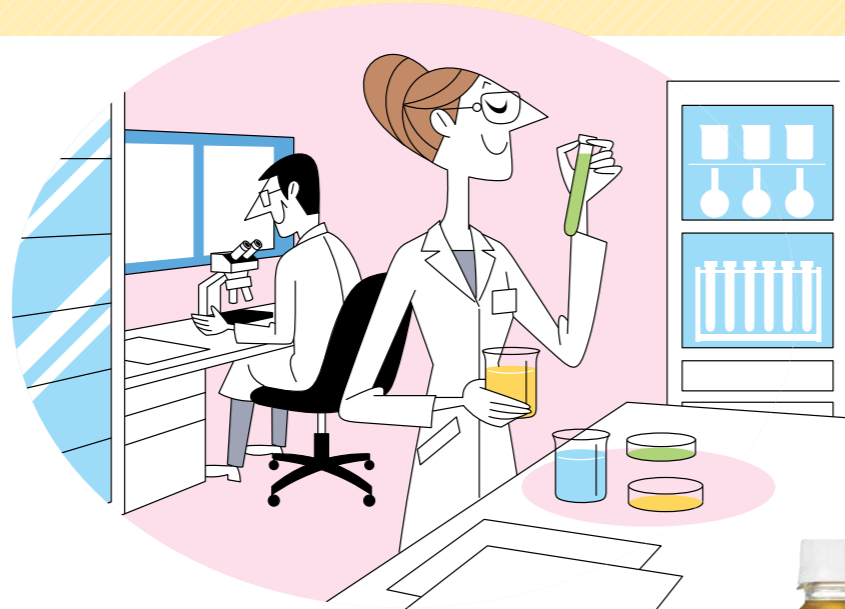
For more details → P.16

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

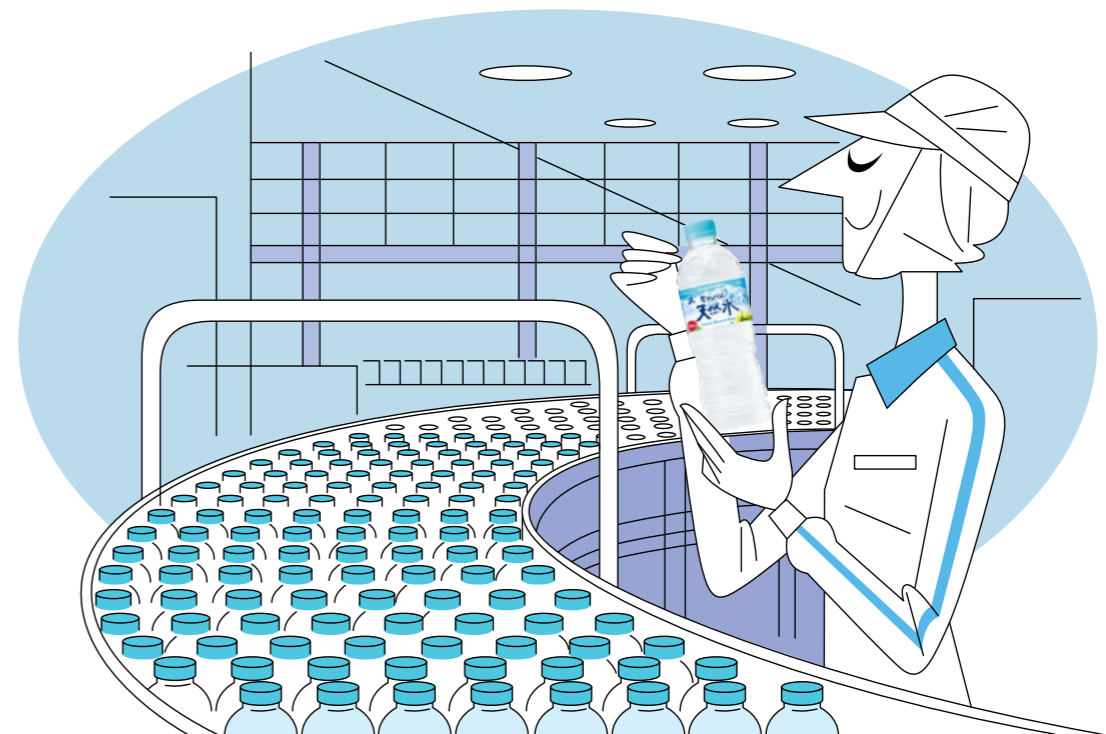
*3 Excluding domestic mineral water and products sold warmed

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.