English Translation

February 13, 2017

# Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2016 <under Japanese GAAP> (UNAUDITED)

| | |
|---|---|
| Company name: | **Suntory Beverage & Food Limited** |
| Shares listed: | First Section, Tokyo Stock Exchange |
| Securities code: | 2587 |
| URL: | http://www.suntory.com/sbf/ |
| Representative: | Saburo Kogo, President |
| Inquiries: | Nobuhiro Yasui, Senior General Manager, Corporate Communication Division<br>TEL: +81-3-3275-7022 (from overseas) |

| | |
|---|---|
| Scheduled date of ordinary general meeting of shareholders: | March 30, 2017 |
| Scheduled date to file securities report: | March 31, 2017 |
| Scheduled date to commence dividend payments: | March 31, 2017 |
| Preparation of supplementary material on financial results: | Yes |
| Holding of financial results presentation meeting (for institutional investors and analysts): | Yes |

(Millions of yen with fractional amounts discarded, unless otherwise noted)

## 1. Consolidated financial results for the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016)

### (1) Consolidated operating results

(Percentages indicate year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year ended | (Millions of yen) | (%) | (Millions of yen) | (%) | (Millions of yen) | (%) | (Millions of yen) | (%) |
| December 31, 2016 | 1,410,765 | 2.2 | 93,481 | 1.6 | 91,224 | 10.1 | 46,056 | 8.5 |
| December 31, 2015 | 1,381,007 | 9.8 | 92,007 | 7.0 | 82,869 | 0.7 | 42,462 | 17.2 |

Note: Comprehensive income
For the fiscal year ended December 31, 2016: ¥6,646 million [15.2%]
For the fiscal year ended December 31, 2015: ¥5,767 million [(92.3)%]

Reference: EBITDA
For the fiscal year ended December 31, 2016: ¥180.8 billion [3.0%]
For the fiscal year ended December 31, 2015: ¥175.5 billion [9.0%]
For the definition of EBITDA, its calculation method, etc., refer to “Segment information, etc.” on page 28.
Net income before amortization of goodwill
For the fiscal year ended December 31, 2016: ¥74.7 billion [7.2%]
For the fiscal year ended December 31, 2015: ¥69.7 billion [13.7%]

Note: Net income before amortization of goodwill is the sum of net income attributable to owners of the parent and amortization of goodwill.

| | Net income per share | Diluted net income per share | Net income/ Shareholders' equity | Ordinary income/ total assets | Operating income/ net sales |
|---|---|---|---|---|---|
| Fiscal year ended | (Yen) | (Yen) | (%) | (%) | (%) |
| December 31, 2016 | 149.05 | – | 8.1 | 6.4 | 6.6 |
| December 31, 2015 | 137.42 | – | 7.2 | 5.8 | 6.7 |

Reference: Equity in earnings (losses) of affiliates
For the fiscal year ended December 31, 2016: ¥665 million
For the fiscal year ended December 31, 2015: ¥(5,316) million

### (2) Consolidated financial position

| | Total assets | Total equity | Shareholders' equity ratio | Equity per share |
|---|---|---|---|---|
| As of | (Millions of yen) | (Millions of yen) | (%) | (Yen) |
| December 31, 2016 | 1,366,000 | 602,447 | 40.4 | 1,787.15 |
| December 31, 2015 | 1,484,434 | 626,890 | 39.3 | 1,888.33 |

Reference: Shareholders' equity (Equity excluding non-controlling interests)
As of December 31, 2016: ¥552,229 million As of December 31, 2015: ¥583,495 million

### (3) Consolidated cash flows

| | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of period |
|---|---|---|---|---|
| Fiscal year ended | (Millions of yen) | (Millions of yen) | (Millions of yen) | (Millions of yen) |
| December 31, 2016 | 161,860 | (57,849) | (115,515) | 84,096 |
| December 31, 2015 | 145,741 | (188,847) | 38,504 | 97,718 |

## 2. Dividends

| | Annual cash dividends | | | | | Total cash dividends | Dividend payout ratio (Consolidated) | Ratio of dividends to total equity (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total | | | |
| | (Yen) | (Yen) | (Yen) | (Yen) | (Yen) | (Millions of yen) | (%) | (%) |
| Fiscal year ended December 31, 2015 | – | 33.00 | – | 35.00 | 68.00 | 21,012 | 49.5 | 3.6 |
| Fiscal year ended December 31, 2016 | – | 34.00 | – | 39.00 | 73.00 | 22,557 | 49.0 | 4.0 |
| Fiscal year ending December 31, 2017 (Forecast) | – | 37.00 | – | 37.00 | 74.00 | | 48.7 | |

## 3. Consolidated earnings forecast for the fiscal year ending December 31, 2017 (from January 1, 2017 to December 31, 2017)

(Percentages indicate year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | (Millions of yen) | (%) | (Millions of yen) | (%) | (Millions of yen) | (%) | (Millions of yen) | (%) | (Yen) |
| Fiscal year ending December 31, 2017 | 1,430,000 | 1.4 | 98,000 | 4.8 | 95,500 | 4.7 | 47,000 | 2.0 | 152.10 |

Reference: EBITDA
For the fiscal year ending December 31, 2017 (forecast): ¥186.0 billion [2.9%]
Net income before amortization of goodwill
For the fiscal year ending December 31, 2017 (forecast): ¥75.2 billion [0.6%]

Note: Net income before amortization of goodwill is the sum of net income attributable to owners of the parent and amortization of goodwill.

## * Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements after error corrections: None

(3) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

| | |
|---|---|
| As of December 31, 2016 | 309,000,000 shares |
| As of December 31, 2015 | 309,000,000 shares |

b. Number of treasury shares at the end of the period

| | |
|---|---|
| As of December 31, 2016 | – shares |
| As of December 31, 2015 | – shares |

c. Average number of outstanding shares during the period

| | |
|---|---|
| Fiscal year ended December 31, 2016 | 309,000,000 shares |
| Fiscal year ended December 31, 2015 | 309,000,000 shares |

## (Reference) Summary of Non-consolidated financial results

## 1. Non-consolidated Financial results for the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016)

### (1) Operating results

(Percentages indicate year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year ended | (Millions of yen) | (%) | (Millions of yen) | (%) | (Millions of yen) | (%) | (Millions of yen) | (%) |
| December 31, 2016 | 378,548 | 0.3 | 33,406 | 19.3 | 47,502 | 3.3 | 38,163 | 11.3 |
| December 31, 2015 | 377,601 | 6.1 | 28,008 | 26.4 | 45,979 | 9.1 | 34,284 | (0.0) |

| | Net income per share | Diluted net income per share |
|---|---|---|
| Fiscal year ended | (Yen) | (Yen) |
| December 31, 2016 | 123.51 | – |
| December 31, 2015 | 110.95 | – |

### (2) Financial position

| | Total assets | Total equity | Shareholders' equity ratio | Equity per share |
|---|---|---|---|---|
| As of | (Millions of yen) | (Millions of yen) | (%) | (Yen) |
| December 31, 2016 | 998,758 | 533,293 | 53.4 | 1,725.87 |
| December 31, 2015 | 1,028,624 | 516,393 | 50.2 | 1,671.18 |

Reference: Shareholders' equity
As of December 31, 2016: ¥533,293 million As of December 31, 2015: ¥516,393 million

*** Indication regarding execution of audit procedures**

The audit procedures pursuant to the Financial Instruments and Exchange Act do not apply to this financial results report. At the time of disclosure of this financial results report, the audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

*** Proper use of earnings forecast, and other special matters**

The earnings forecast contained in these materials are based on our judgment attributable to information available to the Company and the Group as of the date of announcement of these materials, and include certain risks and uncertainties. These statements are not intended as a promise by the Company to achieve such results. Actual business results may differ substantially due to various factors such as economic situation surrounding the Company and the Group, market trend, exchange rates and other factors.

**Attached Materials**

**Index**

# 1. Analysis of Operating Results and Financial Position

## (1) Analysis of operating results

A. Operating results for the fiscal year under review

In the fiscal year under review, there was a gradual recovery in the global economy overall despite signs of weakness in some areas. The Japanese economy also continued to follow a path of gradual recovery although there were signs of weakness in consumer spending and corporate earnings in some areas.

Amid these circumstances, Suntory Beverage & Food Limited Group (the Group) put efforts into brand reinforcement and new demand creation under its philosophy of proposing products based on the concept of “natural and healthy” and “unique and premium,” and enriching consumers’ lives. By utilizing the expertise of each company, the Group also worked to strengthen earning capacity through cost reductions and to improve quality of products throughout the Group. Furthermore, with the aim of achieving sustainable future growth, the Group concentrated on strengthening its business foundation in each area.

In the Japan segment, in addition to reinforcing core brands with a focus on the *Suntory Tennensui* brand and *Boss* coffee brand, the Group launched products with new value such as *Blood Orangina*, and strengthened sales of high-value-added products such as *Iyemon Tokucha* as part of efforts to create new demand.

In the overseas segment, the Group further reinforced core brands and reduced costs in each area. In Europe, in addition to efforts centering on core brands such as *Orangina*, *Oasis*, *Schweppes*, *Lucozade* and *Ribena*, the Group took steps to expand the brand portfolio and to grasp more opportunity in on-premise channel. Furthermore, in Asia, the Group made focused efforts to further strengthen its business foundation, such as sales and production structures.

As a result of the above, for the fiscal year under review, the Group reported consolidated net sales of ¥1,410.8 billion, up 2.2% year on year, operating income of ¥93.5 billion, up 1.6%, ordinary income of ¥91.2 billion, up 10.1% and net income attributable to owners of the parent of ¥46.1 billion, up 8.5%. An extraordinary loss of ¥3.3 billion related to the 2016 Kumamoto Earthquake was posted, but the Group received insurance payments of ¥3.2 billion against these losses and recorded the amount as extraordinary income.

Results by segment are as follows:

< Japan segment >

In Japan, as well as strengthening core brands, by focusing on high-value-added products such as FOSHU (a Food for Specified Health Uses) drink products, the Group worked on creating new demand, and consequently achieved a year-on-year increase in sales volume.

In the *Suntory Tennensui* brand, the Group promoted the brand’s original value by emphasizing its qualities of “clear and tasty” and “natural and healthy.” Especially, sales of *Suntory Yogurina & Minami-Alps Tennensui* were strong. As a result, annual sales volume for the brand as a whole grew considerably year on year to exceed 100 million cases, a first for one of the Company’s brands.

In the *Boss* coffee brand, in addition to continuing efforts focused on 185g canned coffee *Premium Boss*, *Rainbow Mountain Blend*, *Zeitaku Bito*, *Muto Black* and *Café au Lait*, which are our core products, sales volume of *Premium Boss Black* and *Premium Boss Bito* increased significantly in the growing bottle-shaped canned coffee range and drove growth of the brand. In September, the Group further expanded its product lineup by launching new product of 185g canned coffee *Premium Boss Limited*, as well as bottle-shaped canned coffee *Premium Boss - The Mild*, and *Premium Boss - The Latte (sugar-free)*, in order to fulfil the increasingly diversified tastes of consumers.

In the *Iyemon* brand, the Group made focused efforts to reinforce the brand by continuously making proposals for adjusting flavors to suit the season. Furthermore, sales volume of the FOSHU green tea *Iyemon Tokucha* grew significantly. As a result, sales volume for the brand as a whole grew considerably.

The Company contributed 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 conducting further aggressive marketing activities for *Iyemon Tokucha*, *Suntory Black Oolong Tea* and *Suntory Goma Mugicha* etc., in the *Iyemon Tokucha* brand, the Group launched in August *Suntory Tokucha Caffeine Zero*, which provides new added value through being caffeine-free, winning support from even greater numbers of consumers than before. As a result, the total sales volume of FOSHU drink products rose considerably year on year.

The Group also focused on its initiatives to improve profitability. By launching products with new value such as *Premium Boss - The Latte* and *Blood Orangina* in March, and by strengthening sales of high-value-added products such as FOSHU drink products and small-size format products such as 500 ml PET bottles, the product mix improved, which resulted in an increase in profit. The Group also continued to work on reducing packaging material costs and manufacturing expenses, etc., and as a result, production costs reduced year on year. Sales promotion and advertising costs rose year on year, but the Group continued to make efficient investment in marketing to net sales.

Suntory Beverage Solution Limited started its operations in April in order to provide even higher added value to consumers in those businesses that have direct contact with the consumer, such as the vending machine business, fountain business and water dispenser business. Together with Suntory Foods Limited, which specializes in retail channel operations, the company worked on initiatives to strengthen the customer response capabilities and sales capabilities of each.

As a result of the above, the Japan segment reported year-on-year increases in both net sales and segment profit, as shown below.

Japan segment net sales: ¥890.0 billion (up 10.3% year on year)
Japan segment profit: ¥54.7 billion (up 17.1% year on year)

< Overseas segment >
In Europe, aggressive marketing activities were conducted centering on core brands such as *Orangina*, *Oasis*, *Schweppes*, *Lucozade* and *Ribena*. In France, where the business environment is unfavorable, although the sales volume of *Orangina* was at the same level as the previous year, the sales volume of *Oasis* declined year on year. In the UK, sales of zero calorie *Lucozade Zero*, which was launched in May, were strong, and sales volume of *Lucozade* rose year on year. Sales volume of *Ribena* rose slightly year on year. In Spain, the Group pursued successfully its collaboration with PepsiCo, Inc. regarding the on-premise channel that began in 2015. Also, amid increasing health consciousness, the Group worked to bolster its brand portfolio with less sugar products. In the UK, *Highland Spring* water distribution in impulse channel has been successfully integrated while in France the Group launched the premium low-sugar iced tea *May Tea* in May with good start.
Furthermore, on September 30, the Group acquired from GlaxoSmithKline Consumer Nigeria Plc the manufacturing and sales activities of the two brands *Lucozade* and *Ribena* in Nigeria, where the economic scale is the largest in Africa, in order to reinforce its business in the region.
In Asia, the Group worked to strengthen its business foundation and conducted marketing activities centering on core brands in each country. In the health supplement business, sales of *BRAND'S Essence of Chicken*, etc. continued to be steady in the core market Thailand. In the beverage business, in Vietnam, despite continued slowdown in the beverage market in the latter half of the year, the Group took steps to strengthen marketing for Suntory brand products such as green tea *TEA+ MATCHA,* which was launched in April, and sales rose year on year along with PepsiCo brands. In Indonesia, the Group made efforts to redevelop the sales structure and the marketing strategy.
In Oceania, the Group worked to expand sales by launching *V Pure* in May in New Zealand, which is made with natural ingredients and related to its mainstay energy drink *V*, and conducting aggressive marketing activities for sports drink *Maximus* and the hydration beverage *OVI*, which contains the same antioxidant component as green tea.
In the Americas, the Group further promoted PepsiCo brand products in North Carolina, and improved business efficiency by warehousing optimization. In addition, the Group started sales operations for *OVI*.

In addition to activities to expand sales in each area, the Group strove to further improve quality and strengthen earning capacity by sharing the R&D technology and knowhow for the reduction of costs among all Group companies.

As a result of these activities, excluding the effect of changes in exchange rates, the overseas segment reported year-on-year increases in both net sales and segment profit but due to the stronger yen, both net sales and segment profits declined, as shown below.

Overseas segment net sales: ¥520.7 billion (down 9.3% year on year)
Overseas segment profit: ¥67.4 billion (down 8.9% year on year)

B. Outlook for the next fiscal year
Based on the management strategies for 2015 to 2017, the Group will work to improve profitability at existing businesses and build its business foundation in order to further strengthen the strategies it has applied hitherto, such as reinforcing core brands and selling new products to offer new value to consumers, and accelerate growth in both its Japanese and overseas businesses.
Details of the initiatives are provided in 3. Management Policies, (3) Issues to address.
In the 2017 fiscal year, the Group expects consolidated net sales of ¥1,430.0 billion, up 1.4% year on year, operating income of ¥98.0 billion, up 4.8%, ordinary income of ¥95.5 billion, up 4.7%, and net income attributable to owners of the parent of ¥47.0 billion, up 2.0%. The Company is scheduled to voluntarily apply the International Financial Reporting Standards (IFRS) commencing from the account closing of the fiscal year ending December 31, 2017, but the impact of this change in accounting standards is not included in the above forecast.
The main foreign exchange rates underlying the outlook for the next fiscal year are ¥115 against the euro and ¥110 against the U.S. dollar.

**(2) Analysis of financial position**

Total assets as of December 31, 2016 were ¥1,366.0 billion, a decline of ¥118.4 billion compared to December 31, 2015. The main factors were decreases in goodwill and trademarks in overseas subsidiaries due to the effect of foreign currency translation, and other item.
Total liabilities stood at ¥763.6 billion, a decrease of ¥94.0 billion compared to December 31, 2015. This was due in part a decrease in interest-bearing debt.
Equity stood at ¥602.4 billion, a decrease of ¥24.4 billion compared to December 31, 2015 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 attributable to owners of the parent. As a result of the above, shareholders' equity ratio was 40.4% and equity per share was ¥1,787.15.

Cash flow positions in the fiscal year under review are as follows.
Cash and cash equivalents as of December 31, 2016 amounted to ¥84.1 billion, a decrease of ¥13.6 billion compared to December 31, 2015.
Net cash provided by operating activities was ¥161.9 billion, an increase of ¥16.1 billion compared to the previous fiscal year. This was mainly the result of income before income taxes of ¥83.1 billion and depreciation and amortization of ¥58.7 billion and others.
Net cash used in investing activities was ¥57.8 billion, a decrease of ¥131.0 billion compared to the previous fiscal year. This was mainly the result of the absence of purchases of investments in subsidiaries and other assets resulting in changes in scope of consolidation of ¥134.3 billion that occurred in the previous fiscal year, despite purchases of property, plant, and equipment and intangible fixed assets of ¥51.8 billion and others.
Net cash used in financing activities was ¥115.5 billion, compared to ¥38.5 billion of net cash provided by financing activities in the previous fiscal year. This was mainly the result of repayments of long-term debt of ¥105.1 billion and others.

(Reference) Trends in cash flow indicators

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| Shareholders' equity ratio (%) | 39.3 | 40.4 |
| Market value-based shareholders' equity ratio (%) | 110.7 | 109.8 |
| Interest-bearing debt to cash flow ratio (years) | 2.8 | 1.9 |
| Interest coverage ratio (times) | 28.9 | 33.5 |

Shareholders' equity ratio: Shareholders' equity/Total assets
Market value-based shareholders' equity ratio: Total market capitalization/Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt/Cash flow
Interest coverage ratio: Cash flow/Interest paid

(Notes) 1. All of the above indicators are calculated based on consolidated financial figures.
2. Total market capitalization is calculated based on the total number of issued shares at the end of the period and the closing stock price at the end of the period.
3. Cash flow is cash flow from operating activities.

**(3) Basic policy on profit distribution and dividends for the 2016 and 2017 fiscal years**

The Company believes its prioritization of strategic investments as well as capital expenditures for sustainable revenue growth and increasing the value of its business will benefit its shareholders. In addition, the Company views an appropriate shareholder return as one of its core management principles. While giving due consideration to providing a stable return and maintaining robust internal reserves for the future, the Company intends to pursue a comprehensive shareholder return policy that also takes into account its business results and future funding needs. Specifically, the Company aims 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 (Note). Looking to the medium- and long-term, the Company will also consider increasing the payout ratio depending on such factors as its need for funds and progress in profit growth.

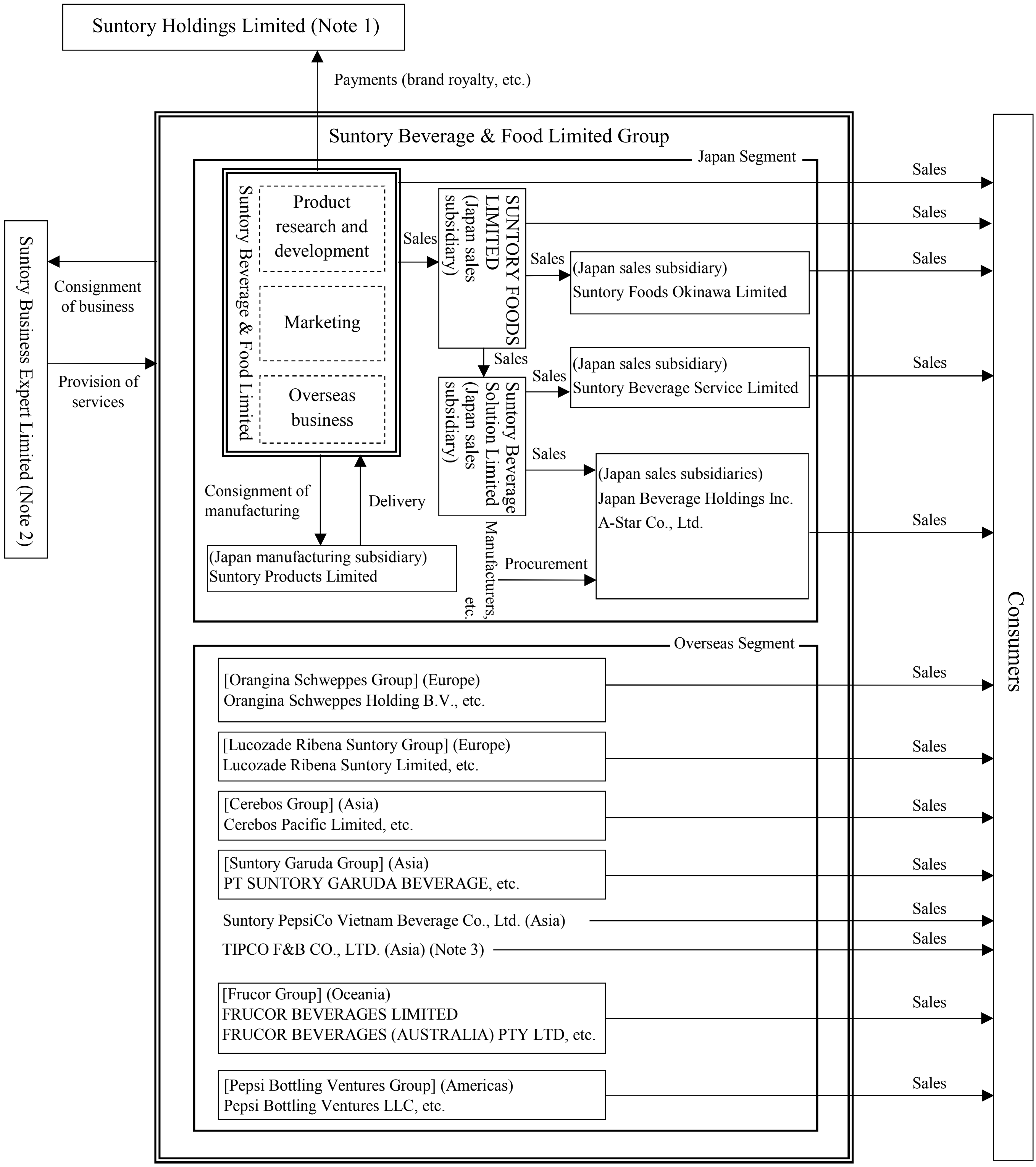
For the fiscal year under review, in accordance with the basic policy described above and a consideration of business results and environment, the Company plans to pay a fiscal year-end dividend of ¥39 per share. As a result, the planned annual dividend for the fiscal year under review is ¥73 per share, together with an interim dividend of ¥34 already paid. For the fiscal year ending December 31, 2017, the Company plans to pay an annual dividend of ¥74 per share, comprised of an interim dividend of ¥37 and a fiscal year-end dividend of ¥37.

(Note) Net income before amortization of goodwill is the sum of net income attributable to owners of the parent and amortization of goodwill.

## 2. State of the Group

The Suntory Beverage & Food Limited Group is comprised of the Company, 101 subsidiaries and 14 affiliates.
The major companies are mentioned below.

The following shows a business schematic diagram of the Group.




Notes:
1. Suntory Holdings Limited is the parent company.
2. Suntory Business Expert Limited is a sister company.
3. TIPCO F&B CO., LTD. is an equity method affiliate.
4. Companies inside the double-lined box not followed by notes are consolidated subsidiaries.

## 3. Management Policies

### (1) Basic corporate management policy

The type of value the Group wants to offer to the consumers is encapsulated in the slogan, "A quest for the best tastes & quality to bring happiness & wellness into everyday life," while the Group's goal is encapsulated in the slogan, "To be the leading global soft drink company recognized for our premium and unique brands." With these slogans in mind, we consistently develop products that match the tastes and needs of consumers in order to offer them "tasty and healthy products," "safe and reliable products" and "popular products that are appealing to many people," primarily in the field of soft drinks. Through the products we offer, we aim to be a group of companies that consistently offers new value to consumers around the world.

### (2) Business performance targets and medium- and long-term management strategies

The Group has expanded its business foundation by such means as stock listings on the Tokyo Stock Exchange and M&As. With the aim of evolving toward integrated development by utilizing this business foundation not only to accelerate self-sustaining growth in each area around the world but also to create synergies, we have formulated the following management strategies for 2015 to 2017.

<u>1. Focus on core areas</u>

We will concentrate management resources on approximately 20 countries that include new areas in Asia and Africa, in addition to our existing areas of operation, which we will continue to strengthen.

<u>2. Establish a position with a strong presence in each area</u>

(i) We will not only continue to reinforce existing core brands in each area but also create demand by proposing products that match the needs of consumers and bring new value. To realize these aims, we will strive to implement constant innovations in research and development, marketing and production technology.

(ii) We will make focused efforts to further strengthen our distribution and production capabilities in ways that are tailored to different areas.

(iii) We will continue to reduce costs and secure the funds necessary for growth investment.

<u>3. Evolve toward integrated development</u>

We will create synergies among areas and Group companies in terms of both sales and costs and aim for integrated development. In addition, we will determine and distribute brands with sales potential in the global market.

The targets for the Group's existing businesses are as follows (each in comparison to 2014 figures and on a currency-neutral basis)

| | |
|---|---|
| Operating income: | Mid single-digit or above Compound Annual Growth Rate (CAGR) growth<br>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<br>*The presentation method for "net income" has been changed to "net income attributable to owners of the parent" as of the 2016 fiscal year. |
| Net sales: | Aim for continued growth |

### (3) Issues to address

In the 2017 fiscal year, the Group will continuously work to strengthen business foundations both in its Japanese and overseas businesses and aim for sales and profit growth in each area.

In the Japan segment, the Group expects to see further changes in the consumer environment surrounding the beverage industry due to such factors as rising health consciousness and awareness of quality among consumers. Focusing on innovation and on reinforcing its brands, the Company will promote various initiatives in order to respond to these changes and to achieve further growth. Specifically, the Group will invest primarily in the *Suntory Tennensui*, *Boss*, *Iyemon*, and *Suntory Oolong Tea* brands and conduct marketing activities to further raise the value of these long-selling

brands. Furthermore, in order to be able to provide stable supply of products to consumers, the Group will move ahead to raise production capacity at its Suntory Okudaisen Bunanomori Water Plant and the Suntory Kyushu Kumamoto Plant.
In addition, the Group will continue to introduce new products like *Iyemon Tokucha* and *Suntory Yogurina & Minami-Alps Tennensui* with the Company's unique added-value in order to create new demand. To achieve these aims, the Group will actively channel investment into marketing, research and development and production facilities, and launch innovative initiatives throughout the operations, in such areas as reducing costs in order to create the resources needed for the investment.
In the vending machine business, fountain business and water dispenser businesses that have direct contact with the consumer, in addition to strengthening the customer response capabilities and sales capabilities, the Group will push ahead with active proposal activities to capture demand in offices to further develop its "full-line beverage service business."
In all of these initiatives, the Group will take action while keeping higher profitability in mind.

In the overseas segment, political and economic uncertainty is increasing as experienced in 2016 with the referendum decision of the UK to leave the EU, and with the result of the presidential election in the US. Moreover, in the beverage industry, social awareness about sugar intake is heightening around the world. Amid these circumstances, the Group will boost profitability by reinforcing core brands, strengthening its business foundation and reducing costs in each area, and reinforce collaboration among Group companies and strengthen area-based management control toward integrated development.
Looking at Europe, the Group will reinforce brands such as the core products *Orangina*, *Oasis*, *Schweppes*, *Lucozade* and *Ribena*, and work to expand sales by launching new products in the categories of growth, strengthening sales activities in major retail channels and further accelerating efforts to develop on-premise channels. In France, the Group will work on reinforcing storefront activities and focus on gaining distribution of smaller size packs. In the UK the Group will actively roll out products with reduced sugar content. In Spain, the Group will continue to reinforce its business in on-premise channels. In addition, the Group will strive to reinforce the business foundation in Africa centered on Nigeria.
In Asia, in addition to focusing on core brands, the Group will enhance its route-to-market capabilities and drive high growth in each country. In the health food business, while working to expand sales of the mainstay *BRAND'S Essence of Chicken* by reinforcing the sales and distribution structures in the core market of Thailand, the Group will strengthen efforts to develop business in the new growth market. In the beverages business, in Vietnam, the Group will carry out marketing that emphasizes its high quality, while at the same time further exploring untapped new area opportunities. Meanwhile in Indonesia, the Group will redevelop the sales and distribution structures and marketing strategy while continuing to focus on vitalizing the core brands. Moreover, in areas including Malaysia, the Group will expand its business, concentrating on *Ribena* and *Lucozade*.
In Oceania, the Group will continue to reinforce mainstay energy drink *V* and sports drink *Maximus* and take aggressive steps to develop new products and improve operation efficiency in order to boost profitability.
In the Americas, while maintaining its solid market position in the carbonated beverage category, the Group will concentrate on the rapidly growing non-carbonated beverage category and work on expanding sales by introducing new products. The Group will also work on improving operations efficiency in areas such as distribution and push ahead with cost reductions.

The Suntory Group, which is led by the Company's parent company Suntory Holdings Limited, promotes environmental management based on the philosophy of "In Harmony with People and Nature" and carries out various activities to reduce environmental impact through such activities as "Natural Water Sanctuaries," which are aimed at developing a sustainable global environment. Also, as a member of the Suntory Group, the Group is continuing active measures to reduce environmental impact such as through activities to reduce $CO_2$ emissions that include saving resources with regard to containers and packaging and reducing the amount of electric power consumed in vending machines, as well as reducing water usage in plants.

## 4. Basic Concept Regarding Selection of Accounting Standard

Considering the ongoing globalization of the business activities of the Group, the Company has resolved, at a meeting of Board of Directors held on November 4, 2015, to voluntarily apply the

International Financial Reporting Standards (IFRS) commencing from the account closing of the fiscal year ending December 31, 2017, to improve the quality of the Group's business management through unified financial reporting standards and to increase international comparability of its financial information in the capital markets.

# 5. Consolidated Financial Statements (Unaudited)

## (1) Consolidated balance sheets

(Millions of yen)

| | As of December 31, 2015 | As of December 31, 2016 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 97,746 | 84,127 |
| Notes and accounts receivable-trade | 156,918 | 161,037 |
| Merchandise and finished goods | 47,844 | 46,378 |
| Work in process | 6,753 | 4,406 |
| Raw materials and supplies | 27,992 | 23,953 |
| Deferred tax assets | 12,269 | 11,605 |
| Other | 41,379 | 43,253 |
| Allowance for doubtful accounts | (352) | (217) |
| Total current assets | 390,553 | 374,544 |
| Noncurrent assets | | |
| Property, plant, and equipment | | |
| Buildings and structures | 120,365 | 126,471 |
| Accumulated depreciation | (47,635) | (51,065) |
| Buildings and structures, net | *1 72,729 | 75,405 |
| Machinery, equipment, and other | 311,297 | 319,087 |
| Accumulated depreciation | (173,670) | (186,488) |
| Machinery, equipment, and other, net | 137,626 | 132,599 |
| Tools, furniture and fixtures | 191,748 | 193,430 |
| Accumulated depreciation | (140,455) | (145,169) |
| Tools, furniture and fixtures, net | 51,293 | 48,260 |
| Land | *1 43,335 | 42,971 |
| Lease assets | 39,213 | 36,509 |
| Accumulated depreciation | (17,398) | (19,659) |
| Lease assets, net | 21,815 | 16,850 |
| Construction in progress | 13,387 | 14,648 |
| Other | 15,976 | 17,445 |
| Accumulated depreciation | (8,313) | (9,405) |
| Other, net | 7,662 | 8,039 |
| Total property, plant, and equipment | 347,850 | 338,775 |
| Intangible fixed assets | | |
| Goodwill | 454,212 | 407,283 |
| Trademarks | 188,517 | 150,827 |
| Other | 68,697 | 64,204 |
| Total intangible fixed assets | 711,427 | 622,316 |
| Investments and other assets | | |
| Investment securities | *2 9,929 | *2 10,290 |
| Net defined benefit asset | 1,101 | 708 |
| Deferred tax assets | 3,632 | 2,714 |
| Other | 20,139 | 17,129 |
| Allowance for doubtful accounts | (547) | (582) |
| Total investments and other assets | 34,255 | 30,261 |
| Total noncurrent assets | 1,093,533 | 991,353 |
| Deferred assets | 348 | 103 |
| Total | 1,484,434 | 1,366,000 |

(Millions of yen)

| | As of December 31, 2015 | As of December 31, 2016 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 119,831 | 116,081 |
| Electronically recorded obligations-operating | 13,619 | 12,742 |
| Short-term borrowings | *1 113,649 | 72,239 |
| Lease obligations | 7,646 | 7,074 |
| Consumption taxes payable | 6,471 | 8,143 |
| Accrued income taxes | 13,138 | 15,849 |
| Accounts payable-other | 87,508 | 94,558 |
| Accrued expenses | 47,661 | 50,331 |
| Provision for bonuses | 7,255 | 8,002 |
| Other | 22,096 | 25,356 |
| Total current liabilities | 438,881 | 410,378 |
| Long-term liabilities | | |
| Bonds payable | 40,000 | 40,000 |
| Long-term debt | 258,743 | 199,283 |
| Lease obligations | 16,593 | 11,670 |
| Deferred tax liabilities | 76,821 | 74,796 |
| Retirement allowances for directors and audit and supervisory board members | 321 | 246 |
| Net defined benefit liability | 6,887 | 8,784 |
| Other | 19,294 | 18,392 |
| Total long-term liabilities | 418,662 | 353,174 |
| Total liabilities | 857,543 | 763,552 |
| Equity | | |
| Shareholders’ equity | | |
| Common stock | 168,384 | 168,384 |
| Capital surplus | 192,323 | 183,628 |
| Retained earnings | 176,537 | 199,116 |
| Total shareholders’ equity | 537,245 | 551,128 |
| Accumulated other comprehensive income | | |
| Unrealized gain on available-for-sale securities | 1,894 | 2,020 |
| Deferred gain on derivatives under hedge accounting | 376 | 130 |
| Foreign currency translation adjustments | 46,993 | 2,973 |
| Remeasurements of defined benefit plans | (3,013) | (4,023) |
| Total accumulated other comprehensive income | 46,249 | 1,100 |
| Non-controlling interests | 43,395 | 50,218 |
| Total equity | 626,890 | 602,447 |
| Total | 1,484,434 | 1,366,000 |

## (2) Consolidated statements of income and consolidated statements of comprehensive income
## Consolidated statements of income

(Millions of yen)

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| Net sales | 1,381,007 | 1,410,765 |
| Cost of sales | *1 628,429 | *1 629,276 |
| Gross profit | 752,577 | 781,489 |
| Selling, general, and administrative expenses | | |
| Promotion expenses and sales commission | 300,002 | 313,535 |
| Advertising costs | 57,005 | 50,284 |
| Haulage and warehousing expenses | 45,649 | 42,031 |
| Labor expenses | 110,667 | 125,055 |
| Depreciation and amortization | 34,563 | 37,255 |
| Amortization of goodwill | 27,226 | 28,680 |
| Other | 85,453 | 91,164 |
| Total selling, general, and administrative expenses | *1 660,570 | *1 688,007 |
| Operating income | 92,007 | 93,481 |
| Non-operating income | | |
| Interest income | 437 | 396 |
| Dividend income | 1,597 | 102 |
| Equity in earnings of affiliates | – | 665 |
| Foreign currency exchange gain, net | – | 564 |
| Other | 1,343 | 1,206 |
| Total non-operating income | 3,378 | 2,935 |
| Non-operating expenses | | |
| Interest expense | 5,059 | 4,379 |
| Equity in losses of affiliates | *2 5,316 | – |
| Other | 2,140 | 813 |
| Total non-operating expenses | 12,516 | 5,193 |
| Ordinary income | 82,869 | 91,224 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | *3 731 | *3 1,307 |
| Insurance income | – | *4 3,249 |
| Gain on step acquisitions | *5 15,698 | – |
| Other | 382 | 56 |
| Total extraordinary income | 16,811 | 4,613 |
| Extraordinary loss | | |
| Loss on disposal of noncurrent assets | *6 2,619 | *6 2,564 |
| Losses from a natural disaster | – | *7 3,331 |
| Restructuring cost | *8 3,901 | *8 5,420 |
| Other | 13,702 | 1,386 |
| Total extraordinary losses | 20,224 | 12,702 |
| Income before income taxes | 79,456 | 83,135 |
| Income taxes-current | 27,030 | 27,518 |
| Income taxes-deferred | 7,346 | 2,851 |
| Total income taxes | 34,377 | 30,369 |
| Net income | 45,079 | 52,765 |
| Net income attributable to non-controlling interests | 2,616 | 6,708 |
| Net income attributable to owners of the parent | 42,462 | 46,056 |

## Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| Net income | 45,079 | 52,765 |
| Other comprehensive income (loss) | | |
| Unrealized gain on available-for-sale securities | 600 | 123 |
| Deferred loss on derivatives under hedge accounting | (283) | (200) |
| Foreign currency translation adjustments | (38,125) | (44,799) |
| Remeasurements of defined benefit plans, net of tax | (1,034) | (1,042) |
| Share of other comprehensive loss in associates | (467) | (200) |
| Total other comprehensive loss | (39,311) | (46,119) |
| Total comprehensive income | 5,767 | 6,646 |
| Total comprehensive income attributable to: | | |
| Owners of the parent (the Company) | 4,884 | 908 |
| Non-controlling interests | 883 | 5,738 |

### (3) Consolidated statements of changes in equity

Fiscal year ended December 31, 2015

(Millions of yen)

| | Shareholders' equity | | | |
|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Total shareholders' equity |
| Balance at January 1, 2015 | 168,384 | 192,701 | 150,463 | 511,549 |
| Cumulative effects of changes in accounting policies | | | 3,326 | 3,326 |
| Restated balance | 168,384 | 192,701 | 153,790 | 514,876 |
| Changes of items in the year | | | | |
| Cash dividends | | | (19,776) | (19,776) |
| Net income attributable to owners of the parent | | | 42,462 | 42,462 |
| Changes in the parent's ownership interest due to transactions with non-controlling interests | | (474) | | (474) |
| Put option granted to non-controlling interests | | | 60 | 60 |
| Other | | 96 | | 96 |
| Net changes of items other than shareholders' equity | | | | |
| Net change in the year | – | (378) | 22,747 | 22,369 |
| Balance at December 31, 2015 | 168,384 | 192,323 | 176,537 | 537,245 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at January 1, 2015 | 1,316 | 606 | 83,801 | (1,897) | 83,827 | 40,247 | 635,624 |
| Cumulative effects of changes in accounting policies | | | | | | 8 | 3,334 |
| Restated balance | 1,316 | 606 | 83,801 | (1,897) | 83,827 | 40,255 | 638,959 |
| Changes of items in the year | | | | | | | |
| Cash dividends | | | | | | | (19,776) |
| Net income attributable to owners of the parent | | | | | | | 42,462 |
| Changes in the parent's ownership interest due to transactions with non-controlling interests | | | | | | | (474) |
| Put option granted to non-controlling interests | | | | | | | 60 |
| Other | | | | | | | 96 |
| Net changes of items other than shareholders' equity | 577 | (230) | (36,808) | (1,116) | (37,578) | 3,139 | (34,438) |
| Net change in the year | 577 | (230) | (36,808) | (1,116) | (37,578) | 3,139 | (12,069) |
| Balance at December 31, 2015 | 1,894 | 376 | 46,993 | (3,013) | 46,249 | 43,395 | 626,890 |

Fiscal year ended December 31, 2016

(Millions of yen)

| | Shareholders' equity | | | |
|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Total shareholders' equity |
| Balance at January 1, 2016 | 168,384 | 192,323 | 176,537 | 537,245 |
| Cumulative effects of changes in accounting policies | | 211 | (2,157) | (1,945) |
| Restated balance | 168,384 | 192,535 | 174,380 | 535,300 |
| Changes of items in the year | | | | |
| Cash dividends | | | (21,321) | (21,321) |
| Net income attributable to owners of the parent | | | 46,056 | 46,056 |
| Changes in the parent's ownership interest due to transactions with non-controlling interests | | (8,907) | | (8,907) |
| Net changes of items other than shareholders' equity | | | | |
| Net change in the year | – | (8,907) | 24,735 | 15,828 |
| Balance at December 31, 2016 | 168,384 | 183,628 | 199,116 | 551,128 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at January 1, 2016 | 1,894 | 376 | 46,993 | (3,013) | 46,249 | 43,395 | 626,890 |
| Cumulative effects of changes in accounting policies | | | (26) | | (26) | | (1,971) |
| Restated balance | 1,894 | 376 | 46,966 | (3,013) | 46,223 | 43,395 | 624,918 |
| Changes of items in the year | | | | | | | |
| Cash dividends | | | | | | | (21,321) |
| Net income attributable to owners of the parent | | | | | | | 46,056 |
| Changes in the parent's ownership interest due to transactions with non-controlling interests | | | | | | | (8,907) |
| Net changes of items other than shareholders' equity | 126 | (245) | (43,993) | (1,009) | (45,123) | 6,823 | (38,299) |
| Net change in the year | 126 | (245) | (43,993) | (1,009) | (45,123) | 6,823 | (22,470) |
| Balance at December 31, 2016 | 2,020 | 130 | 2,973 | (4,023) | 1,100 | 50,218 | 602,447 |

## (4) Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| Operating activities | | |
| Income before income taxes | 79,456 | 83,135 |
| Depreciation and amortization | 56,301 | 58,654 |
| Amortization of goodwill | 27,226 | 28,680 |
| Interest and dividend income | (2,034) | (498) |
| Interest expense | 5,059 | 4,379 |
| Loss on disposal of noncurrent assets | 2,619 | 2,564 |
| Net gain on sales of noncurrent assets | (616) | (1,253) |
| Gain on step acquisitions | (15,698) | – |
| Decrease (increase) in notes and accounts receivable-trade | 634 | (9,897) |
| (Increase) decrease in inventories | (4,232) | 5,585 |
| Increase in notes and accounts payable-trade | 569 | 1,383 |
| Other, net | 27,506 | 18,184 |
| Subtotal | 176,791 | 190,918 |
| Interest and dividend income received | 2,037 | 500 |
| Interest expense paid | (5,040) | (4,833) |
| Income taxes paid | (28,047) | (24,724) |
| Net cash provided by operating activities | 145,741 | 161,860 |
| Investing activities | | |
| Purchases of property, plant, and equipment and intangible fixed assets | (59,089) | (51,793) |
| Proceeds from sales of property, plant, and equipment and intangible fixed assets | 2,262 | 2,651 |
| Purchases of investments in securities | (17) | (81) |
| Proceeds from sales of investment securities | 9 | 65 |
| Proceeds from refunds of investment securities | 3,411 | – |
| Purchases of investments in subsidiaries and other assets resulting in changes in scope of consolidation | *2 (134,317) | – |
| Payments for transfer of business | – | (8,088) |
| Other, net | (1,105) | (604) |
| Net cash used in investing activities | (188,847) | (57,849) |
| Financing activities | | |
| Net decrease in short-term borrowings | (15,505) | (1,291) |
| Proceeds from long-term debt | 103,760 | 27,790 |
| Repayments of long-term debt | (21,697) | (105,128) |
| Repayments of lease obligations | (3,876) | (7,898) |
| Cash dividends | (19,776) | (21,321) |
| Cash dividends to non-controlling interests | (4,422) | (3,858) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | – | (3,808) |
| Other, net | 20 | – |
| Net cash provided by (used in) financing activities | 38,504 | (115,515) |

(Millions of yen)

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| Foreign currency translation adjustments on cash and cash equivalents | (3,184) | (2,118) |
| Net decrease in cash and cash equivalents | (7,786) | (13,622) |
| Cash and cash equivalents, beginning of year | 105,505 | 97,718 |
| Cash and cash equivalents, end of year | *1 97,718 | *1 84,096 |

## (5) Notes on premise of going concern

No items to report

## (6) Basis of preparing consolidated financial statements

1. Scope of consolidation

(a) The number of consolidated subsidiaries is 95. The major such companies are provided in "2. State of the Group."

In addition, during the fiscal year ended December 31, 2016, Suntory Beverage Solution Limited and two other companies were included in the scope of consolidation due to the establishment of new companies, etc. Moreover, a subsidiary of Cerebos Pacific Limited was liquidated and was thus excluded from the scope of consolidation.

(b) The major unconsolidated subsidiary is Kyushu Sunvend Co., Ltd.

The Group's unconsolidated subsidiaries are excluded from the scope of consolidation because they have minor effects on each of total assets, net sales, net income/loss, retained earnings, and other items on a consolidated basis, and, as a whole, do not have material effects on the consolidated financial statements.

2. Application of equity method

(a) The number of affiliates accounted for by the equity method is 7. The major such company is TIPCO F&B CO., LTD.

(b) Investments in unconsolidated subsidiaries, including Kyushu Sunvend Co., Ltd., and affiliates, including Kanto Foods Service Co., Ltd., are not accounted for by the equity method but stated at cost because they have minor effects on each of net income/loss, retained earnings, and other items on a consolidated basis, and, as a whole, do not have material effects on the consolidated financial statements.

3. Fiscal year-ends of consolidated subsidiaries

The balance sheet date of the consolidated subsidiaries coincides with the consolidated balance sheet date.

4. Accounting policies

(a) Basis and methods of valuation of significant assets

(1) Securities

Held-to-maturity debt securities

Stated at cost amortized by the straight-line method.

Available-for-sale securities

Securities with readily determinable fair value:

Stated at fair market value, based on market quotation at the balance sheet date.

(Net unrealized gains and losses, net of applicable income taxes, are reported in a separate component of net assets. The cost of securities sold is mainly determined based on the moving-average method.)

Securities without readily determinable fair value:

Mainly stated at cost determined by the moving-average method.

(2) Derivatives

Stated at fair market value.

(3) Inventories

Mainly stated at cost determined by the periodic average method.

(The value stated in the balance sheets is determined according to write-downs based on the decreased profitability of assets.)

(b) Depreciation and amortization of significant depreciable and amortizable assets
(1) Property, plant, and equipment (except for lease assets)
Mainly depreciated by the straight-line method. Useful lives of principal property, plant, and equipment are as follows.

| | |
|---|---|
| Buildings and structures: | 5–50 years |
| Machinery, equipment, and other: | 2–17 years |
| Tools, furniture and fixtures: | 2–15 years |

(2) Intangible fixed assets (except for lease assets)
Mainly amortized by the straight-line method. However, trademarks for which the useful life is indefinite are not amortized. Software for internal use is amortized by the straight-line method over the internally estimated useful lives (within 5 years).

(3) Lease assets
Lease assets in finance lease transactions that do not transfer ownership are depreciated by the straight-line method based on the assumption that the useful life is equal to the lease term and the residual value is equal to zero.
Finance lease transactions that do not transfer ownership, whose transactions commenced on or before December 31, 2008, are accounted for in a manner similar to accounting treatment for ordinary rental transactions.

(c) Basis for provision of significant reserves
(1) Allowance for doubtful accounts
The Company and some of its domestic consolidated subsidiaries provide allowance for doubtful accounts mainly to cover possible losses from bad debts of receivables at the estimated uncollectable amount. The amount for normal receivables is determined by the credit loss ratio based on past experience, and that for specific receivables, such as receivables at high risk of bankruptcy, is determined based on the individually expected probability of those accounts being collectable. The foreign consolidated subsidiaries provide the allowance at the estimated uncollectable amount mainly for specific receivables.

(2) Provision for bonuses
To cover the payments of bonuses, the Company and some of its consolidated subsidiaries set aside provision for bonuses based on the projected amount for such payments.

(3) Retirement allowances for directors and audit and supervisory board members
Some domestic consolidated subsidiaries set aside retirement allowances for directors and audit and supervisory board members to prepare for expenditures of retirement allowances for directors and audit and supervisory board members at the amount such subsidiaries would be required to pay if all eligible directors and audit and supervisory board members retired at the year-end date, based on their respective internal regulations.

(d) Accounting method of retirement benefits
(1) Methods of attributing estimated retirement benefits to accounting periods
When calculating retirement benefit obligations, the benefit formula basis is mainly used to attribute estimated retirement benefits to the period through the end of the current fiscal year.

(2) Amortization of actuarial differences and prior service cost
Prior service cost is amortized by the straight-line method over the period (mainly 15 years) which is shorter than the average remaining service life of employees as incurred, and unrecognized actuarial differences are amortized by the straight-line method over the period (mainly 15 years) which is shorter than the average remaining service life of employees as incurred from the year following that in which they arise.

(e) Basis for translating significant assets or liabilities denominated in foreign currencies into Japanese currency
Monetary receivables and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate as of the consolidated balance sheet date. Differences arising from such translation are included in gains or losses. Assets and liabilities of foreign subsidiaries or the like are translated into Japanese yen at the spot exchange rate as of the consolidated balance sheet date.

Revenue and expense accounts of such are translated into Japanese yen at the average exchange rate during the period under review. Differences arising from such translations are included in foreign currency translation adjustments and non-controlling interests in equity.

(f) Method of significant hedge accounting
(1) Method of hedge accounting
Mainly accounted for with deferred hedge accounting. Items that satisfy the requirements for an accounting method in which monetary receivables and liabilities denominated in foreign currencies are translated at a predetermined rate to hedge against exchange rate fluctuation risk are accounted for under this method. Those that satisfy the requirements for exceptional treatment for interest rate swaps are accounted for under the said exceptional treatment.

(2) Hedging instruments and hedged items, and hedging policy
Based on the risk management policy, market risks occurring in business operations, such as exchange rate fluctuation risk from monetary receivables and payables denominated in foreign currencies, and interest rate fluctuation risk or interest rate currency fluctuation risk from borrowings and others, are mainly hedged with forward foreign exchange contracts and interest rate swaps.

(3) Method of assessing hedge effectiveness
The cumulative amounts of fluctuations in the rates or in the cash flows of the hedged items are compared with the cumulative amounts of fluctuations in the rates or in the cash flows of the hedging instruments, and hedge effectiveness is assessed based on the ratio between the two amounts.

(g) Method and period for amortization of goodwill
Goodwill is mainly equally amortized over 20 years. However, goodwill whose amount is immaterial is fully written down in the year in which it arises.

(h) Method and period for amortization of deferred assets
Stock issuance expenses are equally amortized over 3 years starting from the time of issuance. Bond issuance expenses are amortized using the straight-line method during the period up to bond redemption.

(i) Scope of cash and cash equivalents in the consolidated statements of cash flows
Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, at-call deposits with banks, and short-term investments that have maturities no more than 6 months after acquisition, are readily convertible to cash, and are subject to an insignificant risk of changes in value.

(j) Other significant matters forming the basis of preparing the consolidated financial statements
Accounting for consumption taxes
Consumption taxes are excluded from the revenue and expense accounts that are subject to such taxes.

**(7) Changes in accounting policies**

(Application of Accounting Standard for Business Combinations, etc.)
Effective from the fiscal year ended December 31, 2016, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. Accordingly, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as additional capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year ended December 31, 2016, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for “net income” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.” To reflect these changes, the

Company has reclassified its consolidated financial statements for the previous fiscal year.
The application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (3) of the Accounting Standard for Business Combinations, paragraph 44-5 (3) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (3) of the Accounting Standard for Business Divestitures. Accordingly, the cumulative amount of impact as of the beginning of the fiscal year ended December 31, 2016, in the case of retrospective application of the new accounting policies to all prior periods has been added to or deducted from capital surplus and retained earnings.
As a result, as of the beginning of the fiscal year ended December 31, 2016, goodwill and foreign currency translation adjustments decreased by ¥1,971 million and ¥26 million respectively, capital surplus increased by ¥211 million, and retained earnings decreased by ¥2,157 million. The impact from this on operating income, ordinary income and income before income taxes of the fiscal year ended December 31, 2016 is immaterial.
In the consolidated statement of cash flows for the fiscal year ended December 31, 2016, cash flows on acquisition or sales of shares of subsidiaries that do not result in change in the scope of consolidation were included in “Financing activities” category, and cash flows on costs related to acquisition of shares of subsidiaries resulting in change in the scope of consolidation or costs arising in association with acquisition or sales of shares of subsidiaries that do not result in change in the scope of consolidation were included in “Operating activities” category.
Total equity at the beginning of the fiscal year ended December 31, 2016 reflects the cumulative effects of this, resulting in an increase in the balance of capital surplus in the consolidated statements of changes in equity at the beginning of the fiscal year under review of ¥211 million, and a decline in the balance of retained earnings at the beginning of the fiscal year of ¥2,157 million.
In addition, equity per share for the fiscal year ended December 31, 2016 decreased by ¥6.38. The impact on net income per share is not material.

**(8) Changes in presentation**

(Consolidated statements of income)
“Impairment loss,” which was reported as a separate item under “Extraordinary loss” in the previous fiscal year, has been included in “Other” in the fiscal year under review, because it now accounts for 10% or less of total extraordinary loss. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change to presentation.
As a result, ¥12,326 million presented as “Impairment loss” under “Extraordinary loss” in the consolidated statements of income in the previous fiscal year, has been reclassified as “Other.”

(Consolidated statements of cash flows)
Because the monetary amount of the “Impairment loss” that was presented as a separate item in “Operating activities” in the previous fiscal year is no longer material, it has been included in “Other” in the fiscal year under review. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change to presentation.
As a result, ¥12,326 million presented as “Impairment loss” under “Operating activities” in the consolidated statements of cash flows in the previous fiscal year, has been reclassified as “Other.”

## (9) Notes to consolidated financial statements

### (Notes to consolidated balance sheets)

*1. Assets pledged as collateral and liabilities for which collateral is pledged

Assets pledged as collateral are shown below:

| | As of December 31, 2015 | As of December 31, 2016 |
|---|---|---|
| Buildings and structures | ¥1,368 million | ¥– million |
| Land | ¥4,768 million | ¥– million |
| Total | ¥6,136 million | ¥– million |

Liabilities for which collateral is pledged are shown below:

| | As of December 31, 2015 | As of December 31, 2016 |
|---|---|---|
| Long-term debt | ¥250 million (Note) | ¥– million |

(Note)
1. Current portion of long-term debt.

*2. The main items in connection with unconsolidated subsidiaries and affiliates are as follows.

| | As of December 31, 2015 | As of December 31, 2016 |
|---|---|---|
| Investment securities | ¥4,337 million | ¥4,516 million |

3. Guarantee obligation

The Company has guarantee obligation concerning borrowings from financial institutions by companies other than consolidated companies.

| | As of December 31, 2015 | As of December 31, 2016 |
|---|---|---|
| Oulmès Drink Developpement SA | ¥– million | ¥306 million |

**(Notes to consolidated statements of income)**

*1. Total research and development costs included in general and administrative expenses and cost of products manufactured

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| | ¥9,479 million | ¥9,420 million |

*2. Equity in losses of affiliates

Fiscal year ended December 31, 2015

The main component was an impairment loss of ¥5,779 million recorded for the goodwill equivalent related to an equity method affiliate in Indonesia.

Fiscal year ended December 31, 2016

No items to report

*3. The breakdown of gain on sales of noncurrent assets is as follows.

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| Buildings and structures | ¥41 million | ¥1,244 million |
| Machinery, equipment, and other | ¥106 million | ¥57 million |
| Land | ¥573 million | ¥1 million |
| Other | ¥9 million | ¥3 million |
| Total | ¥731 million | ¥1,307 million |

*4. Insurance income

Fiscal year ended December 31, 2015

No items to report

Fiscal year ended December 31, 2016

Insurance income is the amount of insurance received for losses stemming from the Kumamoto earthquake of April 2016.

*5. Gain on step acquisitions

Fiscal year ended December 31, 2015

Gain on step acquisitions was recorded following the step acquisitions of shares of Japan Beverage Holdings Inc.

Fiscal year ended December 31, 2016

No items to report

*6. The breakdown of loss on disposal of noncurrent assets is as follows.

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| Machinery, equipment, and other | ¥623 million | ¥371 million |
| Tools, furniture and fixtures | ¥1,672 million | ¥1,655 million |
| Other | ¥323 million | ¥537 million |
| Total | ¥2,619 million | ¥2,564 million |

*7. Losses from a natural disaster

Fiscal year ended December 31, 2015

No items to report

Fiscal year ended December 31, 2016

Losses from a natural disaster mainly consist of costs related to the Kumamoto earthquake of April 2016, incurred in such areas as bringing facilities back online and disposing of products.

*8. Restructuring cost

Fiscal year ended December 31, 2015

Restructuring cost mainly consists of various costs resulting from restructuring of consolidated subsidiaries in Europe.

Fiscal year ended December 31, 2016

Restructuring cost mainly consists of various costs resulting from restructuring of consolidated subsidiaries in Europe.

**(Notes to consolidated statements of changes in equity)**

Fiscal year ended December 31, 2015

1. Class and total number of issued shares

| | Number of shares at beginning of fiscal year | Increase in shares during fiscal year | Decrease in shares during fiscal year | Number of shares at end of fiscal year |
|---|---|---|---|---|
| Common stock | 309,000,000 | – | – | 309,000,000 |

2. Class and number of treasury stock
   No items to report

3. Stock acquisition rights and treasury stock acquisition rights
   No items to report

4. Dividends
   (a) Dividend payment

| (Resolution) | Class of shares | Total amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on March 27, 2015 | Common stock | 9,579 | 31.00 | December 31, 2014 | March 30, 2015 |
| Meeting of the Board of Directors held on August 6, 2015 | Common stock | 10,197 | 33.00 | June 30, 2015 | September 3, 2015 |

(b) Approval of dividend payment for which the record date is in the fiscal year under review and the effective date is in the following fiscal year

| (Resolution) | Class of shares | Total amount of dividends (Millions of yen) | Source of dividends | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on March 30, 2016 | Common stock | 10,815 | Retained earnings | 35.00 | December 31, 2015 | March 31, 2016 |

Fiscal year ended December 31, 2016

1. Class and total number of issued shares

| | Number of shares at beginning of fiscal year | Increase in shares during fiscal year | Decrease in shares during fiscal year | Number of shares at end of fiscal year |
|---|---|---|---|---|
| Common stock | 309,000,000 | – | – | 309,000,000 |

2. Class and number of treasury stock
   No items to report

3. Stock acquisition rights and treasury stock acquisition rights
   No items to report

4. Dividends
   (a) Dividend payment

| (Resolution) | Class of shares | Total amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on March 30, 2016 | Common stock | 10,815 | 35.00 | December 31, 2015 | March 31, 2016 |
| Meeting of the Board of Directors held on August 4, 2016 | Common stock | 10,506 | 34.00 | June 30, 2016 | September 1, 2016 |

(b) Approval of dividend payment for which the record date is in the fiscal year under review and the effective date is in the following fiscal year

| (Resolution [Plan]) | Class of shares | Total amount of dividends (Millions of yen) | Source of dividends | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders to be held on March 30, 2017 | Common stock | 12,051 | Retained earnings | 39.00 | December 31, 2016 | March 31, 2017 |

**(Notes to consolidated statements of cash flows)**

*1. Relationship between the balance of cash and cash equivalents at the end of the period and the amounts recorded in the items shown on the consolidated balance sheets

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| Cash and deposits (on the consolidated balance sheets) | ¥97,746 million | ¥84,127 million |
| Time deposits with maturity over 6 months | ¥(27) million | ¥(31) million |
| Cash and cash equivalents | ¥97,718 million | ¥84,096 million |

*2. Main components of assets and liabilities of company that became new consolidated subsidiary through share acquisition

Fiscal year ended December 31, 2015
The breakdown of assets and liabilities when the consolidation through equity acquisition of Japan Beverage Holdings Inc. and A-Star Co., Ltd. (former JT A-Star Co., Ltd.), etc. started and the relationship between equity acquisition price and expenditure for acquisition (net value) are as follows.

| | |
|---|---|
| Current assets | ¥42,097 million |
| Noncurrent assets | ¥173,287 million |
| Current liabilities | ¥(35,626) million |
| Long-term liabilities | ¥(23,368) million |
| Non-controlling interests | ¥(6,713) million |
| Equity acquisition price | ¥149,676 million |
| Cash and cash equivalents | ¥(15,359) million |
| Expenditure for equity acquisition | ¥134,317 million |

Fiscal year ended December 31, 2016
No items to report

**(Segment information, etc.)**

[Segment information]

1. Overview of reportable segments
   The reportable segments used by the Group are based on the financial data available for discrete operating units of the Company and its subsidiaries, and are subject to periodic review by management to facilitate decisions related to the allocation of resources and the evaluation of business performance.
   The Group mainly manufactures and sells beverages and food. In Japan, business activities are carried out by the Company and its manufacturing and sales subsidiaries, while overseas operations are carried out by local companies in each region.
   Consequently, the Group's reportable segments are organized by area and there are two reportable segments: the "Japan business" and the "overseas business."

2. Method of calculating sales, profit/loss, assets, liabilities, and other items by reportable segment
   The accounting method used for reportable business segments is the same as that described in "Basis of preparing consolidated financial statements."
   Profit from reportable segments is based on operating income. Intersegment sales are based on arm's length transaction prices.

3. Information regarding amounts of sales, profit/loss, assets, liabilities, and other items by reportable segment

Fiscal year ended December 31, 2015

(Millions of yen)

| | Reportable segments | | Total | Reconciliations (Note 1) | Consolidated (Note 2) |
|---|---|---|---|---|---|
| | Japan | Overseas (Note 4) | | | |
| Sales | | | | | |
| Sales to external customers | 806,937 | 574,069 | 1,381,007 | – | 1,381,007 |
| Intersegment sales or transfers | 18 | 1,714 | 1,732 | (1,732) | – |
| Total | 806,955 | 575,784 | 1,382,740 | (1,732) | 1,381,007 |
| Segment profit (Note 3) | 46,739 | 74,014 | 120,753 | (28,746) | 92,007 |
| Segment assets | 561,515 | 922,919 | 1,484,434 | – | 1,484,434 |
| Other items | | | | | |
| Depreciation and amortization | 33,084 | 23,217 | 56,301 | – | 56,301 |
| Amortization of goodwill | 2,888 | 24,337 | 27,226 | – | 27,226 |
| Investments in associates | – | 3,721 | 3,721 | – | 3,721 |
| Increase in property, plant, and equipment and intangible fixed assets (Note 5) | 31,804 | 31,731 | 63,535 | – | 63,535 |

Notes 1. The reconciliations of segment profit represent amortization of goodwill, etc. unallocated to each reportable segment.
2. The segment profit is adjusted with operating income described on the consolidated statements of income.
3. The EBITDA for each reportable segment is as follows:

(Millions of yen)

| | Japan | Overseas | Reconciliations (Note 1) | Total |
|---|---|---|---|---|
| Segment profit | 46,739 | 74,014 | – | 120,753 |
| Depreciation and amortization | 33,084 | 23,217 | – | 56,301 |
| Reconciliations | – | – | (1,520) | (1,520) |
| EBITDA (Note 2) | 79,824 | 97,231 | (1,520) | 175,535 |

Notes 1. The reconciliation of EBITDA was a once-off event that accompanied Japan Beverage Holding Inc., etc.

being newly included in the scope of consolidation.

2. EBITDA is the sum of segment profit and depreciation and amortization.

4. The breakdown of sales, profit and EBITDA by overseas segment shown below has been categorized by the location of parent companies of local group companies.

(Millions of yen)

| | Europe | Asia | Oceania | Americas | Total |
|---|---|---|---|---|---|
| Sales | | | | | |
| Sales to external customers | 254,202 | 180,530 | 45,602 | 93,734 | 574,069 |
| Intersegment sales or transfers | 1,714 | – | – | – | 1,714 |
| Total | 255,916 | 180,530 | 45,602 | 93,734 | 575,784 |
| Segment profit | 44,021 | 13,600 | 5,853 | 10,538 | 74,014 |
| Depreciation and amortization | 9,604 | 8,244 | 1,703 | 3,664 | 23,217 |
| EBITDA | 53,625 | 21,845 | 7,557 | 14,202 | 97,231 |

5. Increase in property, plant, and equipment and intangible fixed assets does not include the increase arising from newly consolidated entities.

## Fiscal year ended December 31, 2016

(Millions of yen)

| | Reportable segments | | Total | Reconciliations (Note 1) | Consolidated (Note 2) |
|---|---|---|---|---|---|
| | Japan | Overseas (Note 4) | | | |
| Sales | | | | | |
| Sales to external customers | 890,048 | 520,716 | 1,410,765 | – | 1,410,765 |
| Intersegment sales or transfers | 6 | 1,817 | 1,823 | (1,823) | – |
| Total | 890,054 | 522,533 | 1,412,588 | (1,823) | 1,410,765 |
| Segment profit (Note 3) | 54,731 | 67,431 | 122,162 | (28,680) | 93,481 |
| Segment assets | 544,733 | 821,267 | 1,366,000 | – | 1,366,000 |
| Other items | | | | | |
| Depreciation and amortization | 36,692 | 21,961 | 58,654 | – | 58,654 |
| Amortization of goodwill | 6,769 | 21,911 | 28,680 | – | 28,680 |
| Investments in associates | – | 3,745 | 3,745 | – | 3,745 |
| Increase in property, plant, and equipment and intangible fixed assets | 29,354 | 37,748 | 67,103 | – | 67,103 |

Notes 1. The reconciliations of segment profit represent amortization of goodwill unallocated to each reportable segment.

2. The segment profit is adjusted with operating income described on the consolidated statements of income.

3. The EBITDA for each reportable segment is as follows:

(Millions of yen)

| | Japan | Overseas | Total |
|---|---|---|---|
| Segment profit | 54,731 | 67,431 | 122,162 |
| Depreciation and amortization | 36,692 | 21,961 | 58,654 |
| EBITDA | 91,424 | 89,392 | 180,816 |

EBITDA is the sum of segment profit and depreciation and amortization.

4. The breakdown of sales, profit and EBITDA by overseas segment shown below has been categorized by the location of parent companies of local group companies.

(Millions of yen)

| | Europe | Asia | Oceania | Americas | Total |
|---|---|---|---|---|---|
| Sales | | | | | |
| Sales to external customers | 229,374 | 164,333 | 40,781 | 86,227 | 520,716 |
| Intersegment sales or transfers | 1,671 | 145 | – | – | 1,817 |
| Total | 231,045 | 164,478 | 40,781 | 86,227 | 522,533 |
| Segment profit | 38,393 | 14,317 | 5,150 | 9,569 | 67,431 |
| Depreciation and amortization | 9,036 | 7,938 | 1,569 | 3,416 | 21,961 |
| EBITDA | 47,429 | 22,256 | 6,720 | 12,986 | 89,392 |

[Related information]

Fiscal year ended December 31, 2015

1. Information by products and services
As the Group operates in a single business category engaged in beverage and food operations, this information is omitted.

2. Information by geographic area
The main countries and regions (excluding Japan) are classified as follows.
Europe: Europe, Africa
Asia: East Asia, Southeast Asia
Oceania: Oceania
Americas: North America

(a) Sales

(Millions of yen)

| Japan | Europe | Asia | Oceania | Americas | Total |
|---|---|---|---|---|---|
| 806,937 | 254,548 | 147,211 | 78,575 | 93,734 | 1,381,007 |

(Note) Sales are classified by country or region based on the locations of customers.

(b) Property, plant, and equipment

(Millions of yen)

| Japan | Europe | Asia | Oceania | Americas | Total |
|---|---|---|---|---|---|
| 172,319 | 67,624 | 61,012 | 22,968 | 23,924 | 347,850 |

3. Information by major customer
Of sales to external customers, as no single customer accounts for 10% or more of net sales in the consolidated statements of income, this information is omitted.

Fiscal year ended December 31, 2016

1. Information by products and services
   As the Group operates in a single business category engaged in beverage and food operations, this information is omitted.

2. Information by geographic area
   The main countries and regions (excluding Japan) are classified as follows.
   Europe: Europe, Africa
   Asia: East Asia, Southeast Asia
   Oceania: Oceania
   Americas: North America

(a) Sales

(Millions of yen)

| Japan | Europe | Asia | Oceania | Americas | Total |
|---|---|---|---|---|---|
| 890,048 | 229,641 | 133,584 | 71,262 | 86,227 | 1,410,765 |

(Note) Sales are classified by country or region based on the locations of customers.

(b) Property, plant, and equipment

(Millions of yen)

| Japan | Europe | Asia | Oceania | Americas | Total |
|---|---|---|---|---|---|
| 163,392 | 65,717 | 61,670 | 23,804 | 24,190 | 338,775 |

3. Information by major customer
   Of sales to external customers, as no single customer accounts for 10% or more of net sales in the consolidated statements of income, this information is omitted.

[Information regarding impairment loss on noncurrent assets by reportable segment]

Fiscal year ended December 31, 2015

(Millions of yen)

| | Japan | Overseas | Total |
|---|---|---|---|
| Impairment loss | 1,152 | 11,174 | 12,326 |

(Note) In the overseas segment, the Company 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 ¥9,635 million.
In addition, for the goodwill equivalent related to equity method affiliates associated with the aforementioned, the Company recognized impairment losses and recorded ¥5,779 million in equity in losses of affiliates 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 ¥15,415 million.

Fiscal year ended December 31, 2016

(Millions of yen)

| | Japan | Overseas | Total |
|---|---|---|---|
| Impairment loss | 63 | 976 | 1,039 |

[Information regarding amortization and unamortized balance of goodwill by reportable segment]

Fiscal year ended December 31, 2015

(Millions of yen)

| | Japan | Overseas | Total |
|---|---|---|---|
| Balance at end of year | 131,413 | 322,798 | 454,212 |

(Note) As amortization of goodwill is disclosed in segment information, this information is omitted.

Fiscal year ended December 31, 2016

(Millions of yen)

| | Japan | Overseas | Total |
|---|---|---|---|
| Balance at end of year | 124,410 | 282,872 | 407,283 |

(Note) As amortization of goodwill is disclosed in segment information, this information is omitted.

[Information regarding gain on negative goodwill by reportable segment]

Fiscal year ended December 31, 2015
No items to report

Fiscal year ended December 31, 2016
No items to report

### (Per share information)

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| Equity per share | ¥1,888.33 | ¥1,787.15 |
| Net income per share | ¥137.42 | ¥149.05 |

Notes 1. Diluted net income per share is not presented because there are no potential shares.
2. The basis for calculation of the equity per share amounts is as follows.

| | As of December 31, 2015 | As of December 31, 2016 |
|---|---|---|
| Total equity (Millions of yen) | 626,890 | 602,447 |
| Amount deducted from total equity (Millions of yen) | 43,395 | 50,218 |
| (of which, non-controlling interests [Millions of yen]) | (43,395) | (50,218) |
| Equity attributable to common stock at end of period (Millions of yen) | 583,495 | 552,229 |
| Number of shares of common stock at end of period used in calculation of equity per share (Shares) | 309,000,000 | 309,000,000 |

3. The basis for calculation of the net income per share amounts is as follows.

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|---|---|
| Net income attributable to owners of the parent (Millions of yen) | 42,462 | 46,056 |
| Net income not attributable to common shareholders (Millions of yen) | – | – |
| Net income attributable to owners of the parent related to common stock (Millions of yen) | 42,462 | 46,056 |
| Average number of shares of common stock during period (Shares) | 309,000,000 | 309,000,000 |

### (Significant subsequent events)

No items to report