

Suntory Holdings Limited

August 6, 2014

**SUMMARY OF CONSOLIDATED FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (English Translation, UNAUDITED)**

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**1. Consolidated operating results and financial positions for the six months of the current fiscal year
(January 1, 2014 - June 30, 2014)**

(1) Operating results (Fractions of millions have been truncated)

	Net sales		Operating income		Ordinary income	
	¥ million	%	¥ million	%	¥ million	%
Six months ended						
June 30, 2014	1,108,931	18.0	64,401	32.2	62,481	35.0
June 30, 2013	939,753	8.0	48,728	28.1	46,271	26.7

	Net income		Basic net earnings per share	Diluted net earnings per share
	¥ million	%	¥	¥
Six months ended				
June 30, 2014	17,199	(41.8)	25.21	-
June 30, 2013	29,556	131.6	43.32	-

(2) Financial position

	Total assets	Net assets	Ratio of equity to total assets
As of	¥ million	¥ million	%
June 30, 2014	4,184,895	1,035,996	18.0
December 31, 2013	2,374,070	1,056,726	32.3

(3) Cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at period-end
Six months ended	¥ million	¥ million	¥ million	¥ million
June 30, 2014	17,262	(1,430,563)	1,165,238	169,270
June 30, 2013	50,929	(51,924)	64,156	294,859

2. Dividends

	Dividends per share		
	Interim dividend	Year-end dividend	Annual
Fiscal year ended	¥	¥	¥
December 31, 2013	-	17.00	17.00

**3. Forecast for the current fiscal year
(January 1, 2014 - December 31, 2014)**

	Net sales		Operating income		Ordinary income		Net income for the period		Basic net earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Fiscal year	2,440,000	19.6	167,000	32.0	143,000	18.6	37,000	(81.1)	54.23

Note: 1. Revision of the forecast from recently announced figures: Yes
2. % figures represent change from previous fiscal year.

Reference: Before amortization of goodwill etc. for the fiscal year ending December 31, 2014 (forecast)

216,000	43.3	192,000	32.6	76,000	(64.6)
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Reference: Adjusted EBITDA for the fiscal year ending December 31, 2014 (forecast) 5.2

※Adjusted EBITDA = Net interest-bearing debt after adjusted for Hybrid bonds and loans / Adjusted EBITDA for Beam Suntory Jan-Dec (Net)Debt / Equity Ratio for the fiscal year ending December 31, 2014 (forecast) 1.2

※(Net)Debt / Equity Ratio = Net interest-bearing debt after adjusted for Hybrid bonds and loans / Net Assets

Operating Results

1. Summary of Interim Consolidated Financial Results for the Current Fiscal Year

Although portions of the global economy during the current interim consolidated accounting period (January 1, 2014 - June 30, 2014) showed weakness, overall it made a mild recovery. The Japanese economy experienced a rush in demand followed by a subsequent backlash accompanying the rise in the sales tax rate; however, the economy's mild trend towards recovery continued.

Against this backdrop, the Suntory Group deployed proactive initiatives, with a focus on strengthening marketing activities concerning the major brands of *The Premium Malt's*, *Kin-mugi*, *Kakubin*, *Yamazaki*, *Hakushu*, *Suntory Tennensui*, *BOSS*, and *Pepsi*.

In addition, Suntory Holdings Limited acquired all issued shares of Beam Inc. stock in May, and Beam Suntory Inc. became a new member of Suntory Group.

As a result, our performance for the reported period saw net sales of 1.1089 trillion yen (up 18.0% year-on-year), operating income of 64.4 billion yen (up 32.2%), ordinary income of 62.5 billion yen (up 35.0%) and interim net income of 17.2 billion yen (down 41.8%).

<Non-Alcoholic Beverages and Food Segment>

Suntory Beverage & Food Limited aimed to stimulate demand via brand strengthening and to further grow both the pillars of Japanese and international business. In addition, the entire Suntory Beverage & Food Limited Group strove to improve quality making use of the knowledge of each company in the group and to strengthen earning power through cost innovations.

As concerns business in Japan, *Suntory Tennensui* was promoted based on its unique brand value as "clear & tasty" and "natural & healthy," and sales volume for the brand overall drastically exceeded that of the same period for the preceding year. The initial annual sales target for *Suntory Minami-Alps Tennensui & Asa-zumi Orange*, a flavored water released in April 2014, was revised upwards.

In the *BOSS* coffee range, the brand reinforcement activities implemented for the core products contributed to considerable growth in sales volume.

As concerns *Pepsi*, topical advertising and promotional activities for *Pepsi NEX ZERO*, which underwent a flavor and packaging renewal in March, were a success, and sales volume exceeded that of the same period for the preceding year.

FOSHU, which have been gaining significant attention due to the rise in health consciousness, such as *Iyemon Tokucha*, performed well, and sales volume significantly exceeded that of the same period for the preceding year.

As regards international business, key brands were further strengthened and cost reductions were implemented in all areas.

In Europe, marketing activities were implemented focusing on the key brands of *Orangina* and *Schweppes* in France and Spain and *Lucozade* and *Ribena* in the UK. Suntory Beverage and Food Europe Limited began full-fledged activities starting in April, and the company strove to optimize its sales platform, such as with production and selling, in order to further increase growth throughout Europe.

In Oceania, efforts were made to revitalize the chief energy drink brand *V* through such means as the release new products with new flavors.

In Asia, active efforts were made to strengthen business bases in countries experiencing continued economic growth and to expand business through the introduction of new products. Sales volumes for Suntory brand products experienced steady growth, including *MYTEA Oolong Tea* in Indonesia and *TEA+ Oolong Tea* in Vietnam.

In the Americas, business efficiency was further improved, including in the areas of sales and distribution, in addition to the further strengthening of sales of the *Pepsi* brand focusing on the state of North Carolina.

As a result of the above, sales for the Non-Alcoholic Beverages and Food Segment were 594.6 billion yen (up 15% year-on-year).

<Beer and Spirits Segment>

In addition to Suntory Liquors Limited, which conducts our beer business and spirits business such as sales of whisky and RTDs, Beam Suntory Inc. was added in May as a subject for consolidation in this segment.

Suntory Liquors Limited bolstered activities to offer value that leads to the creation of demand, with “premium” being the keyword.

The beer business achieved a sales volume of 32.92 million cases*¹ (up 2.1% year-on-year) in Japan, making a record high. In addition, Suntory Liquors Limited’s share of the beer market reached a record high of 15.5% (based on taxed shipments).

As a result of strengthening marketing activities such as initiatives to improve brand strength and expand contact with customers, *The Premium Malt’s* achieved a sales volume of 7.61 million cases (up 3.2% year-on-year).

In the new category of beers, the *Kin-mugi* brand went strong during this period, achieving a sales volume of 17.04 million cases (up 9.5% year-on-year).

All Free, the No. 1*² alcohol-free beer-type beverage, also grew in sales volume, with 3.12 million cases (up 4.9% year-on-year).

Internationally, sales of *The Premium Malt’s* were strengthened in Asia and Oceania.

In the spirits business, chief brands performed well, increasing sales of 7% year-on-year.

Whisky sales grew 4% year-on-year in Japan.

With the renovation of communication efforts concerning *Kakubin* in February, activities promoting food pairing were further strengthened, with sales growing 9% year-on-year.

Suntory Japanese premium whiskies, the *Yamazaki*, *Hakushu*, and *Hibiki* brands performed well, experiencing drastic increase of 22% in sales year-on-year. In April, *Hibiki 12 Years Old* won a gold medal in “other whisky category” at an international spirits competition.

Meanwhile imported whiskies expanded contacts with customers focusing on bourbon whiskies such as *Jim Beam* and *Maker's Mark*.

As concerns whisky business in the world, efforts were made to further increase penetration and active marketing activities were deployed concerning the *Yamazaki*, *Hakushu* and *Hibiki* brands focusing on Europe and the Americas, and for *Kakubin* in Asia.

RTDs performed well, increasing 7% in sales year-on-year.

As regards the *-196°C Strong Zero* brand, *Dry* and other products performed well, growing 10% year-on-year.

Horoyoi increasing 7% year-on-year due to the proactive introduction of new products.

Sales of canned highballs grew 15% year-on-year, driving the market.

As concerns RTS products ^{*3}, *Funwari Kyogetsu* performed extremely well, with the annual plan for the product being revised upwards in April.

Beam Suntory Inc. has seen solid performance driven by the strong global growth of its premium whisky brands, led by *Jim Beam* (the world's No.1^{*4} bourbon) and *Maker's Mark*, as well as demand for its tequila brands, led by *Sauza*. The company's performance includes sustained growth in the United States, the world's largest spirits market. Beam Suntory Inc., the world's No.3 premium spirits company, intends to integrate the Spirits business of Suntory Liquors Limited before the end of this year.

As a result of the above, sales for the Beer and Spirits Segment were 329.5 billion yen (up 25.9% year-on-year).

*1: Converted to large bottles (1 case = 633 ml × 20 bottles) – including alcohol-free beer-type beverages.

*2: According to Intage MAI data. Total sales amount of alcohol-free beer-type beverage brands amount from January 2013 to December 2013 (nationwide supermarkets/convenience stores/alcohol discount stores/general & commercial liquor store total).

*3: RTS (Ready to Serve) – Spirits which offer the authentic flavor of cocktails and other alcoholic beverages simply by pouring into a glass.

*4: 2013 sales volume results (*Impact Newsletter*, February 1 & 15, 2014 ed.)

<Other Businesses Segment>

As concerns Suntory Wine International Limited, “*Japanese wine*” made with 100% domestic grapes performed well. In May, at the international wine competition, Les Citadelles du Vin, *Tom White 2012* won both the Special Award Japan and the Gold Medal. In addition, *Sankaboshizai Mutenka no Oishii Wine* also continued to experience growth.

As regards Suntory Wellness Limited, the *Sesamin* series, *Glucosamine & Chondroitin*, and the *F.A.G.E.* skin-care cosmetics performed well, with increase of 13% in sales year-on-year.

Suntory (China) Holding Co., Ltd. grew 54% in sales year-on-year.

Häagen-Dazs Japan, Inc. incorporated performed well, with a focus on minicup products, achieving sales significantly exceeding those of the same period for the previous year.

Our restaurant business performed well, with Dynac Corporation; Pronto Corporation; and Izutsu Maisen Co., Ltd. experiencing growth.

As a result of the above, sales for the Other Businesses Segment were 184.8 billion yen (up 13.3% year-on-year).

In addition, domestic sales were 736.3 billion yen (up 4.5% year-on-year) and overseas sales were 372.6 billion yen (up 58.4%).

In addition to actively developing our businesses since our founding, Suntory is striving to contribute to culture, society, and the environment based on the spirit of “Sharing the Profit with Society” on which we were founded. Further, Suntory is also deploying various activities aimed at promoting the coexistence of society and nature under the corporate message of “Suntory, Bringing Water to Life.”

Suntory is engaged in activities to support the recovery from the Great East Japan Earthquake under the “Suntory Tohoku Sunsun Project” via the three pillars of “Activities to Support Recovery of the Fishing Industry,” “Youth Support Initiatives,” and “Support through Culture, the Arts, and Sports.” In this period, we made the decision to donate 2 billion yen, including 1 billion yen for our “Support for Challenged Sports (sports for persons with disabilities)” initiative, and are engaged in support activities which total 10.8 billion yen since the earthquake.

As part of our environmental activities, Suntory has promoted the reduction of our environmental impact through initiatives such as the introduction of vending machines which consume the lowest amount of electricity in Japan*5. Further, with the goal of delivering to future generations a sustainable global environment, we have newly established the “Target toward 2020,” in addition to the existing “Suntory Environmental Vision toward 2050.” As part of the Suntory Natural Water Sanctuary, a project to develop water resource cultivation, we will be expanding the project area to 12,000 ha by 2020 in order to cultivate double the amount of water as the amount of groundwater being used in our plants in Japan.

*5: As of April 2014. Achieved 420 kWh/ year - the lowest annual electricity consumption among 25 major vending machines types produced by Japanese manufacturers (according to Suntory Foods Limited data).

2. Full-Year Forecast

Due to the inclusion of Beam Suntory Inc. in the consolidated accounting, predictions for results for the full business year were adjusted as follows from those announced in February 2014.

For the year ending December 2014, we are anticipating net sales of 2.44 trillion yen (up 19.6% year-on-year), operating income of 167 billion yen (up 32.0%), ordinary income of 143 billion yen (up 18.6%), and net income of 37 billion yen (down 81.1%).

Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2013	As of June 30, 2014	Change
Current assets	1,007,834	1,111,655	103,821
Cash and deposits	418,654	140,295	(278,358)
Notes and accounts receivable	287,242	362,978	75,736
Inventories	224,134	456,128	231,993
Other	78,679	154,303	75,623
Allowance for doubtful accounts	(875)	(2,049)	(1,174)
Non-current assets	1,364,861	3,071,987	1,707,126
Property, plant and equipment	527,269	613,372	86,103
Buildings and structures, net	148,760	176,442	27,682
Machinery, equipment and vehicles, net	180,555	219,619	39,063
Tools, furniture and fixtures, net	67,709	68,119	409
Land	94,760	105,503	10,742
Other	35,482	43,686	8,204
Intangible assets	650,413	2,260,288	1,609,874
Goodwill	409,293	1,002,371	593,077
Trademarks	184,942	1,200,274	1,015,331
Other	56,177	57,642	1,465
Investments and other assets	187,178	198,327	11,148
Investment securities	116,302	120,956	4,654
Other	73,162	79,244	6,082
Allowance for doubtful accounts	(2,285)	(1,873)	412
Deferred assets	1,374	1,251	(123)
TOTAL ASSETS	2,374,070	4,184,895	1,810,824
Accumulated depreciation of Property, plant and equipment	728,112	792,886	64,774

(Millions of yen)

	As of December 31, 2013	As of June 30, 2014	Change
LIABILITIES			
Current liabilities	760,029	1,578,562	818,532
Notes and accounts payable-trade	93,703	131,739	38,035
Electronically recorded obligations	106,106	116,744	10,637
Short-term loans payable	83,428	904,655	821,226
Current portion of bond	108,566	31,591	(76,974)
Accrued alcohol tax	46,412	36,509	(9,903)
Accrued consumption taxes	10,791	15,318	4,527
Income taxes payable	34,392	17,176	(17,216)
Accounts payable-other	122,239	120,484	(1,755)
Accrued expenses	62,329	96,421	34,092
Provision for bonuses	12,616	14,724	2,108
Other	79,442	93,198	13,755
Non-current liabilities	557,315	1,570,336	1,013,021
Bonds payable	64,700	335,979	271,279
Long-term loans payable	322,387	706,459	384,072
Provision for retirement benefits	11,000	26,008	15,007
Provision for directors' retirement benefits	298	621	323
Long-term deferred tax liabilities	80,104	414,208	334,104
Other	78,824	87,058	8,233
TOTAL LIABILITIES	1,317,344	3,148,899	1,831,554
NET ASSETS			
Shareholders' equity	711,624	717,209	5,584
Capital stock	70,000	70,000	-
Capital surplus	(21,109)	(21,109)	-
Retained earnings	666,066	671,651	5,584
Treasury stock	(3,332)	(3,332)	-
Accumulated Other Comprehensive Income	56,386	37,803	(18,582)
Valuation difference on available-for-sale securities	20,611	20,027	(584)
Deferred gains or losses on hedges	1,374	216	(1,157)
Foreign currency translation adjustment	34,400	17,560	(16,840)
Minority interests	288,714	280,982	(7,731)
TOTAL NET ASSETS	1,056,726	1,035,996	(20,729)
TOTAL LIABILITIES AND NET ASSETS	2,374,070	4,184,895	1,810,824

Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014	Change
Net sales	939,753	1,108,931	169,178
Cost of sales	463,891	558,733	94,842
Gross profit	475,862	550,198	74,335
Selling, general and administrative expenses	427,134	485,797	58,662
Operating income	48,728	64,401	15,673
Non-operating income	3,035	6,722	3,687
Interest income	427	573	145
Dividends income	1,478	4,626	3,147
Miscellaneous income	1,128	1,522	393
Non-operating expenses	5,491	8,642	3,150
Interest expenses	4,137	6,692	2,555
Miscellaneous expenses	1,354	1,949	595
Ordinary income	46,271	62,481	16,210
Extraordinary income	3,537	203	(3,334)
Gain on sales of noncurrent assets	41	168	127
Insurance Income	1,051	-	(1,051)
Restructuring gain	2,319	-	(2,319)
Other	125	34	(91)
Extraordinary loss	4,919	14,374	9,454
Loss on disposal of non-current assets	1,601	1,900	299
Acquisition-related cost	-	8,733	8,733
Restructuring cost	2,010	2,751	741
Other	1,308	988	(319)
Income before income taxes and minority interests	44,889	48,310	3,421
Income taxes-current	18,170	22,889	4,718
Income taxes-deferred	(6,894)	(1,537)	5,357
Income before minority interests	33,613	26,958	(6,654)
Minority interests in income	4,056	9,759	5,702
NET INCOME	29,556	17,199	(12,357)

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	44,889	48,310
Depreciation and amortization	30,691	37,920
Amortization of goodwill	11,887	18,121
Interest and dividends income	(1,906)	(5,200)
Interest expenses	4,137	6,692
Loss on disposal of noncurrent assets	1,601	1,900
Decrease (increase) in notes and accounts receivable-trade	(13,079)	(41,208)
Decrease (increase) in inventories	(21,676)	(21,756)
Increase (decrease) in notes and accounts payable-trade	9,971	23,210
Increase (decrease) in accrued consumption taxes, alcohol taxes	(1,128)	(11,784)
Other, net	8,127	8,924
Subtotal	73,514	65,130
Interest and dividends income received	2,016	4,118
Interest expenses paid	(3,683)	(5,397)
Income taxes paid	(20,918)	(46,590)
Net cash provided by (used in) operating activities	50,929	17,262
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(41,692)	(42,234)
Proceeds from sales of property, plant and equipment and intangible assets	243	1,992
Purchase of investment securities	(237)	(2,708)
Proceeds from sales and redemption of investment securities	164	92
Purchase of investments in subsidiaries resulting in change in consolidation scope	(13,914)	(1,386,896)
Proceeds from acquisition of investments in subsidiaries resulting in change in consolidation scope	4,071	-
Other, net	(559)	(809)
Net cash provided by (used in) investing activities	(51,924)	(1,430,563)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans and commercial papers	52,194	804,044
Proceeds from long-term loans payable	29,976	414,779
Repayment of long-term loans payable	(5,282)	(11,301)
Proceeds from issuance of bonds	-	60,305
Redemption of bonds	(950)	(79,500)
Repayments of lease obligations	(1,507)	(1,465)
Cash dividends paid	(7,504)	(11,598)
Cash dividends paid to minority shareholders	(2,770)	(10,026)
Other, net	(1)	-
Net cash provided by (used in) financing activities	64,156	1,165,238
Effect of exchange rate change on cash and cash equivalents	3,587	(1,296)
Net increase (decrease) in cash and cash equivalents	66,748	(249,359)
Cash and cash equivalents at beginning of period	228,110	418,630
Cash and cash equivalents at period-end	294,859	169,270

Segment Information

1. Summary of reportable segments

The reportable segments of the Suntory Group are constituent units of the Group whose separate financial information is obtainable. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating the business results.

The Suntory group comprises, under a holding company structure, various business companies based on their primary business activities.

Each of these business companies work out a comprehensive strategy applicable to their products and services and carries out their business activities.

Consequently, the Suntory group has decided its two reportable segments, namely, Beverage and Food, Beer and spirits, by combining the business companies with the emphasis on the business company units in consideration of the similarity of their economic characteristics.

Main products and services by each industry segment are as follows

Industry segment	Main products
Beverage and Food	Non-alcoholic beverages, health drinks, processed food and other products
Beer and Spirits	Beer, whisky, shochu, RTDs and other alcoholic beverages
Others	Operations in China, wine, health food, ice cream, restaurants, sports, flowers and other operations

2. Reportable segments

Six months ended June 30, 2013

(Millions of yen)

	Beverage and Food	Beer and Spirits	Others	Total	Adjustment	Consolidated Total
Net sales						
Sales to customers	514,942	261,651	163,159	939,753	-	939,753
Inter-segment sales	3,121	1,507	5,556	10,185	(10,185)	-
Total sales	518,064	263,159	168,715	949,938	(10,185)	939,753
Segment income	36,519	13,381	13,735	63,636	(14,908)	48,728

Six months ended June 30, 2014

(Millions of yen)

	Beverage and Food	Beer and Spirits	Others	Total	Adjustment	Consolidated Total
Net sales						
Sales to customers	594,611	329,502	184,817	1,108,931	-	1,108,931
Inter-segment sales	4,069	1,880	5,287	11,237	(11,237)	-
Total sales	598,680	331,383	190,105	1,120,169	(11,237)	1,108,931
Segment income	43,444	20,842	15,080	79,366	(14,965)	64,401

Note: 1. Corporate general and administrative expenses, and inter-segment eliminations that are not allocated to specific segments are included in "Adjustment".

Amounts are stated below.

Six months ended June 30, 2013 (Millions of yen)

Adjustment on segment income (loss) (14,908)

Corporate general and administrative expenses that are not attributable to any reportable segment (14,943)

Inter-segment eliminations 35

Six months ended June 30, 2014 (Millions of yen)

Adjustment on segment income (loss) (14,965)

Corporate general and administrative expenses that are not attributable to any reportable segment (14,998)

Inter-segment eliminations 32

2. Segment income (loss) is adjusted for operating income described in the in the Consolidated Statements of Income.