

# Suntory Holdings Limited

May 8, 2017

## SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 (English Translation, UNAUDITED)

Company Name: Suntory Holdings Limited  
(URL: <http://www.suntory.com/>)  
Representative: Takeshi Niinami, President  
Contact: Toru Niwa, Head of Public Relations  
Public Relations Office: Tel:+81(0)3 5579-1150  
Tel:+81(0)6 6346-0835

(Fractions of millions have been truncated)

### 1. Consolidated operating results and financial positions for the Three months of the current fiscal year (January 1, 2017 - March 31, 2017)

(1) Operating results (% figures represent change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	¥million	%	¥ million	%	¥million	%	¥million	%
Three months ended								
March 31, 2017	587,183	Δ 1.3	36,454	18.8	31,790	28.7	11,235	Δ 3.5
March 31, 2016	594,871	7.5	30,696	13.4	24,704	10.9	11,638	165.7

Referential Information : Income before amortization of goodwill and others

	Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥million	%	¥million	%
Three months ended						
March 31, 2017	53,581	11.2	48,917	15.9	25,271	Δ 2.6
March 31, 2016	48,187	10.3	42,194	8.4	25,955	40.5

Note : Income before amortization of goodwill and others = Income + Amortization of Goodwill, Trademarks and other recognized in connection with M&A

	Basic net income per share	Diluted net income per share
Three months ended	¥	¥
March 31, 2017	16.41	-
March 31, 2016	17.02	-

(2) Financial positions

	Total assets	Net assets	Ratio of equity to total assets
As of	¥ million	¥ million	%
March 31, 2017	4,214,667	1,125,239	20.2
December 31, 2016	4,374,356	1,156,720	20.0

### 2. Consolidated result forecast for the fiscal year ending December 2017 (January 1, 2017 - December 31, 2017)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic net income per share	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥	
Fiscal year ending										
December 31, 2017	2,690,000	1.5	201,000	1.5	178,000	1.2	71,000	Δ 41.6		103.78

Note: 1. Revision of the forecast from recently announced figures: No  
2. % figures represent change from previous fiscal year.

Reference:

Income before amortization of goodwill and others

267,000	1.0	244,000	0.8	125,000	Δ 28.8
---------	-----	---------	-----	---------	--------

## Operating Results

### 1. Overview of the consolidated quarter under review

During the first quarter of the fiscal 2017 consolidated cumulative period (January 1, 2017 to March 31, 2017), the global economy showed signs of a gradual recovery overall despite continuing uncertainty. In Japan, the economy continued to follow a path of gradual recovery, including indications of pickup in consumer spending.

Amid these circumstances, the Suntory Group has actively expanded business in each of three segments, "Non-Alcoholic Beverages and Food," "Alcoholic Beverages," and "Other Businesses" both domestically and abroad. In the quarter under review, sales decreased by 1.3% from the previous year to 587.2 billion yen, operating income increased by 18.8% to 36.5 billion yen, ordinary income increased by 28.7% to 31.8 billion yen, and quarterly net income attributable to owners of parent decreased by 3.5% to 11.2 billion yen.

When calculations exclude amortization of goodwill and others, operating income increased by 11.2% year on year to 53.6 billion yen, ordinary income increased by 15.9% year on year to 48.9 billion yen and net income attributable to owners of parent decreased by 2.6% year on year to 25.3 billion yen.

#### <Non-Alcoholic Beverages and Food Segment>

Suntory Beverage & Food Limited focused on strengthening brands and creating new demand while also leveraging expertise of each company to strengthen profitability by reforming the cost structure and improving product quality of the entire Group. It also focused on strengthening the business base in each area for sustainable growth in the future.

The domestic business aimed to create new demand by concentrating on products with high added value, in addition to strengthening core brands. The *Suntory Tennensui* brand's characteristics of "clear and refreshing" and "natural and healthy" were promoted as its unique value, and it showed a strong performance. The *BOSS* brand continued to focus on promoting its flagship products. Moreover, new proposals were actively presented, such as limited-time-only products from the *Premium BOSS* brand, so overall sales of the brand surpassed those of the previous fiscal year. In the *Iyemon* brand, both the flavor and packaging were renewed in March to achieve, in a PET bottle green tea, the color, scent and taste of "high-quality tea from a pot" desired by consumers. Active marketing operations also bore fruit, and sales volume grew considerably over previous year. In FOSHU products, the company is leading the market and building for itself an unshakable position. The focus remained on products like *Iyemon Tokucha*, *Tokucha Caffeine Zero* and *Suntory Black Oolong Tea*, and total FOSHU sales were on par with the previous fiscal year. In the vending machine operation business, the focus was on corporate sales. Attempts were made to capture office beverage demand through sales of products exclusive to vending machines and the introduction of various machines, including cup coffee machines and tea servers.

The Company has also conducted further development and cost reductions on its main brands in each area of its international business.

In Europe, we conducted proactive marketing, primarily for key brands such as *Orangina*, *Oasis*, *Schweppes*, *Lucozade*, and *Ribena*. In France, the focus was on small format products, and *Orangina* and *Oasis* sales surpassed those of the previous year. In the UK, *Lucozade Sport* in particular performed strongly, and the results for *Lucozade* outperformed the previous year. In Spain, the sales volume of *Schweppes* decreased year on year, due to slowdown in on-premise market.

In Asia, we promoted strengthening our key brands as well as sales and distribution systems in each country. As for the health food business, *BRAND'S Essence of Chicken* performed strongly in the key market of Thailand. In the soft drinks business, marketing activities emphasizing quality were conducted in Vietnam.

In Oceania, the Group worked to expand sales by conducting aggressive marketing activities mainly for the energy drink *V* and the sports beverage *Maximus*.

In the Americas, in addition to further strengthening sales of PepsiCo brands mainly in the state of North Carolina, focus was also placed on the growing non-carbonated drinks category.

The result was that sales in the Non-Alcoholic Beverages and Food Segment decreased 0.1% on the year to 308.9 billion yen, while operating income increased by 22.5% to 20.3 billion yen.

#### <Alcoholic Beverages Segment>

Comparable sales for Beam Suntory Inc. increased at a low-single-digit rate, benefitting from strong growth for brands including *Jim Beam*, *Maker's Mark* and the company's super-premium Bourbon brands. Mid-single-digit sales growth in the United States drove results in the Americas region. In the International region, results benefited from strong growth in EMEA and double-digit sales gains in Southeast Asia. Sales were stable in the company's Japan business (Suntory Spirits Limited). Among whiskies, strategic brands *Chita* and *Torys (Classic)* delivered strong growth. *Jim Beam* in Japan accelerated marketing activities behind the *Beam Highball*. RTD beverages grew case volumes 11% due to higher consumer demand for *-196°C Strong Zero*, *Horoyoi* and canned highball products. Among the company's recognitions at the prestigious Icons of Whisky awards, Suntory Spirits Limited was honored to be named Distiller of the Year and *Maker's Mark* was named Brand Innovator of the Year (America), while *Hibiki 21 years old* earned further acclaim as the World's Best Blended Whisky at the World Whiskies Awards.

As the overall market<sup>\*1</sup> is estimated to be about the same year-on-year, Suntory Beer Limited experienced a 2% sales decrease to 14.19 million cases<sup>\*2</sup>.

*The Premium Malt's* product and packaging were revamped for the first time in five years, and the Company worked aggressively to create drinking experiences both at home and through the on-premise channels utilizing the "Premium Friday" campaign and other opportunities. The "overflowing flowery aroma" and "rich flavor" were well-received by customers, so the March sales volume was up about 30% year on year, and the cumulative total from January to March was up 7% year on year, contributing to

revitalization of the premium beer market. *Kinmugi* brand sales outperformed those of the previous year thanks to new television commercials and consumer campaigns. For *All Free*, the Company worked on expanding consumers by proactive marketing activities.

\*1 Beer, happoshu, new genre, alcohol-free beer-type beverage total

\*2 Converted to large bottles (1 Case = 633mL×20 bottles)

Suntory Wine International Limited's sales decreased by 2% year on year reflecting the adverse impact of currency exchange rates. In Japan, the sales volume of the *Sankaboshizai Mutenka* brand were up 14% year on year. New imported wine products *Dark Horse* and *Santa Premium* were introduced to the mid-high value products, which performed well.

Based on the above, net sales in the Alcoholic Beverages Segment decreased 0.2% year on year to 217.2 billion yen, while operating income increased by 6.3% year on year to 16.2 billion yen.

#### <Other Businesses Segment>

For Suntory Wellness Limited, the *Sesamin* series and other products posted strong net sales, growing 9% year on year. At Haagen-Dazs Japan, Inc., sales were up 19% year on year thanks to strong sales of the *vanilla* flavor of the core product mini cups and new products. Meanwhile, Suntory (China) Holdings Co., Ltd. dissolved its joint venture with Tsingtao Brewery Co., Ltd. in March of last year, leaving the Other Businesses segment with net sales of 61.1 billion yen, down 10.3% year on year, and operating income of 9.4 billion yen, up 22.7% year on year.

In addition, domestic sales came to 375.3 billion yen, down 0.6% year on year, and overseas sales came to 211.8 billion yen, down 2.5% year on year. Overseas net sales increased by 0.3% when the effect of foreign exchange rates is excluded.

The overseas share of net sales was 36.1%, and the overseas share of operating income before amortization of goodwill and others was 53.0%.

Since our very inception, Suntory has actively developed business while also putting forth initiatives to contribute to culture and society and implement environmental activities based on Suntory's founding spirit of "Sharing the Profit with Society."

Our reconstruction support activities for the Kumamoto earthquakes have reached a scale of 400 million yen, and our focus is on "Activities entailing contributions to the sustainability of groundwater in the Kumamoto Region" and "Support activities for the bodies and minds of residents through culture, the arts and sports." Our reconstruction support activities for the Great East Japan Earthquake are continuing, with donations reaching a total of 10.8 billion yen.

As for our environmental activities, we continue to work on the *Suntory Natural Water Sanctuaries*, by which we have cultivated water resources covering approximately 9,000 hectares. We implement our Suntory "*Mizuiku*" Natural Water Education Program for conveying the importance of water to children

not only in Japan but also in Vietnam. Additionally, based on our original 2R+B strategy<sup>\*3</sup> for plastic bottle development, we are working on lighter packaging materials and are continuing recycling activities through a bottle to bottle mechanical recycling system<sup>\*4</sup>, which is the first of its kind to be developed in the domestic beverage industry.

<sup>\*3</sup> 2R+B is short for "Reduce/Recycle + Bio." It is our approach of substituting recyclable materials for petroleum-based materials whenever possible while striving for efficient use of resources through reduced plastic consumption and the use of recycled materials.

<sup>\*4</sup> Mechanical recycling is a method where reusable plastic obtained from material recycling (making used products the raw material for new products by crushing, cleaning or other process) is further processed under high temperatures and decompression for a certain period of time to remove impurities in the recycled material. Since the introduction in 2011, the Company has been recycling plastic bottles and making them into new plastic bottles.

## 2. Full-Year Forecast

For the period ending in December 2017, we are anticipating net sales of 2.690 trillion yen (up 1.5% year-on-year), operating income of 201 billion yen (up 1.5% year on year), ordinary income of 178 billion yen (up 1.2% year on year), and net income attributable to owners of parent of 71 billion yen (down 41.6% year on year).

In terms of income before amortization of goodwill and others, operating income will be 267 billion yen, up 1.0% year on year, ordinary income will be 244 billion yen, up 0.8% year on year, and net income attributable to owners of parent will be 125 billion yen, down 29.8% year on year.

(There are no changes to the results forecast announced on February 14, 2017.)

## Consolidated Balance Sheets

(Millions of Yen)

	As of December 31, 2016	As of March 31, 2017	Change
<b>ASSETS</b>			
Current assets	1,267,103	1,182,310	(84,792)
Cash and deposits	353,157	303,583	(49,573)
Notes and accounts receivable-trade	368,858	320,197	(48,660)
Inventories	403,393	417,171	13,778
Other	143,058	142,606	(451)
Allowance for doubtful accounts	(1,363)	(1,248)	115
Non-current assets	3,106,737	3,031,869	(74,868)
Property, plant and equipment	640,821	636,299	(4,521)
Buildings and structures, net	183,282	183,167	(114)
Machinery, equipment and vehicles, net	236,052	239,410	3,358
Tools, furniture and fixtures, net	58,389	57,233	(1,155)
Land	100,444	99,852	(592)
Other	62,652	56,635	(6,016)
Intangible assets	2,274,426	2,205,072	(69,354)
Goodwill	1,012,334	979,234	(33,099)
Trademarks	1,180,264	1,146,101	(34,162)
Other	81,827	79,735	(2,092)
Investments and other assets	191,490	190,497	(992)
Investment securities	116,068	118,551	2,482
Other	76,635	73,141	(3,494)
Allowance for doubtful accounts	(1,214)	(1,195)	19
Deferred assets	515	487	(27)
<b>TOTAL ASSETS</b>	<b>4,374,356</b>	<b>4,214,667</b>	<b>(159,688)</b>

(Millions of Yen)

	As of December 31, 2016	As of March 31, 2017	Change
<b>LIABILITIES</b>			
Current liabilities	1,002,217	944,470	(57,746)
Notes and accounts payable-trade	133,170	136,935	3,765
Electronically recorded obligations-operating	105,953	98,999	(6,954)
Short-term loans payable	193,179	215,097	21,917
Current portion of bond	114,523	113,200	(1,322)
Accrued alcohol tax	51,434	31,980	(19,453)
Accrued consumption taxes	20,394	15,587	(4,806)
Income taxes payable	24,119	15,118	(9,000)
Accounts payable-other	150,922	130,126	(20,796)
Accrued expenses	87,590	75,582	(12,008)
Provision for bonuses	27,482	29,419	1,937
Other	93,447	82,422	(11,024)
Non-current liabilities	2,215,419	2,144,957	(70,461)
Bonds payable	327,935	321,030	(6,905)
Long-term loans payable	1,308,189	1,269,831	(38,358)
Deferred tax liabilities	429,873	418,975	(10,898)
Provision for directors' retirement benefits	1,090	1,133	43
Net defined benefit liability	35,341	34,690	(651)
Other	112,987	99,295	(13,691)
<b>TOTAL LIABILITIES</b>	<b>3,217,636</b>	<b>3,089,428</b>	<b>(128,208)</b>
<b>NET ASSETS</b>			
Shareholders' equity	895,287	897,739	2,452
Capital stock	70,000	70,000	-
Capital surplus	133,198	133,316	118
Retained earnings	693,688	696,021	2,333
Treasury stock	(1,598)	(1,598)	-
Accumulated Other Comprehensive Income	(21,495)	(47,675)	(26,180)
Valuation difference on available-for-sale securities	25,491	26,709	1,217
Deferred gains or losses on hedges	(2,257)	(1,927)	329
Foreign currency translation adjustment	(29,763)	(57,959)	(28,195)
Remeasurements of defined benefit plans	(14,966)	(14,498)	467
Non-controlling interests	282,927	275,175	(7,751)
<b>TOTAL NET ASSETS</b>	<b>1,156,720</b>	<b>1,125,239</b>	<b>(31,480)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>4,374,356</b>	<b>4,214,667</b>	<b>(159,688)</b>

## Consolidated Statements of Income

(Millions of Yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017	Change
Net sales	594,871	587,183	(7,687)
Cost of sales	289,858	275,670	(14,188)
Gross profit	305,012	311,513	6,500
Selling, general and administrative expenses	274,315	275,058	742
Operating income	30,696	36,454	5,757
Non-operating income	2,618	2,606	(12)
Interest income	285	282	(2)
Dividend income	104	142	38
Share of gain of entities accounted for using equity method	1,178	1,520	342
Miscellaneous income	1,049	659	(390)
Non-operating expenses	8,611	7,270	(1,340)
Interest expenses	7,139	6,478	(660)
Miscellaneous expenses	1,471	791	(680)
Ordinary income	24,704	31,790	7,086
Extraordinary income	9,252	718	(8,533)
Gain on sales of investment securities	444	405	(39)
Gain on sales of shares of subsidiaries and associates	-	149	149
Gain on transfer of business	8,778	-	(8,778)
Other	29	164	134
Extraordinary loss	3,361	2,148	(1,213)
Loss on disposal of non-current assets	1,036	808	(228)
Business restructuring expense	913	353	(560)
Earthquake related expenses	-	472	472
Other	1,411	513	(897)
Income before income taxes	30,594	30,360	(234)
Income taxes	14,194	13,538	(655)
Net income	16,400	16,821	421
Net income attributable to non-controlling interests	4,762	5,586	824
Net income attributable to owners of parent	11,638	11,235	(402)



## 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, Alcoholic Beverage, 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 reportable segment are as follows

Reportable segment	Main products
Beverage and Food	Non-alcoholic beverages, health drinks, processed food, other products
Alcoholic Beverage	Spirits, beer, wine and other alcoholic beverages
Others	Operations in China, health food, ice cream, restaurants, flowers and other operations

### 2. Industry Segments

Three months ended March 31, 2016

(Millions of Yen)

	Beverage and Food	Alcoholic Beverage	Others	Total	Adjustment <sup>(1)</sup>	Consolidated Total <sup>(2)</sup>
Net sales						
Sales to customers	309,170	217,585	68,114	594,871	-	594,871
Inter-segment sales	1,955	1,304	2,588	5,848	(5,848)	-
Total sales	311,126	218,889	70,703	600,719	(5,848)	594,871
Segment income (loss)	16,551	15,239	7,631	39,422	(8,725)	30,696

Three months ended March 31, 2017

(Millions of Yen)

	Beverage and Food	Alcoholic Beverage	Others	Total	Adjustment <sup>(1)</sup>	Consolidated Total <sup>(2)</sup>
Net sales						
Sales to customers	308,852	217,248	61,082	587,183	-	587,183
Inter-segment sales	1,631	917	2,414	4,963	(4,963)	-
Total sales	310,484	218,165	63,496	592,146	(4,963)	587,183
Segment income (loss)	20,280	16,206	9,365	45,852	(9,397)	36,454

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.

Three months ended March 31, 2016	(Millions of Yen)
Adjustment on segment income (loss)	(8,725)
Corporate general and administrative expenses that are not attributable to any reportable segment	(8,742)
Inter-segment eliminations	16
Three months ended March 31, 2017	(Millions of Yen)
Adjustment on segment income (loss)	(9,397)
Corporate general and administrative expenses that are not attributable to any reportable segment	(9,416)
Inter-segment eliminations	18

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