



# Strategy in Japan

## Our Innovative Products Have Led Robust Organic Growth Outperforming the Japanese Market

It is estimated that throughout the course of 2015 overall sales volume in the soft drink market in Japan remained roughly unchanged from the previous year. Although the influence of the April 2014 consumption tax hike continued to dampen consumer sentiment in the first half of the fiscal year, weather conditions were favorable from fall, helping the market to remain roughly unchanged. Guided by the notion of offering unique and premium products that meet the needs and tastes of consumers to enrich their everyday life, we made efforts to reinforce core brands as well as develop new demand. As a result, our sales volume increased 3% year on year, surpassing that of the previous year for the 23rd consecutive year.\*1

We have identified *Suntory Tennensui*, *Boss*, *Iyemon*, *Pepsi*, *Suntory Oolong Tea*, *Green DAKARA*, and *Orangina* as our seven core brands and, as such, have invested a significant amount of management resources into those brands.

Among these brands, we have positioned *Suntory Tennensui* as a core brand for our business in Japan, and we engaged in active marketing activities and worked to develop new product categories for the brand. *Suntory Yogurina* &

*Minami-Alps Tennensui*, which was released in April, was extremely popular among consumers, contributing to a 14% increase in sales volume for the entire *Suntory Tennensui* brand.

For our *Boss* brand, we also actively conducted marketing activities throughout the year amid forecasts of flat sales volume in the canned RTD coffee market compared with the previous fiscal year. In addition to the solid performance of the *Boss* brand's flagship products, *Premium Boss Black* and *Premium Boss Bito*—two products of the *Premium Boss* brand that were launched in the considerably expanding bottle-shaped canned RTD coffee market—also performed favorably. As a result, the sales volume for the entire *Boss* brand increased 4% year on year.

In FOSHU (Foods for Specified Health Uses) drinks, *Iyemon Tokucha*, which has a delicious taste and helps to reduce stored body fat, was heavily backed by consumers. This strong consumer support resulted in significant sales growth for the product in the third year since its launch. In addition, *Suntory Black Oolong Tea*, which was revamped in March, secured new customers and performed solidly.

As for initiatives to improve profitability, we strengthened sales of high-value-added products, such as FOSHU drinks, and small-volume products, such as beverages offered in 500ml PET bottles. Also, we continued to reduce manufacturing costs through such means as introducing manufacturing facilities for bottle-shaped canned coffee.

Furthermore, on July 31, the Japan Beverage Group and the A-Star Group became new additions

to the SBF Group. Utilizing the full-line portfolio of these groups, such as vending machines, tea dispensers, and coffee servers, we started the “full-line beverage service business,” which satisfies a wide range of consumer needs.

As a result of these initiatives, net sales for the Japan segment were ¥806.9 billion, up 11.7%, and segment profit was ¥46.7 billion, a 0.2% increase.

\*1 Results for Suntory's soft drink sales volume in Japan

### Soft Drink Sales Volume in Japan (from 1996)\*2

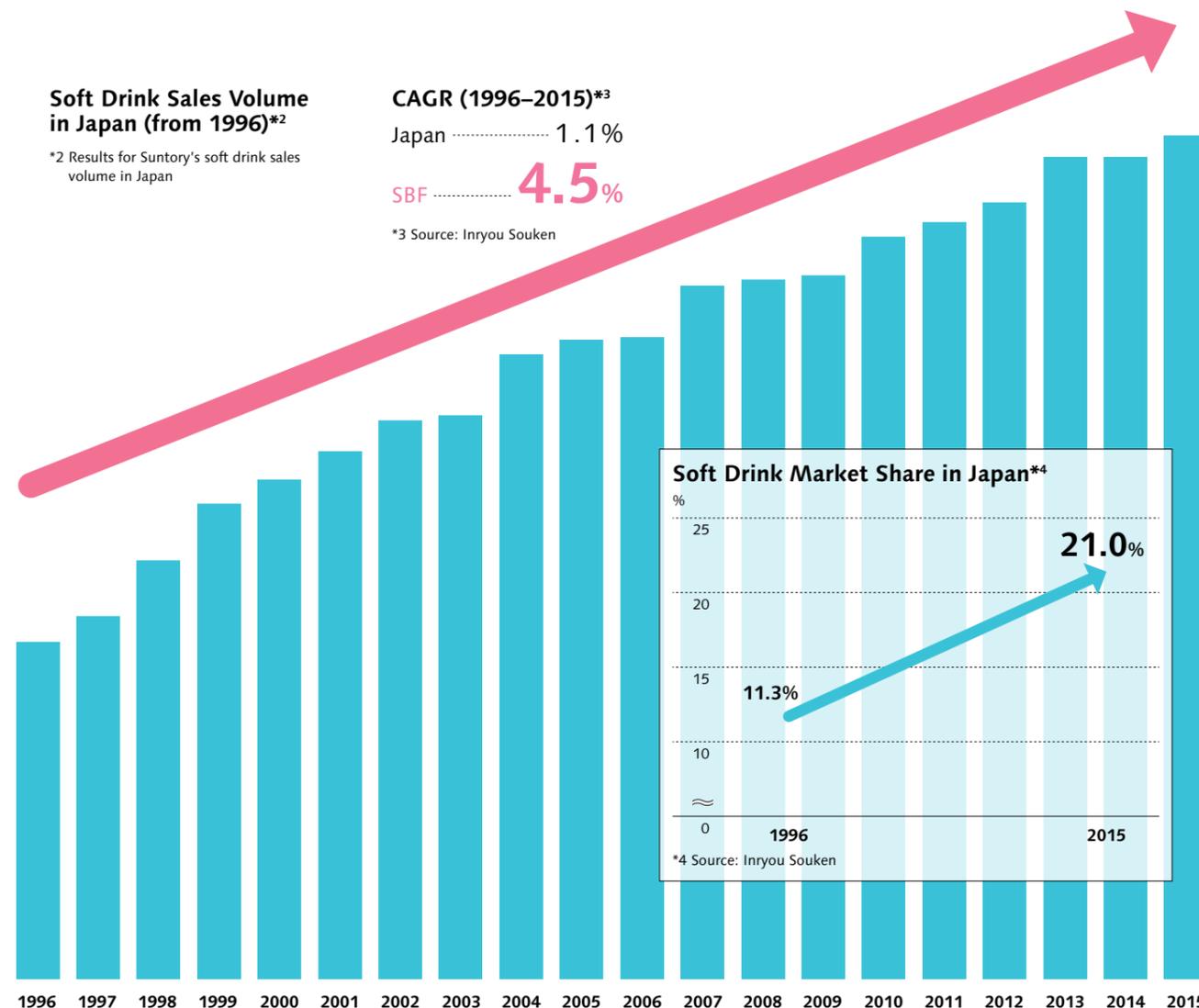
\*2 Results for Suntory's soft drink sales volume in Japan

### CAGR (1996–2015)\*3

Japan ..... 1.1%

SBF ..... 4.5%

\*3 Source: Inryou Souken



### Major Brands and Year of Launch





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In 2016, we forecast further changes in the consumption environment surrounding the Japanese soft drink market. However, we view these changes as an opportunity. Going forward, we will further enhance and promptly advance initiatives that aim to improve brand value and create new demand. Specifically, we will continue to position *Suntory Tennensui*, *Boss*, *Iyemon*, *Pepsi*, *Suntory Oolong Tea*, *Green DAKARA*, and *Orangina* as our seven core brands, and we will engage in strategic marketing strategies for those brands. Moreover, we will offer products with new value, similar to *Iyemon Tokucha* and *Suntory Yogurina & Minami-Alps Tennensui*, to gain greater consumer endorsement, and we will aim to create new product categories.

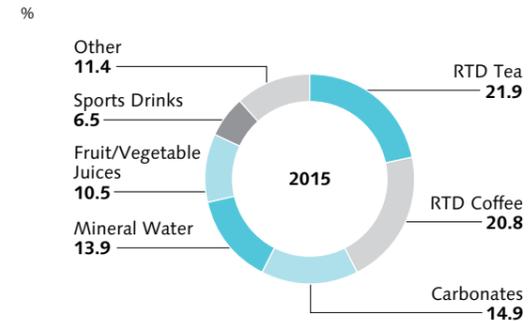
In April, Suntory Beverage Solution Limited will begin operations. This new company will manage the "full-line beverage service business," which includes the vending machine business, the fountain drink business, and the water dispenser business.

Also, the company will take steps to speed up the decision-making process related to these businesses and improve both customer satisfaction and integrated management efficiency. By leveraging the strengths of each business, Suntory Beverage Solution will provide new products and services that meet consumer needs and work to create new demand. In doing so, the company will advance the "full-line beverage service business."

Through these initiatives, we will continue to promote and strengthen our brands. At the same time, we will introduce products that offer new value by pursuing innovations in R&D and production technologies and work to create a positive cycle that will further enhance brand value. To those ends, we will invest in R&D initiatives, marketing, and production facilities while continuing to implement cost reduction initiatives to generate capital for growth investments.



Soft Drink Market Share in Japan by Category\*



\* Source: Inryou Souken

"Promoting Seven Core Brands"

We are focusing our management resources on the following seven core brands: *Suntory Tennensui*, *Boss*, *Iyemon*, *Pepsi*, *Suntory Oolong Tea*, *Green DAKARA*, and *Orangina*. In 2015, we achieved a 4% increase in the sales volume of these seven brands and their composition of overall sales volume was 78%.

Sales volume: **78%** of total

