

## President's Message



Nobuhiro Torii  
President &  
Chief Executive Officer,  
Member of the Board,  
Representative Director

### Opening Greetings

Our vision for the company

**"To be the leading global soft drink company recognized for our premium and unique brands."**

Our vision for value

**"A quest for the best tastes & quality to bring happiness & wellness into everyday life."**

The essence of this two-pronged vision, which was adopted by SBF in 2011, is to deliver products that meet consumer demand.

Which country does the consumer live in? What kind of lifestyle do they have? What type of tastes and preferences do they have? Around the world, what consumers desire and the sense of value they have vary widely, and change from generation to generation. By accurately assessing the needs of consumers and creating products that offer new value, we bring happiness and wellness into the everyday life of consumers. This is not only the origin of our business but also our mission.

Delivering products that meet consumer demand means that we start with a deep understanding of the consumer and reflect that understanding in our day-to-day actions. In doing so, I believe we will become a leading global soft drink company.

## Review of 2014 and Forecast for 2015

In 2014, net sales were ¥1,257.3 billion, up 12.1%; operating income was ¥85.9 billion, up 18.2%; and net income was ¥36.2 billion, up 16.2%.

In the Japan segment, net sales were ¥722.3 billion, up 0.8%, and segment profit was ¥46.6 billion, up 2.7%. In terms of volume, we recorded growth for the 22nd consecutive year\*.

We implemented three strategies in this segment: (i) reinforcing core brands, with a focus on our seven core brands, (ii) developing new demand, and (iii) overcoming rising costs and realizing cost reductions. As a result, total sales volume of core brands increased 5% year on year; total sales volume of FOSHU (Foods for Specified Health Uses) drinks grew 45%, with *Iyemon Tokucha* performing particularly well, while products offering new value, such as *Suntory Minami-Alps Tennensui & Asa-zumi Orange* (flavored water) and *Premium Boss* (canned RTD coffee), also performed favorably; and cost reductions surpassed initial expectations.

In the overseas segment, net sales were ¥535.0 billion, up 32.3%, and segment profit was ¥64.4 billion, up 27.4%, thereby achieving results largely as planned, thanks to the inclusion of the newly established Lucozade Ribena Suntory Limited and the bolstering of existing businesses.

In Europe, we saw an increase in sales and profit thanks to the good start of the Lucozade Ribena Suntory Group and the improved profitability of the Orangina Schweppes Group.

In Asia, despite facing a harsh economic environment, we achieved profit as planned, due primarily to a strong performance in Vietnam, market reforms in other countries and regions, and our continued cost control efforts.

Thanks to these initiatives, the segment saw an increase in profit in existing sales.

As for the 2015 forecast, we expect net sales of ¥1,300.0 billion, up 3.4%; operating income of ¥92.0 billion, up 7.0%; and net income of ¥42.0 billion, up 15.9%.

We anticipate the global operating environment to become even more uncertain going forward. In Japan, key factors are an increasingly price-conscious consumer mindset following the consumption tax hike, rising raw material prices, and worsening market conditions; while the key overseas factors are the economic slump and fierce competition in the markets of Europe and Asia.

Regardless, we will further strengthen our business foundation and continue to grow by taking initiatives to reduce manufacturing costs, strengthen our distribution network, and reinforce core brands.

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

## Management Strategies for 2015–2017

In the past two years, companywide net sales increased approximately 30%, while operating income increased almost 50%.

In the Japan segment, we have made progress in implementing reforms. As a result, segment profit has increased approximately 30%. In the overseas segment, M&A initiatives and the reinforcement of core brands in existing areas of operation contributed to net sales increasing over 70% and segment profit increasing over 50%. Overseas net sales now account for 43% of companywide net sales.

While we have yielded concrete results, new challenges have also emerged; however, by strengthening our business foundation, we will realize further growth going forward.

In light of our accomplishments, as well as the harsh operating environment and challenges that are before us, we have developed new management strategies for the period from 2015 to 2017. We will continue to deliver products that meet consumer demand by expanding on the management strategies we have already implemented. In doing so, we will implement the following three strategies.

The first is to focus on core geographical areas. We will identify approximately 20 countries and regions, including existing areas of operation such as Japan, France, and the United Kingdom as well as new markets in Asia and Africa. As a result, we are working toward realizing solid growth in existing areas of operations and accelerated growth in emerging markets.

The second is to create brands backed by the consumer and establish a strong market presence in each geographical area. We will strengthen our existing brands and develop new demand by launching products that offer new value. In addition, we will develop and strengthen local distribution and production capabilities to reliably deliver products into the hands of consumers. Also, we will continue efforts to reduce manufacturing costs so that we are able to make new investments in pursuit of sustainable growth.

The third is to promote integrated development by further enhancing collaboration within the Group while leveraging sustainable growth in every country and region where we do business.

One way of doing this is to foster a "Global Challenge Brand," which entails selecting brands from existing core brands to distribute to consumers around the world and develop them for the global market. We have three key targets for the period covered from 2015 to 2017.

### Key targets

#### Operating profit

Mid single digit or above CAGR growth  
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

#### Net sales

Aim for continued growth

(In comparison to 2014 figures, on an existing business and currency-neutral basis)

## Improving Shareholder Value

We place priority on capital expenditures and other strategic investments that lead to sustainable profit growth and improved corporate value. Moreover, we recognize an appropriate shareholder return as one of our most important management tasks. While giving due consideration to maintaining a stable return and enhancing internal reserves to prepare for the future, we are pursuing a shareholder return policy that gives comprehensive consideration to business results and future funding needs.

Looking forward, we will consider increasing the payout ratio (target is 30% or more of net income before amortization of goodwill) depending on such factors as our need for funds and progress in profit growth.

In 2014, the annual dividend was ¥60 per share, an increase of ¥2, excluding a special ¥5 dividend to commemorate our Tokyo Stock Exchange listing. In 2015, we forecast the annual dividend of ¥66 per share, an increase of ¥6. Although we are anticipating the business environment to become even more severe, we will make every effort to realize steady profit growth, thereby meeting shareholder expectations.



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