

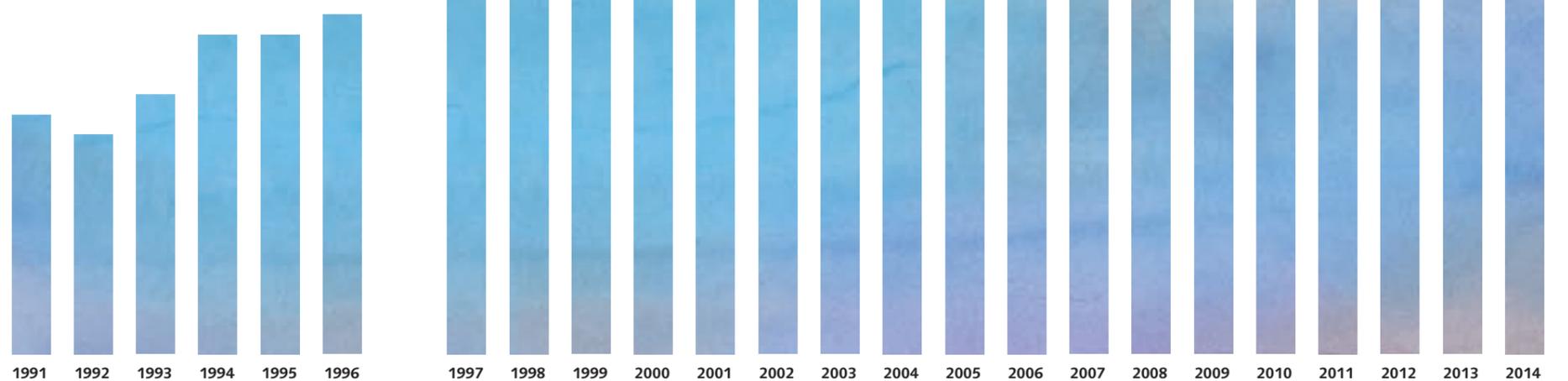
Strategy in Japan



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

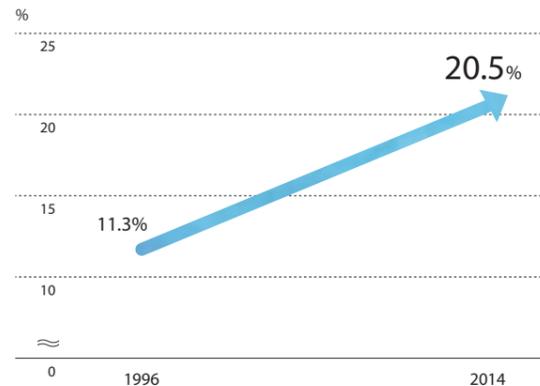
We have increased our sales volume in the soft drink market in Japan for more than 20 years. In the past 18 years, our growth has outperformed the Japanese market growth rate as we have expanded our market share. Today, we hold a 20.5%*1 share of the soft drink market in Japan. We have attained this market position by continuing to boldly propose innovative new soft drinks in a host of different product categories to consumers, in an effort to swiftly respond to their changing needs and tastes over the years. Looking ahead, we will work to make our strong brands even stronger as we pursue the top market position in Japan.

Soft Drink Sales Volume in Japan (From 1991)*2



CAGR (1996–2014)*3
 Japan 1.1%
 SBF **4.5%**
 *3. Source: Inryou Souken

Soft Drink Market Share in Japan*1



*1. Source: Inryou Souken

Major Brands and Year of Launch





In 2014, it was estimated that the overall soft drink market in Japan slightly declined compared to the previous year. This was due to various factors, such as the influence of unseasonable summer weather and a delayed recovery in consumer sentiment after the consumption tax hike. 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 surpassed that of the previous year for the 22nd 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, we have invested a significant amount of management resources into further strengthening their brand equity.

FOSHU (Foods for Specified Health Uses) drinks are high-value-added products. *Iyemon Tokucha*, which not only helps to reduce stored body fat but is also delicious, performed very well. Accordingly, total sales volume for FOSHU drinks increased 45%, surpassing that of the previous year. Thanks to these results, we have contributed to market expansion and established a strong position in the domestic FOSHU drink market.

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

We also took various initiatives to improve profitability. In addition to improving the product mix by strengthening sales of FOSHU drink products, we also continued to make innovations in reducing manufacturing costs through such means as reducing the weight of PET bottles and reducing the amount of cardboard used for packaging.

Thanks to these initiatives, net sales for the Japan segment were ¥722.3 billion, up 0.8%, and segment profit was ¥46.6 billion, up 2.7%.

In 2015, we forecast continued uncertainties in the Japanese soft drink market due to an increased price consciousness among consumers as a result of factors such as the consumption tax hike. However, in addition to reinforcing our seven core brands, SBF will strive to develop new demand by launching products that offer new value, as well as high-value-added products that accurately reflect the needs and tastes of consumers.

We will also introduce new products that offer new value through pursuing innovation in R&D and production technologies. To this end, we will invest in R&D initiatives, marketing, and production facilities, and we will continue cost reduction initiatives to generate capital for growth investments going forward.

"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 2014, we achieved increases in the sales volume of these seven brands by 5% and their composition of overall sales volume was 76%.

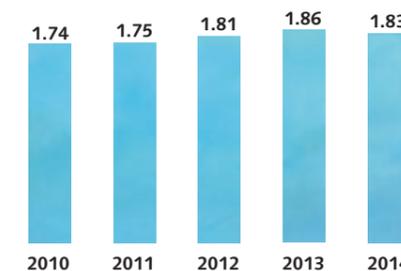


Pepsi Suntory Oolong Tea Suntory Tennensui Boss Iyemon Green DAKARA Orangina

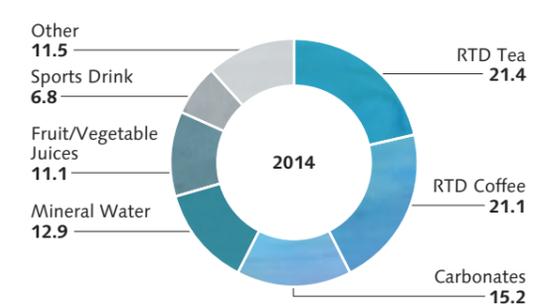
Sales volume: **76%** of total

Market trend in Japan

Soft Drink Market Size in Japan*2
billion cases



Soft Drink Market Share in Japan by Category*2
%



*2. Source: Inryou Souken

“Developing New Demand”

—Iyemon Tokucha—

At SBF, we are taking initiatives to further expand our business by developing new demand through the development and launch of new high-value-added products. In this section, we will introduce *Iyemon Tokucha* as an example.

Iyemon Tokucha is one of our FOSHU drinks. The majority of FOSHU drinks in the market to date worked to make fat more difficult to absorb when drunk together with a meal. However, *Iyemon Tokucha* is the first FOSHU drink that focuses on mechanisms that assist with the breakdown of stored body fat. Therefore, it is suitable to drink during work or exercise, or in a variety of other settings outside of regular meals. It also possesses a delicious taste that the consumer will not tire of drinking on a daily basis.

This accomplishment is the result of the R&D capabilities that the Suntory Group has cultivated over the years. During our continued research on polyphenols, we discovered that quercetin glucoside, a type of polyphenol commonly found in vegetables and fruits such as onions, broccoli, and apples, works to support the breakdown of body fat.

At SBF, we had a desire to develop a FOSHU drink that not only reduced body fat, but also possessed a delicious taste that consumers could enjoy on a daily basis. With that desire, we worked for approximately seven years from the start of initial research to perfect such a drink through repeated trial and error. As a result of those efforts, we developed *Iyemon Tokucha*, which contains quercetin glucoside.



2014 Sales
12 million cases

FOSHU

FOSHU (Foods for Specified Health Uses) refers to foods and drinks that have been scientifically proven to be beneficial for maintaining and promoting health and approved by the Consumer Affairs Agency of Japan. With the recent increase in health-consciousness among consumers in Japan, the FOSHU field has attracted a great deal of attention in the past few years and is expected to expand further going forward.



With its value proposition as a drink that has efficacy and delicious taste, we actively carried out advertising and marketing activities to support *Iyemon Tokucha*. As a result, the sales volume of *Iyemon Tokucha* exceeded 12 million cases in 2014, in only the second year since its launch, thereby making it the number one FOSHU tea drink in the Japanese market*1.

In 2015, in addition to further strengthening *Iyemon Tokucha*, we plan to increase the total sales volume of our FOSHU drink products 9%. To this end, we will launch new FOSHU drink products and reintroduce *Suntory Black Oolong Tea*, the pioneer of our FOSHU drinks, and thereby drive growth in the FOSHU drink market in Japan.

*1. INTAGE SRI data; FOSHU tea drink market; sales of *Iyemon Tokucha* for Jan.–Dec. 2014 (Total of supermarkets, convenience stores, and drug stores)

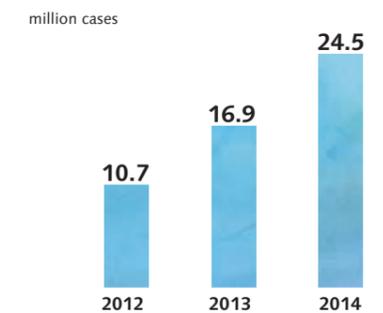


FOSHU Lineup

In addition to *Iyemon Tokucha*, our lineup of FOSHU drinks also includes *Suntory Black Oolong Tea*, *Suntory Goma Mugicha*, *Pepsi Special*, and *Boss Green*. Thanks to the good sales of *Iyemon Tokucha*, the total sales volume for FOSHU drinks was 24.5 million cases, up 45% year on year. This is about half of the share of the entire FOSHU drink market in Japan*2.

*2. Excluding FOSHU drinks for intestinal regulation; company estimate

SBF's FOSHU Drink Sales Volume



From left:
Suntory Black Oolong Tea
Pepsi Special
Suntory Goma Mugicha
Boss Green

"Exploring New Horizons"

–Suntory Tennensui–

At SBF, we seek to further expand our business by leveraging the strength of our brands to develop new products that offer new value to consumers in a variety of product categories. In this section, we will introduce the latest initiatives implemented with our *Suntory Tennensui* brand.

With "natural and healthy" becoming keywords when describing the soft drink needs and tastes of Japanese consumers, the market for mineral, flavored, and sugar-free carbonated water is expected to expand in the years to come.

The No. 1*
position
in the mineral water market

At SBF, we have positioned *Suntory Tennensui* as one of our core brands in our business in Japan, and as such, we promote its unique brand value, such as "cool, clear, delicious taste" and "natural and healthy." Currently, *Suntory Tennensui* is the top brand in the domestic mineral water market*.

Leveraging the strong brand equity of *Suntory Tennensui*, we have made strides in offering new value to consumers in new product categories, such as sparkling water and flavored water.

In 2013, we launched *Suntory Minami-Alps Tennensui Sparkling* and *Suntory Minami-Alps Tennensui Sparkling Lemon*, thereby contributing to the further expansion of the sugar-free carbonated water market.

In 2014, we launched *Suntory Minami-Alps Tennensui & Asa-zumi Orange*, a flavored water using natural ingredients, including 100% organic orange juice. With its distinctive taste, *Suntory Minami-Alps Tennensui & Asa-zumi Orange* has been well-received by consumers.

In 2015, we will launch a new product, *Suntory Minami-Alps Tennensui & Yogurina*, which will leverage the strength of the *Suntory Tennensui* brand, as well as our innovative production technologies and R&D capabilities. In doing so, we will create a new product category in the water beverage market.

Moving forward, we seek to further expand our business by continuing to leverage the strong brand equity of *Suntory Tennensui* to offer new value to consumers.

* INTAGE SRI data; mineral water market; sales of *Suntory Tennensui* for Jan.–Dec. 2014 (Total of supermarkets, convenience stores, and drug stores)

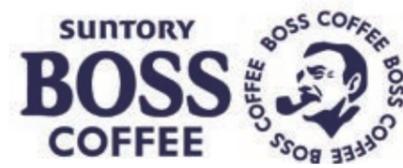


"Continuing to Evolve"

—Boss—

The needs and tastes of consumers change with the times. At SBF, we seek to further expand our business by offering products that match with these changes and continuing to constantly evolve our brands. In this section, we will introduce the latest initiatives that we are taking with our long-selling canned RTD coffee brand *Boss*, which has continued to grow for over 20 years since its launch.

The concept behind the innovation of *Boss* was to create "The Worker's *AIBO**." Under this concept, we created the beverage, its name, and its packaging to give birth to *Boss*, a canned RTD coffee with a strong appeal with consumers. Upon its launch in 1992, *Boss* was embraced by Japanese businesspeople facing a fierce economic recession. In its first three months, *Boss* became a best-selling hit product, recording a sales volume of over 10 million cases.



To respond to the ever-changing needs and tastes of consumers, we have created new product categories for canned RTD coffee, such as *Boss Zeitaku Bito*, *Boss Muto Black*, and *Boss Café au Lait*, in addition to the standard *Boss Rainbow Mountain Blend*. We have always worked to continue to evolve the *Boss* brand, implementing various ideas such as creating interesting TV commercials and sales promotions.

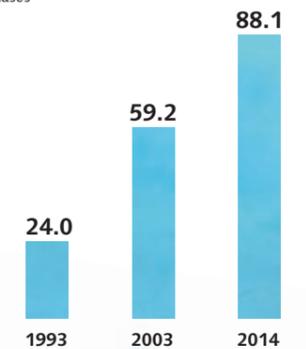


In 2014, we implemented a new production method that leverages our technological capabilities to create the richest flavor in a *Boss* product. Calling the product *Premium Boss*, its launch helped greatly to grow the *Boss* brand even further.

In 2015, we have launched the brand-new product *Premium Boss Black* to the bottle-shaped can RTD coffee market. Under the "further evolution of canned RTD coffee" theme, we will extensively engage in marketing activities to further strengthen the *Boss* brand, starting with collective renewal of the brand's core products. In doing so, we plan on revitalizing the domestic canned RTD coffee market.

Moving forward, we will continue our efforts to evolve the *Boss* brand to meet the tastes and needs of consumers.

Boss Sales Volume
million cases



Evolution of Boss



1992-1997

Launched *Boss* canned RTD coffee as "The Worker's *AIBO**"

* *AIBO*: A reliable partner with long years of experience that can be trusted

2002-2003

Implemented major product renewal in the 10th year since its launch, introducing new flavors and expanding the product lineup

Today

Implemented brand strategy focused on five major product categories represented by *Boss Rainbow Mountain Blend*, *Boss Zeitaku Bito*, *Boss Muto Black*, *Boss Café au Lait*, and *Premium Boss*