

Suntory Holdings Limited

November 6, 2017

**SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 nine months of the current fiscal year
(January 1, 2017 - September 30, 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	%
Nine months ended								
September 30, 2017	2,022,556	2.9	156,398	5.0	139,220	5.6	67,988	(26.9)
September 30, 2016	1,965,767	(0.2)	148,989	14.1	131,869	20.7	93,041	190.0

Referential Information : Income before amortization of goodwill and others

	Operating income		Ordinary income		Net income attributable to owners of parent	
	¥ million	%	¥million	%	¥million	%
Nine months ended						
September 30, 2017	207,966	4.6	190,789	5.0	110,190	(17.6)
September 30, 2016	198,904	9.3	181,784	13.2	133,704	77.8

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
Nine months ended	¥	¥
September 30, 2017	99.26	-
September 30, 2016	136.03	-

(2) Financial positions

	Total assets	Net assets	Ratio of equity to total assets
As of	¥ million	¥ million	%
September 30, 2017	4,370,296	1,257,294	21.9
December 31, 2016	4,374,356	1,156,720	20.0

Reference Shareholders' equity (Equity excluding non-controlling interests)

As of September 30, 2017: ¥958,540 million As of December 31, 2016: ¥873,792million

**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	2,720,000	2.6	201,000	1.5	178,000	1.2	71,000	(41.6)	103.78

Note: 1. Revision of the forecast from recently announced figures: Yes

2. % figures represent change from previous fiscal year.

Reference: Income before amortization of goodwill and others

269,000	1.8	246,000	1.6	126,500	(27.9)
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Operating Results

1. Overview of the first nine months of the current fiscal year

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 first nine months of the fiscal year under review, net sales increased by 2.9% from the same period of last year to 2.023 trillion yen, operating income by 5.0% to 156.4 billion yen, and ordinary income by 5.6% to 139.2 billion yen, while net income attributable to owners of parent decreased by 26.9% to 68 billion yen. When calculations exclude amortization of goodwill and others, operating income increased by 4.6% to 208 billion yen, and ordinary income by 5.0% to 190.8 billion yen, while net income attributable to owners of parent decreased by 17.6% to 110.2 billion yen.

<Non-Alcoholic Beverages and Food Segment>

Suntory Beverage & Food Limited focused on strengthening brands and creating new demand while also leveraging the expertise of each group 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.

In Japan, the Company aimed to create new demand by offering products with new value, in addition to strengthening core brands, resulting in sales volume exceeding the level of the same period of the previous year. The *Suntory Tennensui* brand’s characteristics of “clear and refreshing” and “natural and healthy” were promoted as its unique value, and flagship mineral water *Suntory Tennensui* continued to perform favorably, while a contribution to sales was also made by *Suntory Tennensui PREMIUM MORNING TEA Lemon*, and the brand’s overall sales volume grew significantly year on year. The *BOSS* brand continued to focus on promoting its flagship products, and *Pride of BOSS* was launched in September to commemorate the 25th anniversary of the brand’s launch. In addition, *Craft BOSS Black* in plastic bottles, which was released in April, has performed strongly, and the brand’s overall sales volume grew year on year. Sales for the *Iyemon* brand exceeded the same period of the previous year due to product renewal in March and active marketing operations. *Suntory Oolong Tea* was renewed in May, and sales volumes grew year on year. In FOSHU products, the Company worked to attract new consumers by such means as the release of *Suntory Tokucha Jasmine* in June. In the vending machine operation business, the focus continued to be on corporate sales. Attempts were made to capture office beverage demand through sales of canned and plastic bottled products exclusive to vending machines and the introduction of various machines, including cup coffee machines and tea servers.

In Europe, the Company conducted proactive marketing, primarily for key brands. In France, the

focus was on small format products, and *Orangina* and *Oasis* sales surpassed those of the previous year. Sales were also strong for *May Tea*. In the UK, sales of *Lucozade Sport* trended favorably, but the brand sales volume decreased year on year. In Spain, the focus on the on-premise channel continued, and *Schweppes* sales were strong. In Africa, the Group worked to develop a business base with a focus on Nigeria.

In Asia, the Company promoted strengthening our flagship brands as well as sales and distribution systems in each country. The soft drinks business actively conducted marketing activities for *Sting* and *TEA+* in Vietnam, and sales increased year on year. Sales of *Okky* were strong in Indonesia. In the health food business, sales of *BRAND'S Essence of Chicken* in the key market of Thailand grew.

In Oceania, the Company worked to expand sales primarily for key brands. In New Zealand, the Group implemented measures such as introducing new flavors, primarily for *V* and *Just Juice*. The Group worked to increase sales in Australia by introducing new flavors for *V* and strengthening sales promotions at stores for *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 including water and coffee beverages.

As a result of the above, net sales for the Non - Alcoholic Beverages and Food Segment increased 2.9% year on year to 1.089 trillion yen, while operating income increased by 3.3% to 92.6 billion yen.

<Alcoholic Beverages Segment>

Comparable sales for Beam Suntory Inc. increased at a mid-single-digit rate for the first three quarters of 2017. The *Jim Beam* and *Maker's Mark* bourbon brands grew case volumes at a double-digit rate globally. *Jim Beam's* performance was led by strong consumer demand for the core white label expression, with even faster growth for premium *Jim Beam Black* plus excellent initial results for new *Jim Beam Vanilla*. *Hornitos* tequila continued its strong growth, and the company's super-premium bourbons, *Sipsmith* gin, and *-196°C Strong Zero* ready-to-drink products grew volumes at double-digit rates globally. Beam Suntory's sales performance was geographically broad-based, led by market share gains in both the United States and Japan. The United States delivered mid-single-digit sales growth, sales in Europe grew at a high-single-digit rate, and the emerging markets of Asia were up at a double-digit rate. The company's Japan business (Suntory Spirits Limited) saw 5% year on year growth in sales. Among whiskies, strategic brands *Jim Beam* and *Torys* (Classic) each delivered strong growth. *Jim Beam* in Japan accelerated marketing activities behind the Beam Highball both on-premise and in the ready-to-drink format. *Hibiki 21 years old* earned further acclaim as the Supreme Champion Spirit at the International Spirits Challenge 2017. RTD beverages grew case volumes 11%. *-196°C Strong Zero* continued its rapid growth as consumers

increasingly pair the refreshing brand with food. In addition, *Kokushibori Premium* and canned highball products grew significantly.

Suntory Beer Limited sales outperformed both the market and the previous year even as the overall market*¹ is estimated to be down about 2% year on year. In particular, between the months of July and September, which include the summer demand season, the overall market is estimated to be down about 4% year on year due to the impact of new transaction standards going into effect and unseasonable weather nation-wide, but the Company's sales grew 1%, greatly surpassing the market.

At 2% growth, the *Premium Malt's* brand greatly outperformed the beer market, which is estimated to be down about 3% year on year. In particular, during the summer, a marketing campaign was conducted where consumers were actively encouraged to drink the product out of a glass to truly experience the unique overflowing flowery aroma and rich flavor. The market for new genre beers is estimated to be down year on year, but as a result of aggressive marketing for the flagship *Kinmugi* brand and the new product *Itadaki**² released in July, sales were up 4% year on year for the highest sales volume ever for the first nine month period of the year. *All Free* brand promotional activities drew on its appeal as a light and refreshing alcohol-free beer-type beverages, and efforts were made to expand the customer base.

*1. Including alcohol-free beer-type beverages

*2. In comparisons of original wort extract concentration, alcohol percentage and carbon dioxide concentration (comparison with the Company's liqueur [effervescent] 1 [excluding limited edition items])

Suntory Wine International Limited's sales were higher year on year. In Japan, sales volume of the *Sankaboshizai Mutenka* brand were up 16% year on year. New imported wine products *Dark Horse* and *Santa Premium* were introduced to the mid-high value products, which performed well.

As a result of the above, net sales for the Alcoholic Beverages Segment were 739 billion yen, up 3.9% year on year, and operating income was 65.2 billion yen, up 8.5% year on year.

<Other Businesses Segment>

For Suntory Wellness Limited, the *Sesamin* series and other products posted strong net sales, growing 8% year on year. At Haagen-Dazs Japan, Inc., sales were up 8% year on year thanks to strong sales of the vanilla flavor and other regular assortments of mini cups and limited-time-only 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 194.6 billion yen, down 0.9% year on year, and operating income of 27.6 billion yen, up 6.6% year on year.

In addition, domestic sales rose to 1.324 trillion yen, up 1.9% year on year, and overseas sales came to 698.6 billion yen, up 4.9% year on year. Overseas net sales, excluding the effects of the forex rate, increased by 2.1% year on year.

Furthermore, the overseas share of net sales was 34.5% and the overseas share of operating income before amortization of goodwill and others was 47.8%.

Since our very inception, Suntory has aggressively pursued interests 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." Moreover, under the corporate tagline of "SUNTORY Follow Your Nature," we have been engaged in various activities aimed at coexistence with society and nature.

Our reconstruction support activities for the Kumamoto earthquakes have reached a cumulative 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, the Suntory Group's Sustainable Water Philosophy was formulated in January of this year as the basic principles when conducting activities involving water. In Japan, we continue to work on the Suntory Natural Water Sanctuaries, by which we have cultivated water resources covering approximately 9,000 hectares. We are also engaged in activities based on local conditions overseas, including an education program on water for the next generation in Vietnam and water source conservation activities in the US and France. Additionally, based on our original 2R+B strategy^{*3} for plastic bottle development, we are working on lighter packaging materials and are continuing recycling activities through a bottle to bottle mechanical recycling system^{*4}, which is the first of its kind to be developed in the domestic beverage industry. Moreover, we are promoting environmental management, including becoming the first domestic beverage manufacturer to obtain FSC-COC Certification, an international forest management certification, in May of this year.

*3 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.

*4 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 2.72 trillion yen (up 2.6% 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).

Considering the impact of foreign exchange, net sales were revised to 2.72 trillion yen, and in terms of income before amortization of goodwill and others, operating income was revised to 269 billion yen (up 1.8% year on year), ordinary income to 246 billion yen (up 1.6% year on year) and net income attributable to owners of parent to 126.5 billion yen (down 27.9% year on year).

Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2016	As of September 30, 2017	Change
ASSETS			
Current assets	1,267,103	1,297,721	30,617
Cash and deposits	353,157	329,031	(24,126)
Notes and accounts receivable - trade	368,858	393,669	24,811
Inventories	403,393	445,770	42,377
Other	143,058	131,184	(11,874)
Allowance for doubtful accounts	(1,363)	(1,934)	(570)
Non-current assets	3,106,737	3,071,811	(34,925)
Property, plant and equipment	640,821	651,900	11,079
Buildings and structures, net	183,282	187,021	3,738
Machinery, equipment and vehicles, net	236,052	247,692	11,639
Tools, furniture and fixtures, net	58,389	57,283	(1,106)
Land	100,444	101,130	686
Other	62,652	58,772	(3,879)
Intangible assets	2,274,426	2,226,161	(48,264)
Goodwill	1,012,334	973,804	(38,529)
Trademarks	1,180,264	1,174,910	(5,353)
Other	81,827	77,446	(4,381)
Investments and other assets	191,490	193,749	2,259
Investment securities	116,068	113,398	(2,670)
Other	76,635	80,839	4,203
Allowance for doubtful accounts	(1,214)	(487)	726
Deferred assets	515	763	248
TOTAL ASSETS	4,374,356	4,370,296	(4,059)

(Millions of yen)

	As of December 31, 2016	As of September 30, 2017	Change
LIABILITIES			
Current liabilities	1,002,217	1,011,024	8,806
Notes and accounts payable - trade	133,170	148,889	15,718
Electronically recorded obligations - operating	105,953	128,089	22,136
Short-term loans payable	193,179	254,063	60,884
Current portion of bonds	114,523	28,093	(86,429)
Accrued alcohol tax	51,434	49,024	(2,410)
Accrued consumption taxes	20,394	19,063	(1,331)
Income taxes payable	24,119	25,745	1,625
Accounts payable - other	150,922	158,878	7,955
Accrued expenses	87,590	80,097	(7,492)
Provision for bonuses	27,482	36,118	8,636
Other	93,447	82,960	(10,486)
Non-current liabilities	2,215,419	2,101,978	(113,440)
Bonds payable	327,935	360,300	32,365
Long-term loans payable	1,308,189	1,171,597	(136,592)
Deferred tax liabilities	429,873	432,307	2,433
Provision for directors' retirement benefits	1,090	1,151	60
Net defined benefit liability	35,341	35,573	231
Other	112,987	101,047	(11,939)
TOTAL LIABILITIES	3,217,636	3,113,002	(104,633)
NET ASSETS			
Shareholders' equity	895,287	955,722	60,434
Capital stock	70,000	70,000	-
Capital surplus	133,198	133,955	757
Retained earnings	693,688	752,774	59,085
Treasury stock	(1,598)	(1,006)	591
Accumulated Other Comprehensive Income	(21,495)	2,817	24,312
Valuation difference on available-for-sale securities	25,491	20,942	(4,549)
Deferred gains or losses on hedges	(2,257)	(2,723)	(466)
Foreign currency translation adjustment	(29,763)	(1,785)	27,978
Remeasurements of defined benefit plans	(14,966)	(13,616)	1,349
Non-controlling interests	282,927	298,754	15,826
TOTAL NET ASSETS	1,156,720	1,257,294	100,574
TOTAL LIABILITIES AND NET ASSETS	4,374,356	4,370,296	(4,059)

Consolidated Statements of Income

(Millions of yen)

	Nine months ended September 30, 2016	Nine months ended September 30, 2017	Change
Net sales	1,965,767	2,022,556	56,788
Cost of sales	927,828	941,376	13,547
Gross profit	1,037,939	1,081,179	43,240
Selling, general and administrative expenses	888,949	924,781	35,831
Operating income	148,989	156,398	7,409
Non-operating income	7,181	7,606	424
Interest income	795	1,144	348
Dividends income	609	747	138
Share of profit of entities accounted for using equity method	3,686	3,646	(40)
Miscellaneous income	2,089	2,067	(21)
Non-operating expenses	24,302	24,784	482
Interest expenses	20,579	19,841	(738)
Miscellaneous expenses	3,722	4,943	1,220
Ordinary income	131,869	139,220	7,351
Extraordinary income	17,805	19,415	1,610
Gain on sales of investment securities	195	16,121	15,925
Gain on transfer of business	8,364	-	(8,364)
Other	9,245	3,294	(5,950)
Extraordinary loss	19,419	10,083	(9,335)
Restructuring cost	3,984	3,745	(239)
Other	15,434	6,338	(9,096)
Income before income taxes	130,255	148,553	18,297
Income taxes	13,583	55,679	42,096
Net income	116,671	92,873	(23,798)
Net income attributable to non-controlling interests	23,630	24,884	1,254
Net income attributable to owners of parent	93,041	67,988	(25,053)

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 health food, ice cream, restaurants, flowers, China and other operations

2. Reportable segments

Nine months ended September 30, 2016

(Millions of yen)

	Beverage and Food	Alcoholic Beverage	Others	Total	Adjustment	Consolidated Total
Net sales						
Sales to customers	1,058,391	711,022	196,353	1,965,767	-	1,965,767
Inter-segment sales	7,426	3,458	7,258	18,143	(18,143)	-
Total sales	1,065,818	714,481	203,611	1,983,911	(18,143)	1,965,767
Segment income	89,665	60,087	25,922	175,676	(26,686)	148,989

Nine months ended September 30, 2017

(Millions of yen)

	Beverage and Food	Alcoholic Beverage	Others	Total	Adjustment	Consolidated Total
Net sales						
Sales to customers	1,088,960	738,967	194,628	2,022,556	-	2,022,556
Inter-segment sales	6,062	3,209	7,417	16,689	(16,689)	-
Total sales	1,095,022	742,177	202,045	2,039,245	(16,689)	2,022,556
Segment income	92,584	65,183	27,641	185,409	(29,010)	156,398

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.

Nine months ended September 30, 2016	(Millions of yen)
Adjustment on segment income (loss)	(26,686)
Corporate general and administrative expenses that are not attributable to any reportable segment	(26,736)
Inter-segment eliminations	50
Nine months ended September 30, 2017	(Millions of yen)
Adjustment on segment income (loss)	(29,010)
Corporate general and administrative expenses that are not attributable to any reportable segment	(29,065)
Inter-segment eliminations	54

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