Suntory Limited and Consolidated Subsidiaries

Financial Statements for the Years Ended December 31, 2008 and 2007, and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Suntory Limited

We have audited the accompanying consolidated balance sheets of Suntory Limited (the "Company") and consolidated subsidiaries (together, the "Group") as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Suntory Limited and consolidated subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2(c) to the consolidated financial statements, the Group adopted the Accounting Standards Board of Japan Statement No. 9 "Accounting Standard for Measurement of Inventories" in the year ended December 31, 2008.

As discussed in Note 2(f) to the consolidated financial statements, effective from the year ended December 31, 2008, the Company and its consolidated domestic subsidiaries producing foods or liquor adopted the straight-line method of depreciation for the property, plant and equipment, which previously, had been depreciated by the declining-balance method.

As discussed in Note 17 to the consolidated financial statements, Suntory Holdings Limited (the "Holding Company") was established on February 16, 2009, and the Company became a wholly owned subsidiary of the Holding Company.

As discussed in Note 17 to the consolidated financial statements, the divestiture of the Company was resolved at the extraordinary meeting of shareholders held on March 12, 2009.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

March 25, 2009

Member of
Deloitte Touche Tohmatsu

Suntory Limited and Consolidated Subsidiaries

Consolidated Balance Sheets
December 31, 2008 and 2007

ASSETS	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT ASSETS:			
Cash and bank deposits (Note 4)	¥ 156,206	¥ 189,786	$ 1,715,984
Short-term investments (Note 5)	1,151	1,627	12,644
Notes and accounts receivable:			
Trade	205,552	217,931	2,258,069
Unconsolidated subsidiaries and affiliates	37	374	406
Other	12,209	11,777	134,121
Allowance for doubtful accounts	(849)	(1,523)	(9,327)
Inventories (Note 6)	158,441	161,892	1,740,536
Deferred tax assets (Note 12)	17,701	16,298	194,452
Other current assets	25,817	25,273	283,610
Total current assets	576,265	623,435	6,330,495
PROPERTY, PLANT AND EQUIPMENT (Notes 7 and 8):			
Land	81,853	80,050	899,187
Buildings and structures	314,668	317,314	3,456,751
Machinery, equipment and other	555,307	562,678	6,100,264
Construction in progress	7,674	9,794	84,302
Total	959,502	969,836	10,540,504
Accumulated depreciation	(620,170)	(633,635)	(6,812,809)
Net property, plant and equipment	339,332	336,201	3,727,695
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries and affiliates	34,538	36,908	379,413
Investment securities (Note 5)	69,106	81,680	759,156
Long-term receivables	6,240	6,390	68,549
Long-term guarantee deposit	33,945	34,527	372,899
Goodwill	20,117	24,751	220,993
Other	72,221	73,690	793,376
Allowance for doubtful accounts	(5,611)	(6,172)	(61,639)
Total investments and other assets	230,556	251,774	2,532,747
TOTAL ASSETS	¥ 1,146,153	¥ 1,211,410	$ 12,590,937

LIABILITIES AND EQUITY	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Short-term debt (Note 8)	¥ 41,117	¥ 62,149	$ 451,686
Notes and accounts payable (Note 8):			
Trade	117,596	119,215	1,291,838
Unconsolidated subsidiaries and affiliates	348	103	3,823
Other	78,254	75,603	859,651
Current portion of long-term debt (Note 8)	33,684	29,596	370,032
Liquor tax and consumption taxes payable	45,779	44,722	502,900
Accrued income taxes (Note 12)	17,499	14,574	192,233
Accrued expenses	73,905	76,086	811,875
Other current liabilities	42,902	39,805	471,295
Total current liabilities	451,084	461,853	4,955,333
LONG-TERM LIABILITIES:			
Long-term debt (Note 8)	190,022	232,557	2,087,466
Liability for retirement benefits (Note 9)	13,349	11,087	146,644
Deferred tax liabilities (Note 12)	24,288	28,591	266,813
Long-term deposits payable	37,386	37,148	410,700
Other	8,193	7,737	90,003
Total long-term liabilities	273,238	317,120	3,001,626
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 15 and 16)			
EQUITY (Notes 10 and 17):			
Common stock, Authorized - 1,305,600,000 shares, and Issued - 687,136,196 shares in 2008 and 2007	30,000	30,000	329,562
Capital surplus	5,511	5,511	60,540
Stock acquisition rights	13	9	143
Retained earnings	370,331	341,699	4,068,230
Unrealized gain on available-for-sale securities	14,805	24,133	162,639
Deferred loss on derivatives under hedge accounting	(3,465)	(726)	(38,064)
Foreign currency translation adjustments	(23,418)	380	(257,256)
Total	393,777	401,006	4,325,794
Minority interests	28,054	31,431	308,184
Total equity	421,831	432,437	4,633,978
TOTAL LIABILITIES AND EQUITY	¥ 1,146,153	¥ 1,211,410	$ 12,590,937

The accompanying notes are an integral part of these statements.

Suntory Limited and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended December 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES	¥ 1,512,961	¥ 1,494,833	$ 16,620,466
COST OF SALES	797,458	787,616	8,760,387
Gross profit	715,503	707,217	7,860,079
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	634,199	631,948	6,966,923
Operating income	81,304	75,269	893,156
OTHER INCOME (EXPENSES):			
Interest and dividend income	4,405	6,238	48,391
Interest expense	(5,940)	(6,416)	(65,253)
Foreign currency exchange gain	-	1,189	-
Foreign currency exchange loss	(1,550)	-	(17,027)
Impairment loss (Note 7)	(1,204)	(3,664)	(13,226)
Other, net	(6,350)	(6,731)	(69,758)
Other income (expenses), net	(10,639)	(9,384)	(116,873)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	70,665	65,885	776,283
INCOME TAXES (Note 12):			
Current	30,164	26,764	331,364
Deferred	1,434	6,022	15,753
Total income taxes	31,598	32,786	347,117
INCOME BEFORE MINORITY INTERESTS	39,067	33,099	429,166
MINORITY INTERESTS IN NET INCOME	6,999	9,025	76,887
NET INCOME	¥ 32,068	¥ 24,074	$ 352,279

	Yen		U.S. Dollars (Note 1)
	2008	2007	2008
AMOUNTS PER SHARE:			
Net income - Basic	¥46.67	¥35.04	$0.513
Net income - Diluted	46.66	35.02	0.513
Cash dividends	6.00	5.00	0.066

The accompanying notes are an integral part of these statements.

Suntory Limited and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended December 31, 2008 and 2007

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT JANUARY 1, 2007	687,136	¥ 30,000	¥ 5,511	¥ -	¥ 318,621	¥ 29,336	¥ (863)	¥ (1,205)	¥ 381,400	¥ 30,525	¥ 411,925
Net income					24,074				24,074		24,074
Cash dividends, ¥4 per share					(2,749)				(2,749)		(2,749)
Adjustments for minimum pension liabilities of overseas consolidated subsidiaries					1,776				1,776		1,776
Decrease in retained earnings of newly affiliated companies					(27)				(27)		(27)
Increase due to revaluation of assets of overseas consolidated subsidiaries					4				4		4
Net change in the year				9		(5,203)	137	1,585	(3,472)	906	(2,566)
BALANCE AT DECEMBER 31, 2007	687,136	30,000	5,511	9	341,699	24,133	(726)	380	401,006	31,431	432,437
Net income					32,068				32,068		32,068
Cash dividends, ¥5 per share					(3,436)				(3,436)		(3,436)
Net change in the year				4		(9,328)	(2,739)	(23,798)	(35,861)	(3,377)	(39,238)
BALANCE AT DECEMBER 31, 2008	687,136	¥ 30,000	¥ 5,511	¥ 13	¥ 370,331	¥ 14,805	¥ (3,465)	¥ (23,418)	¥ 393,777	¥ 28,054	¥ 421,831

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE AT DECEMBER 31, 2007	$329,562	$ 60,540	$ 99	$ 3,753,697	$ 265,110	$ (7,975)	$ 4,174	$ 4,405,207	$ 345,282	$ 4,750,489
Net income				352,279				352,279		352,279
Cash dividends, $0.055 per share				(37,746)				(37,746)		(37,746)
Net change in the year			44		(102,471)	(30,089)	(261,430)	(393,946)	(37,098)	(431,044)
BALANCE AT DECEMBER 31, 2008	$329,562	$ 60,540	$ 143	$ 4,068,230	$ 162,639	$ (38,064)	$ (257,256)	$ 4,325,794	$ 308,184	$ 4,633,978

The accompanying notes are an integral part of these statements.

Suntory Limited and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 70,665	¥ 65,885	$ 776,283
Adjustments for:			
Depreciation and amortization	37,555	46,130	412,555
Impairment loss	1,204	3,664	13,226
Net loss on sales and evaluation of investments securities and other investments	161	858	1,769
Loss on sales and disposal of tangible fixed assets	4,530	5,490	49,764
Gain on sales and disposal of tangible fixed assets	(2,740)	(2,608)	(30,100)
Decrease (increase) in notes and accounts receivable - trade	8,757	(10,072)	96,199
Decrease (increase) in inventories	(5,405)	846	(59,376)
Increase (decrease) in notes and accounts payable - trade	394	3,486	4,328
Increase (decrease) in liquor tax and consumption tax payable	1,089	(661)	11,963
Decrease (increase) in interest and dividend receivable	1,190	916	13,073
Increase (decrease) in interest payable	(183)	22	(2,010)
Income taxes paid	(27,867)	(15,238)	(306,130)
Other, net	(720)	4,403	(7,909)
Net cash provided by operating activities	88,630	103,121	973,635
INVESTING ACTIVITIES:			
Payments for purchases of short-term investments	(1,610)	(2,750)	(17,686)
Proceeds from sales of short-term investments	2,053	3,859	22,553
Net decrease (increase) in short-term receivables	340	496	3,735
Proceeds from loan collection	34	35	374
Payments for purchases of property, plant and equipment	(54,716)	(62,128)	(601,077)
Proceeds from sales of property, plant and equipment	8,353	18,201	91,761
Payments for purchases of investment securities	(4,706)	(5,695)	(51,697)
Proceeds from sales of investment securities	178	20,137	1,955
Other, net	(4,838)	(334)	(53,147)
Net cash used in investing activities	(54,912)	(28,179)	(603,229)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term debt	(21,195)	871	(232,835)
Proceeds from long-term debt	1,286	5,002	14,127
Payments of long-term debt	(35,076)	(40,419)	(385,324)
Proceeds from repayments of sub-participation loan	1,452	2,631	15,951
Proceeds from bonds	6,369	4,495	69,966
Redemption of bonds	(5,640)	(6,007)	(61,958)
Cash dividends	(3,436)	(2,749)	(37,746)
Cash dividends to minority shareholders	(6,351)	(8,239)	(69,768)
Other, net	66	55	725
Net cash used in financing activities	(62,525)	(44,360)	(686,862)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(4,765)	157	(52,346)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,572)	30,739	(368,802)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	189,754	159,015	2,084,522
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 4)	¥ 156,182	¥ 189,754	$ 1,715,720

The accompanying notes are an integral part of these statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 consolidated financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Suntory Limited (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥91.03 to $1, the exchange rate at December 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation - The consolidated financial statements as of December 31, 2008 include the accounts of the Company and its 123 significant (124 in 2007) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (1 in 2007) unconsolidated subsidiary and 11 (9 in 2007) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition are being amortized over a period of 5 years, or if immaterial, are charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) ***Cash and Cash Equivalents*** - Cash and cash equivalents include cash on hand, deposits in banks (including time deposits), and assets purchased under agreements to resell. The Group considers all time deposits with an original maturity of six months or less to be cash equivalents. Generally, such time deposits can be withdrawn at any time without penalty or diminution of the principal amount.

The Group reviewed the actual cash management activities and changed the scope of short term investments, which were included in cash and cash equivalents, to within six months from the acquisition date to the redemption date, which previously was within one year from the acquisition date to the redemption date.

The effect of this change was to decrease net cash used in investing activities, net increase (decrease) in cash and cash equivalents, and cash and cash equivalents, end of year, for the year ended December 31, 2008 by ¥3 million ($33 thousand).

(c) ***Inventories*** - Prior to January 1, 2008, the Company's inventories were primary stated at cost, determined by the average method. On July 5, 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

The Company adopted the new accounting standard for measurement of inventories in the year ended December 31, 2008. As a result of this adoption, the Company recorded a loss on disposal of certain inventories of ¥2,331 million ($25,607 thousand) in cost of sales, which had been previously included in other expenses, and also recognized loss on inventory write-down of ¥1,722 million ($18,917 thousand) which was attributable to the year ended December 31, 2007, as other expenses for the year ended December 31, 2008.

The effect of this adoption of the new accounting standard was to decrease operating income, income before income taxes and minority interests and net income by ¥2,500 million, ($27,463 thousand), ¥168 million ($1,846 thousand) and ¥1,891 million ($20,773 thousand), respectively for the year ended December 31, 2008.

(d) ***Short-term Investments and Investment Securities*** - Short-term investments and investment securities are classified and accounted for, depending on management's intent, as either (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost or (2) available-for-sale securities, which are not classified as either of trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by charging to income.

(e) ***Allowance for Doubtful Accounts*** - The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(f) ***Property, Plant and Equipment*** - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is mainly computed by the straight-line method. The range of useful lives is principally from 3 to 50 years for buildings and structures and from 2 to 17 years for machinery, equipment and others.

Effective January 1, 2008, the Company and its consolidated domestic subsidiaries producing foods or liquor adopted the straight-line method of depreciation for the property, plant and equipment, which previously, had been depreciated by the declining-balance method. During the year ended December 31, 2008, considering the recent increase of finance lease transactions that aim for stabilization of cash out flows, the Company and its consolidated domestic subsidiaries reviewed performance of their major past capital expenditure, and concluded that the plant and equipment of the Company and its domestic subsidiaries producing foods or liquor are utilized constantly over a long-term period, that the obsolescence risk of machinery and equipment, which are major among the facilities, is low, and that the maintenance costs, such as repair, are expected to be incurred constantly over long-term usage. As a result, the companies decided to allocate depreciation cost evenly over useful life to withdraw invested capital constantly and provide a more appropriate matching of revenue and expenses.

The effects of this change were to decrease depreciation by ¥7,520 million, ($82,610 thousand), operating income by ¥7,161 million ($78,666 thousand) and income before income taxes and minority interests as well as net income by ¥7,214 million ($79,249 thousand), respectively for the year ended December 31, 2008.

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried in previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised corporate tax law, which is effective for fiscal years beginning on and after April 1, 2007.

The effect of this treatment was to decrease operating income by ¥2,327 million ($25,563 thousand) and income before income taxes and minority interests as well as net income by ¥2,360 million ($25,926 thousand) for the year ended December 31, 2008.

(g) Long-lived Assets - The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(h) Retirement and Pension Plans - Under the terms of retirement plans of the Company and its domestic consolidated subsidiaries, substantially all employees are entitled to lump-sum payments at the time of retirement. The amount of the retirement benefit is, in general, based on the length of service, basic salary at the time of retirement and cause of retirement. Directors and corporate auditors of the Company and its domestic subsidiaries and directors of certain foreign subsidiaries, when they retire, are also qualified to receive lump-sum payments based on the companies' policies. Retirement allowances for directors and corporate auditors at December 31, 2008 and 2007 were ¥3,584 million ($39,372 thousand) and ¥1,890 million, respectively.

The Company resolved to terminate the retirement allowance plan for directors and corporate auditors at the board of directors held on February 12, 2009 and to pay retirement benefits for directors and corporate auditors at an extraordinary meeting of shareholders held on March 12, 2009.

Unrecognized prior service cost are amortized by the straight-line method over the period of 10 to 15 years which are shorter than the average remaining years of service of the employees.

Unrecognized actuarial differences are amortized in the years following the year in which the gain or loss is recognized primarily by the straight-line method over the period of 5 to 15 years which are shorter than the average remaining years of service of the employees.

(i) ***Research and Development Costs*** - Research and development costs are charged to income as incurred.

(j) ***Leases*** - Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. All other leases are accounted for as operating leases.

(k) ***Income Taxes*** - The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(l) ***Foreign Currency Transactions*** - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

(m) ***Foreign Currency Financial Statements*** - The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

(n) ***Derivatives and Hedge Activities*** - The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange, interest rates, and commodity prices. These derivative financial instruments are utilized by the Group to reduce foreign currency exchange, interest rate and commodity price volatility risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts employed to hedge foreign exchange exposures for import purchases are measured at the fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate swaps, except for certain swaps described below, which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity. Those swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

The commodity forward contracts which qualified for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

(o) ***Per Share Information*** - Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if stock acquisition rights were exercised.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. ACCOUNTING CHANGE

Prior to January 1, 2008, unused portion of the Group's gift certificates, which recorded as deposit received, was systematically amortized over four years and recorded in income in accordance with the Japanese Corporate Tax Law. Effective January 1, 2008, the Group estimated customers' future usages of such gift certificates based on a past usage rate by the customers at the balance sheet date and recognized the estimated amount as long-term liability in accordance with a Report of the Auditing and Assurance Practice Committee, "Auditing Treatments for Reserves under the Special Taxation Measurement Law, Reserves under Special Taxation Laws and Retirement Benefits to Directors and Corporate Auditors", which was issued by the Japanese Institute of Certified Public Accountants on April 13, 2007 and is effective for fiscal years beginning on or after April 1, 2007.

The effect of this change was to decrease income before income taxes and minority interests for the year ended December 31, 2008 by ¥590 million ($6,481 thousand).

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Cash and bank deposits	¥ 156,206	¥ 189,786	$ 1,715,984
Deposit with original maturity of over a year	-	(32)	-
Deposit with original maturity of over six months	(24)	-	(264)
Cash and cash equivalents	¥ 156,182	¥ 189,754	$ 1,715,720

5. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of December 31, 2008 and 2007 consisted of the following:

	Millions of Yen					
	2008			2007		
	Carrying Amounts	Market Value	Unrealized Gain (Loss)	Carrying Amounts	Market Value	Unrealized Gain (Loss)
Held-to-maturity:						
Carrying amounts exceeds their acquisition cost:						
Government bonds	¥ 10	¥ 10	¥ 0	¥ -	¥ -	¥ -
Corporate bonds	-	-	-	620	620	0
Subtotal	10	10	0	620	620	0
Acquisition cost exceeds their carrying amounts:						
Government bonds	-	-	-	10	10	(0)
Corporate bonds	1,103	1,076	(27)	1,007	1,003	(4)
Subtotal	1,103	1,076	(27)	1,017	1,013	(4)
Total	¥ 1,113	¥ 1,086	¥ (27)	¥ 1,637	¥ 1,633	¥ (4)

	Millions of Yen					
	2008			2007		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Available-for-sale security:						
Carrying amounts exceeds their acquisition cost:						
Equity securities	¥ 25,163	¥ 50,125	¥ 24,962	¥ 27,253	¥ 65,817	¥ 38,564
Acquisition cost exceeds their carrying amounts:						
Equity securities	5,717	4,568	(1,149)	1,633	1,449	(184)
Total	¥ 30,880	¥ 54,693	¥ 23,813	¥ 28,886	¥ 67,266	¥ 38,380

	Thousands of U.S. Dollars		
	2008		
	Carrying Amounts	Market Value	Unrealized Gain (Loss)
Held-to-maturity:			
Carrying amounts exceeds their acquisition cost:			
Government bonds	$ 110	$ 110	$ 0
Corporate bonds	-	-	-
Subtotal	110	110	0
Acquisition cost exceeds their carrying amounts:			
Government bonds	-	-	-
Corporate bonds	12,117	11,820	(297)
Subtotal	12,117	11,820	(297)
Total	$ 12,227	$ 11,930	$ (297)

	Thousands of U.S. Dollars		
	2008		
	Acquisition Cost	Carrying Amounts	Unrealized Gain (Loss)
Available-for-sale security:			
Carrying amounts exceeds their acquisition cost:			
Equity securities	$ 276,425	$ 550,643	$ 274,217
Acquisition cost exceeds their carrying amounts:			
Equity securities	62,803	50,181	(12,622)
Total	$ 339,228	$ 600,824	$ 261,595

Sales of securities classified as available-for-sale security:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Amount sold	¥ 178	¥ 111	$ 1,955
Total gain on sale	146	43	1,604
Total loss on sale	3	3	33

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of December 31, 2008 and 2007 were as follows:

	Carrying Amounts		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities	¥ 13,839	¥ 13,630	¥ 152,027
Debt securities	73	53	802
Investments in limited partnerships	539	720	5,921
Total	¥ 14,451	¥ 14,403	¥ 158,750

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at December 31, 2008 and 2007 are as follows:

	Millions of Yen			
	2008		2007	
	Due in One Year or Less	Due after One Year through Five Years	Due in One Year or Less	Due after One Year through Five Years
Government bonds	¥ -	¥ 10	¥ -	¥ 10
Corporate bonds	1,151	15	1,627	53
Total	¥ 1,151	¥ 25	¥ 1,627	¥ 63

	Thousands of U.S. Dollars	
	2008	
	Due in One Year or Less	Due after One Year through Five Years
Government bonds	$ -	$ 110
Corporate bonds	12,644	165
Total	$ 12,644	$ 275

6. INVENTORIES

Inventories at December 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Finished products	¥ 61,506	¥ 60,334	$ 675,667
Half-finished products	82,881	90,172	910,480
Raw materials and supplies	14,054	11,386	154,389
Total	¥ 158,441	¥ 161,892	$ 1,740,536

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment for the year ended December 31, 2008 and, as a result, recognized an impairment loss of ¥1,204 million ($13,226 thousand) as other expense for certain rental assets, unused assets, business property groups and the carrying amounts of the relevant assets were written down to recoverable amounts. The details are as follows:

Location	Use	Type
Ora-gun in Gunma, Other 10 locations	Idle asset	Machinery, equipment and others
Chuuo-ku in Osaka, Other 46 locations	Industrial asset (Food service, etc.)	Buildings and structures, etc.
Shinjyuku-ku in Tokyo	Industrial asset (office)	Buildings and structures, etc.

The recoverable amounts of these asset groups were the higher of the discounted cash flows from the continued use and eventual disposition of the assets or the net selling price at disposition. The discount rates used for computation of present values of future cash flows were from 4 to 5%.

The Group reviewed its long-lived assets for impairment for the year ended December 31, 2007 and, as a result, recognized an impairment loss of ¥3,664 million as other expense for certain unused assets, business property groups and the carrying amounts of the relevant assets were written down to recoverable amounts. The details are as follows:

Location	Use	Type
Fuchu City in Tokyo, Other 19 locations	Idle asset	Machinery, equipment and others
Sapporo City in Hokkaido, Other 51 locations	Industrial asset (Food service, etc.)	Buildings and structures, etc.

The recoverable amounts of these asset groups were the higher of the discounted cash flows from the continued use and eventual disposition of the assets or the net selling price at disposition. The discount rates used for computation of present values of future cash flows were from 4 to 5%.

8. SHORT-TERM AND LONG-TERM DEBT

The annual average interest rates applicable to short-term debt at December 31, 2008 and 2007 were 2.35% and 2.18%, respectively.

Long-term debt at December 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Publicly-offered corporate bonds, due 2009 through 2014, within rates of 1.16% to 2.75%	¥ 59,000	¥ 59,000	$ 648,138
Euro yen bonds, due 2008 through 2023, within rates of 0.00% to 4.00%	32,105	35,293	352,686
Unsecured corporate bonds, due 2008 through 2011, within rates of 0.81% to 1.96%	378	-	4,152
Loans from banks and other institutions, due through 2018 with:			
Collateralized	13,032	15,309	143,162
Unsecured	119,191	152,551	1,309,360
Total	223,706	262,153	2,457,498
Less, current portion	33,684	29,596	370,032
Long-term debt, less current portion	¥ 190,022	¥ 232,557	$ 2,087,466

Annual maturities of long-term debt at December 31, 2008 were as follows:

Year Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 33,684	$ 370,032
2010	50,352	553,137
2011	33,852	371,877
2012	21,404	235,131
2013 and thereafter	84,414	927,321
Total	¥ 223,706	$ 2,457,498

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥1,024 million ($11,249 thousand), the above collateralized long-term debt of ¥13,032 million ($143,162 thousand) and trade notes and accounts payable of ¥426 million ($4,680 thousand) at December 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment - net of accumulated depreciation	¥ 20,676	$ 227,134
Others	1,180	12,963
Total	¥ 21,856	$ 240,097

9. RETIREMENT AND PENSION PLANS

The liability for employees' retirement benefits at December 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥ (97,477)	¥ (100,646)	$ (1,070,823)
Fair value of plan assets	87,594	108,371	962,254
Unfounded retirement benefit obligation	(9,883)	7,725	(108,569)
Unrecognized actuarial gain	26,455	9,379	290,618
Unrecognized prior service cost	(6,443)	(7,075)	(70,779)
Prepaid pension cost	(19,894)	(19,226)	(218,542)
Net liability	¥ (9,765)	¥ (9,197)	$ (107,272)

The components of net periodic benefit costs for the years ended December 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥ 6,191	¥ 5,495	$ 68,011
Interest cost	2,205	2,122	24,223
Expected return on plan assets	(2,281)	(2,262)	(25,058)
Amortization of actuarial gain	980	689	10,766
Amortization of prior service cost	(562)	(565)	(6,174)
Net periodic benefit costs	6,533	5,479	71,768
Loss on transfer to a defined contribution pension plan	-	122	-
Total	¥ 6,533	¥ 5,601	$ 71,768

Assumptions used for the years ended December 31, 2008 and 2007 are set forth as follows:

	2008	2007
Discount rate	1.5 - 2.5%	1.5 - 2.5%
Expected return on assets	0 - 3.0%	0 - 3.0%
Recognition period of prior service cost	10 - 15 years	11 - 15 years
Recognition period of actuarial gain	5 - 15 years	5 - 15 years

10. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. STOCK OPTION PLANS

The stock options outstanding as of December 31, 2008 is as follows:

	2000 Plan	2001 Plan	2002 Plan
Grantees	2 directors and 80 employees of a subsidiary	2 directors and 81 employees of a subsidiary	2 directors and 73 employees of a subsidiary
Type of stock	Common stock	Common stock	Common stock
Number of shares granted	990,000	1,450,000	1,108,000
Exercise price (Singapore dollars)	2.54	2.54	1.72
Exercisable period	March 23, 2002 - March 22, 2010	March 19, 2003 - March 18, 2011	March 28, 2004 - March 27, 2012
Non-vested (number of shares):			
Outstanding at the beginning of the year	-	-	-
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Vested during the year	-	-	-
Outstanding at the end of the year	-	-	-
Vested (number of shares):			
Outstanding at the beginning of the year	242,000	322,000	92,000
Vested during the year	-	-	-
Exercised during the year	(64,000)	(12,000)	(40,000)
Forfeited during the year	-	-	-
Outstanding at the end of the year	178,000	322,000	52,000
Weighted-average market price (Singapore dollars)	4.16	3.68	3.49

	2004 Plan	2006 Plan	2007 Plan	2008 Plan
Grantees	2 directors and 5 employees of a subsidiary	3 directors and 14 employees of a subsidiary	3 directors and 19 employees of a subsidiary	3 directors and 24 employees of a subsidiary
Type of stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted	569,000	543,000	639,000	766,000
Exercise price (Singapore dollars)	3.04	3.20	3.45	3.83
Exercisable period	March 18, 2006 - March 17, 2014	December 16, 2007 - December 15, 2015	December 22, 2008 - December 22, 2016	March 17, 2010 - March 16, 2018
Non-vested (number of shares):				
Outstanding at the beginning of the year	-	535,000	-	-
Granted during the year	-	-	639,000	766,000
Forfeited during the year	-	-	(13,000)	(14,000)
Vested during the year	-	(535,000)	-	-
Outstanding at the end of the year	-	-	626,000	752,000
Vested (number of shares):				
Outstanding at the beginning of the year	364,000	-	-	-
Vested during the year	-	535,000	-	-
Exercised during the year	(56,000)	(151,000)	-	-
Forfeited during the year	-	(12,000)	-	-
Outstanding at the end of the year	308,000	372,000	-	-
Weighted-average market price (Singapore dollars)	3.84	4.22	-	-

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% for the years ended December 31, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at December 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Accrued expenses	¥ 6,739	¥ 7,641	$ 74,030
Temporary differences in investments in subsidiaries	6,263	6,403	68,801
Impairment loss	3,442	4,704	37,812
Pension liabilities	3,247	3,646	35,670
Unrealized profit	3,085	3,195	33,890
Inventories	2,774	1	30,473
Operating loss carryforwards	2,625	3,159	28,837
Depreciation	2,246	2,623	24,673
Other	14,186	12,856	155,838
Total gross deferred tax assets	44,607	44,228	490,024
Valuation allowance	(10,128)	(11,681)	(111,260)
Net deferred tax assets	34,479	32,547	378,764
Deferred tax liabilities:			
Net unrealized holding gains on securities	(9,132)	(14,236)	(100,319)
Prepaid pension cost	(7,736)	(7,573)	(84,983)
Undistributed earnings of associated companies	(4,399)	(4,597)	(48,325)
Other	(13,281)	(12,746)	(145,896)
Total gross deferred tax liabilities	(34,548)	(39,152)	(379,523)
Net deferred tax liabilities	¥ (69)	¥ (6,605)	$ (759)

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended December 31, 2008 and 2007 were as follows:

	2008	2007
Nomal effective statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	2.9	2.5
Tax benefits not recognized on operating losses of subsidiaries	2.7	2.9
Valuation allowance	0.1	5.3
Other	(1.6)	(1.5)
Actual effective tax rate	44.7%	49.8%

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥15,760 million ($173,130 thousand) and ¥15,449 million for the years ended December 31, 2008 and 2007, respectively.

14. LEASE TRANSACTIONS

The Group leases certain machinery, computer equipment, office space and other assets. Total rental expenses including lease payments under finance leases for the years ended December 31, 2008 and 2007 amounted to ¥11,266 million ($123,758 thousand) and ¥8,319 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended December 31, 2008 and 2007 was as follows:

	Machinery, Equipment and Other		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Acquisition cost	¥ 75,074	¥ 67,338	$ 824,717
Accumulated depreciation	(20,067)	(13,765)	(220,444)
Accumulated impairment loss	(198)	(218)	(2,175)
Net leased property	¥ 54,809	¥ 53,355	$ 602,098

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 10,476	¥ 8,804	$ 115,083
Due after one year	45,104	45,234	495,485
Total	¥ 55,580	¥ 54,038	$ 610,568
Allowance for impairment loss on leased assets	¥68	¥175	$747

Depreciation expense, interest expense and other information under finance leases for the years ended December 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation expense	¥ 10,174	¥ 7,326	$ 111,765
Interest expense	1,178	1,117	12,941
Reversal of allowance for impairment loss on leased property	110	48	1,208
Impairment loss	4	160	44

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at December 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 5,113	¥ 7,765	$ 56,168
Due after one year	16,752	16,264	184,028
Total	¥ 21,865	¥ 24,029	$ 240,196

15. DERIVATIVES AND HEDGING ACTIVITIES

Derivative financial instruments are utilized by the Group principally to reduce interest rate and foreign exchange rate risks. The Group has established control environment policies, which include procedures for risk assessment for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts, swap agreements and commodity forward contracts. The Group is also exposed to the risk of credit loss in the event of nonperformance by the counterparties to the currency and interest and commodity price; however, the Group does not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

At December 31, 2008 and 2007, the foreign currency forward exchange contracts outstanding were as follows:

	Millions of Yen					
	2008			2007		
	National Amount	Market Value	Unrealized Gain (Loss)	National Amount	Market Value	Unrealized Gain (Loss)
Foreign currency forward exchange contracts to:						
Buy:						
USD	¥ 751	¥ 738	¥ (13)	¥ 2,873	¥ 2,818	¥ (55)
EUR	4,921	4,462	(459)	11,227	11,372	145
GBP	893	798	(95)	1,866	1,791	(75)
Other	97	95	(2)	165	167	2
Sell:						
USD	82	83	(1)	873	854	19
THB	424	429	(5)	-	-	-
Other	9	9	(0)	56	57	(1)
Options:						
Call options, purchased:						
USD	-			244		
Premium	-	-	-	4	0	(4)
EUR	1,210			6,662		
Premium	18	81	63	127	180	53
GBP	-			593		
Premium	-	-	-	8	0	(8)
Call options, sold:						
EUR	-			2,754		
Premium	-	-	-	40	83	43

	Thousands of U.S. Dollars		
	2008		
	National Amount	Market Value	Unrealized Gain (Loss)
Foreign currency forward exchange contracts to:			
Buy:			
USD	$ 8,250	$ 8,107	$ (143)
EUR	54,059	49,017	(5,042)
GBP	9,810	8,766	(1,044)
Other	1,066	1,044	(22)
Sell:			
USD	901	912	(11)
THB	4,658	4,713	(55)
Other	99	99	(0)
Options:			
Call options, purchased:			
USD	-		
Premium	-	-	-
EUR	13,292		
Premium	198	890	692
GBP	-		
Premium	-	-	-
Call options, sold:			
EUR	-		
Premium	-	-	-

Derivative financial instruments which qualify for hedge accounting for years ended December 31, 2008 and 2007 are excluded from the disclosure of the above market value information.

16. CONTINGENT LIABILITIES

The Company was contingently liable for an in-substance defeasance on bonds in the amount of ¥21,000 million ($230,693 thousand) at December 31, 2008.

The Company was contingently liable for factoring of receivables with recourse in the amount of ¥33,556 million ($369 thousand) at December 31, 2008.

17. SUBSEQUENT EVENTS

(Stock Transfer)

The establishment of Suntory Holdings Limited as the parent company through a stock transfer was approved at an extraordinary meeting of shareholders held on February 12, 2009. Accordingly, Suntory Holdings Limited was established on February 16, 2009, and the Company became a wholly owned subsidiary of the holding company.

Name:	Suntory Holdings Limited
Address:	Dojimahama 2-1-40, Kita-ku, Osaka City, Osaka, Japan
Representative:	Nobutada Saji
Capital:	¥70,000 million ($768,977 thousand)
Details of business:	Control and management of business activities of companies engaged in liquor, foods, and other businesses as well as the handling of all related operations by holding their stocks
Main reason for the stock transfer:	The Company constructs a new group management system that separated "Group management" and "Business execution" to aim at maximizing of the corporate value of the entire Suntory group and further sustainable growth.
Stock transfer date:	February 16, 2009
Summary of accounting method:	The stock transfer was recorded as a transaction under common control in accordance with the Business Accounting Council Statement of Opinion, "Accounting Standard for Business Combinations" (October 31, 2003), the ASBJ Statement No. 7, " Accounting Standard for Business Divestitures" (December 27, 2005) and the ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures" (issued on December 27, 2005 and revised on December 22, 2006).

(Divestitures)

At an extraordinary meeting of shareholders held on March 12, 2009, in order to construct a new group that separated "Group management" and "Business execution", the Company resolved to transfer the business engaged in management system by the corporate division to "Suntory Holdings Limited", the foods business (excluding the part of food manufacturing business and health food business) to "Suntory Beverage & Food Limited", and the wine business to "Suntory Wine International Limited" effective April 1, 2009. Accordingly, the business and functions of the Company will be transferred to the newly-incorporated subsidiaries of the Holding Company as follows; the part of foods manufacturing business to "Suntory Products Limited", the health food business to "Suntory Wellness Limited", the liquor sales business (excluding the wine business) to "Suntory Beer & Spirits Limited", the business engaged by the business support division to "Suntory Business Expert Limited".

<Summary of companies involved in the planned divestitures>

	Divestitureing Company, as of December 31, 2008	Divestitureing Company, Scheduled Date April 1, 2009		
Trade name	Suntory Limited (Scheduled to renamed to Suntory Liquors Limited as of April 1, 2009)	Suntory Holdings Limited	Suntory Beverage & Food Limited	Suntory Wine International Limited
Major business	Manufacturing and sales of foods and liquors	Control and management of business activities of companies engaged liquor, foods, and other businesses as well as the handling of all related operations by holding their stocks	Manufacturing and sales of soft drink and other beverages	Manufacturing and sales of wine and other liquors
Date of incorporation	December 1, 1921	February 16, 2009	January 23, 2009	October 7, 2008
Location of head office	Dojimahama 2-1-40, Kita-ku, Osaka City, Osaka, Japan (Scheduled to change to Daiba 2-3-3, Minato-ku, Tokyo, Japan as of April 1, 2009)	Dojimahama 2-1-40, Kita-ku, Osaka City, Osaka, Japan	Daiba 2-3-3, Minato-ku, Tokyo, Japan	Daiba 2-3-3, Minato-ku, Tokyo, Japan
Representative	Nobutada Saji, chairman, president and representative director (Scheduled to change to Yasunori Aiba as of April 1, 2009)	Nobutada Saji, chairman, president and representative director	Shozo Shirai, president and representative director	Toru Yagi, president and representative director
Capital	¥30,000 million ($329,562 thousand) (Scheduled to decrease to ¥15,000 million ($164,781 thousand) as of April 1, 2009)	¥70,000 million ($768,977 thousand)	¥12,000 million ($131,825 thousand)	¥2,000 million ($21,971 thousand)
Net assets	¥378,174 million ($4,154,389 thousand) (Scheduled to decrease to ¥119,300 million ($1,310,557 thousand) as of April 1, 2009 (projected))	¥372,800 million ($4,095,353 thousand) (projected)	¥43,500 million ($477,864 thousand) (projected)	¥11,300 million ($124,135 thousand) (projected)
Fiscal year end	December 31	December 31	December 31	December 31

	Newly Incorporated Company, as of Scheduled Incorporation Date April 1, 2009			
Trade name	Suntory Products Limited	Suntory Wellness Limited	Suntory Beer & Spirits Limited	Suntory Business Expert Limited
Major business	Manufacturing of soft drink and other beverages	Manufacturing and sales of health supplement food, food for specified health use, and nutrition function food	Sales of liquors	Quality control, transportation, procurement, advertising, information system, general affairs, accounting and other indirect support business
Date of incorporation	April 1, 2009	April 1, 2009	April 1, 2009	April 1, 2009
Location of head office	Daiba 2-3-3, Minato-ku, Tokyo, Japan	Daiba 2-3-3, Minato-ku, Tokyo, Japan	Daiba 2-3-3, Minato-ku, Tokyo, Japan	Daiba 2-3-3, Minato-ku, Tokyo, Japan
Representative	Yoshihiko Kakimi, president and representative director	Masuo Kawasaki, president and representative director	Yasunori Tanaka, president and representative director	Shun-ichi Naito, president and representative director
Capital	¥500 million ($5,493 thousand)	¥500 million ($5,493 thousand)	¥1,000 million ($10,985 thousand)	¥500 million ($5,493 thousand)
Net assets	¥31,800 million ($349,335 thousand) (projected)	¥2,100 million ($23,069 thousand) (projected)	¥24,500 million ($269,142 thousand) (projected)	¥10,900 million ($119,741 thousand) (projected)
Fiscal year end	December 31	December 31	December 31	December 31

18. SEGMENT INFORMATION

The Group operates in the following industries:

Foods industry consists of beverage, health beverage, health food, processed food and other.
Liquor industry consists of beer, chu-hai and cocktail, whisky and spirits, shochu, wine and other.
Other consists of restaurants, fitness club, flower seeding and other.

Information about industry segments, geographic segments and sales to foreign customers of the Group for the years ended December 31, 2008 and 2007, is as follows:

(a) Industry Segments

(1) Sales and operating income

	Millions of Yen				
	2008				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 831,135	¥ 549,441	¥ 132,385	¥ -	¥ 1,512,961
Intersegment sales	51	7	49,252	(49,310)	-
Total sales	831,186	549,448	181,637	(49,310)	1,512,961
Operating expenses	765,908	537,369	177,690	(49,310)	1,431,657
Operating income	¥ 65,278	¥ 12,079	¥ 3,947	¥ -	¥ 81,304

	Millions of Yen				
	2007				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 830,898	¥ 535,177	¥ 128,758	¥ -	¥ 1,494,833
Intersegment sales	60	4	48,072	(48,136)	-
Total sales	830,958	535,181	176,830	(48,136)	1,494,833
Operating expenses	761,068	534,102	172,530	(48,136)	1,419,564
Operating income	¥ 69,890	¥ 1,079	¥ 4,300	¥ -	¥ 75,269

	Thousands of U.S. Dollars				
	2008				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$ 9,130,342	$ 6,035,823	$ 1,454,301	$ -	$ 16,620,466
Intersegment sales	560	77	541,053	(541,690)	-
Total sales	9,130,902	6,035,900	1,995,354	(541,690)	16,620,466
Operating expenses	8,413,798	5,903,207	1,951,995	(541,690)	15,727,310
Operating income	$ 717,104	$ 132,693	$ 43,359	$ -	$ 893,156

(2) Total assets, depreciation, impairment loss and capital expenditures

	Millions of Yen				
	2008				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Total assets	¥ 449,243	¥ 489,680	¥ 95,435	¥ 111,795	¥ 1,146,153
Deprecation	25,211	8,379	3,965	-	37,555
Impairment loss	299	418	487	-	1,204
Capital expenditures	44,706	7,920	4,848	-	57,474

	Millions of Yen				
	2007				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Total assets	¥ 459,970	¥ 517,543	¥ 91,286	¥ 142,611	¥ 1,211,410
Deprecation	31,729	10,192	4,209	-	46,130
Impairment loss	377	1,518	1,768	-	3,664
Capital expenditures	40,828	11,115	11,531	-	63,474

	Thousands of U.S. Dollars				
	2008				
	Foods	Liquor	Other	Eliminations/ Corporate	Consolidated
Total assets	$ 4,935,109	$ 5,379,325	$ 1,048,391	$ 1,228,112	$ 12,590,937
Deprecation	276,953	92,046	43,556	-	412,555
Impairment loss	3,285	4,592	5,350	-	13,226
Capital expenditures	491,113	87,004	53,257	-	631,374

Corporate assets consist primarily of cash and deposits, investments in securities and the corporate headquarters assets.

Notes:

As discussed in Note 2(f), effective from the period ended December 31, 2008, the Company and its consolidated domestic subsidiaries producing foods or liquor adopted the straight-line method of depreciation for the property, plant and equipment, which previously, had been depreciated by the declining-balance method. The effects of this change were to increase operating income of Foods Industry by ¥5,251 million ($57,684 thousand), Liquor Industry by ¥1,842 million ($20,235 thousand) and Other Industry by ¥69 million ($758 thousand), respectively for the period ended December 31, 2008.

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised Corporate Tax Law, which is effective for fiscal years beginning on and after April 1, 2007. The effects of this change were to decrease operating income of Foods Industry by ¥1,211 million ($13,303 thousand), Liquor Industry by ¥1,064 million ($11,688 thousand) and Other Industry by ¥52 million ($571 thousand), respectively for the period ended December 31, 2008.

(b) Geographic Segments

	Millions of Yen					
	2008					
	Japan	Asia Oceania	Americas	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 1,331,006	¥ 105,376	¥ 67,408	¥ 9,171	¥ -	¥ 1,512,961
Interarea transfer	1,498	1,241	237	2,223	(5,199)	-
Total sales	1,332,504	106,617	67,645	11,394	(5,199)	1,512,961
Operating expenses	1,266,845	100,332	59,986	9,845	(5,351)	1,431,657
Operating income	¥ 65,659	¥ 6,285	¥ 7,659	¥ 1,549	¥ 152	¥ 81,304
Total assets	¥ 855,227	¥ 76,925	¥ 53,556	¥ 40,109	¥ 120,336	¥ 1,146,153

	Millions of Yen					
	2007					
	Japan	Asia Oceania	Americas	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 1,295,371	¥ 108,411	¥ 78,061	¥ 12,990	¥ -	¥ 1,494,833
Interarea transfer	1,459	1,667	386	3,442	(6,954)	-
Total sales	1,296,830	110,078	78,447	16,432	(6,954)	1,494,833
Operating expenses	1,243,098	101,364	67,896	14,021	(6,815)	1,419,564
Operating income	¥ 53,732	¥ 8,714	¥ 10,551	¥ 2,411	¥ (139)	¥ 75,269
Total assets	¥ 849,839	¥ 91,628	¥ 66,396	¥ 54,529	¥ 149,018	¥ 1,211,410

	Thousands of U.S. Dollars					
	2008					
	Japan	Asia Oceania	Americas	Europe	Eliminations/ Corporate	Consolidated
Sales to customers	$ 14,621,619	$ 1,157,596	$ 740,503	$ 100,748	$ -	$ 16,620,466
Interarea transfer	16,456	13,633	2,604	24,420	(57,113)	-
Total sales	14,638,075	1,171,229	743,107	125,168	(57,113)	16,620,466
Operating expenses	13,916,785	1,102,186	658,970	108,152	(58,783)	15,727,310
Operating income	$ 721,290	$ 69,043	$ 84,137	$ 17,016	$ 1,670	$ 893,156
Total assets	$ 9,395,002	$ 845,051	$ 588,334	$ 440,613	$ 1,321,937	$ 12,590,937

Corporate assets consist primarily of cash and deposits, investments in securities and the corporate headquarters assets.

Notes:

As discussed in Note 2(f), effective from the period ended December 31, 2008, the Company and its consolidated domestic subsidiaries producing foods or liquor adopted the straight-line method of depreciation for the property, plant and equipment, which previously, had been depreciated by the declining-balance method. The effects of this change were to increase operating income of Japan by ¥7,161 million ($78,666 thousand) for the period ended December 31, 2008.

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised Corporate Tax Law, which is effective for fiscal years beginning on and after April 1, 2007. The effects of this change were to decrease operating income of Japan ¥2,327 million ($25,563 thousand) for the period ended December 31, 2008.

(c) Sales to Foreign Customers

	Millions of Yen			
	2008			
	Asia Oceania	Americas	Europe	Total
Overseas sales	¥105,436	¥67,428	¥9,240	¥182,104

	Millions of Yen			
	2007			
	Asia Oceania	Americas	Europe	Total
Overseas sales	¥108,366	¥78,074	¥13,014	¥199,454

	Thousands of U.S. Dollars			
	2008			
	Asia Oceania	Americas	Europe	Total
Overseas sales	$1,158,254	$740,720	$101,507	$2,000,481

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