

## **Suntory Holdings Limited** **Summary on FY2017-Q2 Earnings**

Briefing provided by: Suntory Holdings Limited  
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We would like to take this opportunity to express our sincere gratitude for your constant support of the Suntory Group.

Before beginning, we would like to offer our deepest sympathy to those who have suffered grievous damage from the recent torrential rain in northern Kyushu and in Tohoku.

### (1) Results for the Period

- I will provide an explanation on the results of the Suntory Group for the first six months of the fiscal year ending December 31, 2017.

Net sales were 1.294 trillion yen, up 1.6% year on year.

Operating income was 93.7 billion yen, up 7.3% year on year, while net income attributable to owners of parent was in at 47.2 billion yen, an increase of 32.5% year on year. Net sales at the interim stage have increased for the 13th consecutive period, while operating income has increased for the 5th consecutive period and reached a new record, and consequently results slightly overshot forecasts.

- In income before amortization of goodwill and others, operating income was 127.9 billion yen (up 5.3% year on year) and net income attributable to owners of parent was 75.2 billion yen (up 18.5% year on year).

### (2) Business Trends

The Suntory Group conducted business activities centered around its Non-Alcoholic Beverages and Food and Alcoholic Beverages Segments.

- Non-Alcoholic Beverages and Food Segment

As reported yesterday by Suntory Beverage & Food Limited, the Group worked on initiatives to strengthen brands and generate new demand, as a result of which it achieved increases in both revenue and income.

Net sales rose 1.7% year on year to 685.7 billion yen, while operating income rose 7.1% year on year to 52.7 billion yen.

- Alcoholic Beverages Segment

Net sales came to 480.5 billion yen, up 3.1% year on year. Operating income was 41.9 billion yen, up 6.1% year on year.

▽ Beam Suntory Inc., the company that is at the core of the Alcoholic Beverages Segment, recorded an increase in net sales in the mid-single-digit range. U.S. sales in particular grew at a mid-single-

digit rate year on year, driving growth in the Americas. In addition, the core *Jim Beam* and *Maker's Mark* products achieved, double-digit growth globally, recording strong sales.

In the domestic spirits business, sales at Suntory Spirits Limited grew by 5% year on year. In whisky, the strategic brands *Chita* and *Torys Classic* performed well, and for *Jim Beam* we actively rolled out marketing activities, primarily for "*Beam Highball*." Also, at an international spirits competition in July, *Hibiki 21 Years Old* beat all other entrants to be awarded the "Supreme Champion Spirit" prize. In ready-to-drink (RTD) products, in addition to a substantial expansion in demand for *-196°C Strong Zero* as a drink to be enjoyed with meals, *Horoyoi* and canned highball products also grew significantly, increasing by an extremely strong 13% year on year.

- ▽ On the other hand, the overall market for beer-type beverages fell below the level of the previous year. In this environment *The Premium Malt's* brand showed strength to grow by 4% year on year, but the total sales volume for our beer business was flat year on year. In terms of recent trading, July exceeded previous-year levels, and we are aiming to achieve full-year forecasts through proactive initiatives in the second half.

As described above, sales and profit both exceeded the levels of the previous year for the Non-Alcoholic Beverages and Food and Alcoholic Beverages Segments, and we perceive them to be performing satisfactorily.

- Other Businesses Segment

Net sales fell 3.6% year on year to 127.8 billion yen. This was the result of the cancellation last year of a joint venture agreement for the beer business in China among other factors, and the existing business turned in a solid performance.

Operating income was 18.2 billion yen, up 12% year on year.

(3) Fruits of post-merger integration with Beam Suntory Inc.

Initiatives to create synergies through post-merger integration with Beam Suntory Inc. are also proceeding.

- In terms of sales, we are actively expanding overseas with the "highball" style of drinking that originated in Japan, through the promotion of *Jim Beam Highball*. Currently, we are strengthening activities in various Asian countries, and a number of restaurants and bars handling this product is increasing.
- In terms of production, our aim is for all members of the Group globally to hold in common the values of "MONOZUKURI," which Suntory has treasured since the founding of the company, and to enhance quality control, productivity, and creation of new values through the interchange of technology and the realization of synergies.
- In terms of products, we are at the point where products jointly developed by the Japanese and American teams are being launched one after the other, such as the Japanese craft gin *Roku*, which went on sale in July, and the bottled RTD *Sauza Cooler*, which is scheduled for launch next month. Going forward we will continue to leverage the knowledge of both sides to further the progress of

development.

- With regard to environmental activities also, the area of collaboration is increasing further, such as in the implementation of water resource conservation around Maker's Mark Distillery in the U.S. state of Kentucky.

#### (4) Measures to strengthen financial position

The businesses are moving in line with forecasts and it is our perception that measures to strengthen our financial position are also proceeding according to plan.

#### (5) Full-year forecast

- The full-year forecast has been left unchanged, with net sales predicted to be 2.69 trillion yen (up 1.5% year on year), operating income seen reaching 201.0 billion yen (up 1.5% year on year), and net income attributable to owners of parent expected to be 71.0 billion yen (down 41.6% year on year).

Income before amortization of goodwill and others is forecast to be 267.0 billion yen, up 1.0% year on year.

- At the interim stage results slightly exceeded forecasts, but for many of the Suntory Group's businesses, the summer and the end of the year are the major periods of demand. In an environment where we expect the intensification of competition in the Japanese and American markets to continue, and in which there are many uncertainties regarding the economic situation, we will focus our energies in the second half also on strengthening our initiatives to nurture brands, and strive to exceed our full-year forecast.

This brings my explanation to an end.

We would like to ask for your continual support and guidance and thank you for your attention today.