

Suntory Holdings Limited

Summary on FY2019-H1 Earnings

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Suntory Holdings Limited

Thank you for your continued support of the Suntory Group.

(1) Overview of Results

We'd like to begin with an explanation of the results for the six months ended June 30, 2019.

revenue (excluding excise taxes) was 1.1019 trillion yen, and revenue (including excise taxes) was 1.2310 trillion yen, both growing by 3.5% year on year.

Operating income was 117.8 billion yen, down 4.3% year on year. Lower profits for the period was due to the absence of the gains from partial sales of the food business recognized in the same period of the previous year, but adjusted operating income, which reflects the actual state of the business, rose 8.0% year on year.

Profit attributable to owners of the Company for the period fell 19.7% year on year. In addition to the decline in operating income, this was due to one-off items in the same period of the previous year related to income taxes, etc., thus leading to lower profit this year.

(2) Business Trends

Next, we will review our major segments.

<Beverages and Foods Segment>

Revenue was 624.3 billion yen, up 2.3% year on year.

Operating income was 61.2 billion yen, down 8.1% year on year.

As announced yesterday by Suntory Beverage & Food Ltd., sales volumes in Japan grew primarily in the *BOSS* and *GREEN DAKARA* brands, while Asian markets such as Thailand and Vietnam were strong, leading to year-on-year growth in revenue.

On the other hand, as explained earlier, operating income fell year on year, reflecting the absence of the gains from partial sales of the food business recognized in the same period of the previous year.

<Alcoholic Beverages Segment>

Revenue (excluding excise taxes) was 364.0 billion yen, up 4.3% year on year, and revenue (including excise taxes) was 493.0 billion yen, up 4.2% year on year.

Operating income came to 64.1 billion yen, up 2.7% year on year.

The flagship brands in the beer-type beverage, whisky and spirits categories were able to post steady growth in sales.

With regard to the beer-type beverage category, the domestic beer-type beverage market in the first half of the year is thought to have contracted on a year-on-year basis, but Suntory sales volume grew by 2% year on year, marking a record high.

Sales volume of the *The Premium Malt's* brand was 7.76 million cases, an increase of 5% year on year, reaching a record high for the first half of the year since its launch in 2003. We continued implementing marketing activities focused on foam, such as by introducing the new “KAMIWA server,” which allowed us to gain the support of customers.

In addition, the *Kinmugi* brand, which has seen a positive reception for the new *Kinmugi Gold Lager* product, recorded sales volume of 18.18 million cases, growing 11% year on year, a record high for the first half of the year since its launch in 2007.

The *All-Free* brand started rather slowly in the first half, but in July we launched “*KARADA-WO-OMOU All-Free*,” the brand’s first food with function claims, which got off to a good start. We will strive to make up for the delay.

In the whisky category, the bourbon brands of *Jim Beam* and *Maker’s Mark* posted significant growth globally, including in Japan. It is five years since Beam Suntory Inc. was formed, and with the first phase of integration having been completed, the company is transitioning to a new stage under a new CEO. In terms of products, this March we launched *Legent*, a new type of bourbon in the United States, and in April we launched *SUNTORY WORLD WHISKY Ao* in Japan, successfully providing customers with unprecedented products that offer new value.

In the spirits category, we accelerated the global rollout of Japanese Craft Gin *ROKU*, and Japanese Craft Vodka *HAKU*, demonstrating to the world both their high quality and Suntory’s dedication to MONOZUKURI.

The sales ratio for the Suntory Group outside of Japan has exceeded 40%, with regional sales being well-balanced between the Americas, Europe, and Asia/Oceania. In the first half, we made investments in the brands of each area.

(3) Environmental management

In addition to carrying out its business activities, the Suntory Group aims to realize the corporate philosophy of “In Harmony with People and Nature,” and has been actively involved in environmental management for many years. By actively adopting energy-saving technology and utilizing renewable energy, we have taken steps to reduce the amount of water used, and the amount of CO₂ emitted.

Recently, we have been accelerating initiatives for the recycling of PET bottles, leading to our announcement of the “Plastic Policy” this May. Our goal is to switch all of the materials used for PET bottles globally to recycled and plant-derived materials by 2030.

Today, we have distributed to you the latest version of the Corporate Communications Book, which you should find to hand. We have explained about "Mizu To Ikiru" which is our promises to stakeholders. Please take a look when you have a free minute or two.

(4) The Outlook for 2019

There have been no changes from the forecasts that were announced in February 2019.

Revenue (excluding excise taxes): 2.3 trillion yen (+2.2% year on year)

Revenue (including excise taxes): 2.57 trillion yen (+2.1% year on year)

Operating income: 251 billion yen (+0.1% year on year)

Adjusted operating income: +1.2% year on year

Having ended the first half, the overall situation has progressed more or less as we expected. However, in many of our businesses, the peak of consumer demand comes in the summer and at the end of the year. In Japan, the end of the rainy season was delayed throughout the country, and a consumption tax hike is scheduled for October. We are also concerned about the economic situation overseas, as exemplified by intensifying competition in major markets.

In these circumstances, we will continue to invest actively in each business and in each area to further strengthen our brands, and make even greater efforts to achieve growth in the short, medium, and long term.

This concludes my explanation.

We look forward to your continued support. Thank you.