

Suntory Holdings Limited

Summary on FY2020-H1 Earnings

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Thank you for your continued support of the Suntory Group.

(1) Overview of Results

We'd like to begin with an explanation of results for the Suntory Group for the six months ended June 30, 2020. Revenue (excluding excise taxes) was 984.6 billion yen, down 10.7% year on year.

Revenue (including excise taxes) was 1.1053 trillion yen, down 10.2% year on year.

Operating income was 94.6 billion yen, down 19.7% year on year.

Profit attributable to owners of the Company for the period fell 24.7% year on year to 45.2 billion yen.

Having been affected by people refraining from going out and taking other measures to prevent the spread of novel coronavirus infectious disease (COVID-19), the Company posted both lower revenue and lower profit.

Overseas revenue accounts for approximately 40% of the total, and going forward we will continue our active program of global expansion.

(2) Business Trends

Next, we will review our major segments.

<Beverages and Foods Segment>

Revenue was 550.1 billion yen, down 11.9% year on year.

Operating income was 45.4 billion yen, down 25.7% year on year.

As announced by Suntory Beverage & Food Ltd., sales volume for brands such as *Iyemon* and *Green DAKARA* recorded growth in Japan, but revenue as a whole fell below the level of the previous year. With regard to operating income also, the Company took steps to cut costs, but the impact of lower sales reverberated, and resulted in lower profit.

<Alcoholic Beverages Segment>

Revenue (excluding excise taxes) was 333.6 billion yen, down 6.8% year on year.

Revenue (including excise taxes) was 454.2 billion yen, down by 6.7% year on year.

Operating income was 62.3 billion yen, down 2.7% year on year.

Overall, sales to restaurants declined as a result of people refraining from going out in order to prevent the spread of novel coronavirus infectious disease.

In the beer business, the Company's sales volume declined by 8% year on year.

In *The Premium Malt's* brand, we simultaneously revamped *The Premium Malt's* and *Premium Malt's Kaoru Ale* at the end of 2019 in pursuit of better flavor and foam quality. We also continued to promote "KAMIWA" with a focus on foam, a unique characteristic of the Company's beer, but sales volume recorded a year-on-year decline.

In the *Kinmugi* brand, *Kinmugi 75% Less Carbohydrate* performed well, and sales volume was flat year on year.

In the *All-Free* brand, in addition to the renewal implemented in March, the *KARADA-WO-OMOU All-Free* food with functional claims that launched in 2019 enjoyed a strong reception.

We believe that the background to the growth in *Kinmugi 75% Less Carbohydrate* and *KARADA-WO-OMOU All-Free* is heightened health awareness among customers during the coronavirus crisis.

Revenue in the spirits business declined by 4% year on year. Off-premise was strong, but sales to on-premise and duty-free stores were hit by the spread of novel coronavirus infectious disease.

Japan posted an increase in revenue. RTD performed well, with brands like *Kodawari Sakaba no Lemon Sour*, *Horoyoi*, and Highball can.

In whiskies, *Torys* and *Maker's Mark* delivered strong growth.

<Others Segment>

Revenue (excluding excise taxes) was 100.8 billion yen, down 15.9% year on year.

Operating income was 9.2 billion yen, down 34.7% year on year.

In the health & wellness products business, the heightened awareness of customers during the coronavirus crisis, and the business model of mail-order sales and e-commerce led to a robust performance for the *Sesamin* series. The other hand, the restaurant business was affected by people refraining from going out, and fell significantly in year-on-year terms.

(3) Outlook for 2020

We have withdrawn the results forecasts we announced in February, and have left them undetermined for the present.

In addition to COVID-19 continuing to spread in the United States, the number of people infected is on a rising trend in Japan once again, and it is this impact that leads us to conclude that it is difficult to make reasonable calculations.

The results forecasts that were announced at the beginning of the year have become difficult to achieve, and as nothing more than a rough estimate at this point in time, we believe revenue could decline 5-10% year on year, and that operating income could fall by around 20%.

We expect COVID-19 to be the trigger for major changes in our lives going forward. Our view is that, far from being confined to people refraining from going out, and adopting a more frugal mindset, changes in

lifestyles and consumer behavior such as health awareness and e-commerce will accelerate further.

Heightened awareness of environmental problems such as plastics and CO₂, heightened health awareness, which I touched upon earlier, and the acceleration of the digital transformation are all factors that will cause significant changes in society and in customer behavior.

Under conditions as these, we will leverage the strengths of our wide-ranging business portfolio, and rather than taking a passive approach, we will generate change ourselves in response to the changes occurring as a result of novel coronavirus infectious disease, creating new value and new demand as a means of conquering COVID-19.

This brings my explanation to an end.

We look forward to your continued support to Suntory.