

Suntory Spirits Limited Business Strategy for 2016

The 2015 sales of Suntory Spirits Limited, the Japan business of Beam Suntory, greatly exceeded the prior year due to the favorable performance of priority brands such as *Kakubin*, *Hibiki*, *Jim Beam* and *-196°C Strong Zero*, as well as new products including *Chita*, *Torys (Classic)* and *Kokushibori*.

In 2016, Suntory Spirits Limited will aim for further business growth by continuing to delight consumers with its high-quality products and new value, develop and strengthen its brands in growing categories including the Five World Whiskies and RTDs, and expand consumption occasions with cocktails such as *Highballs*.

Whisky

- Review of 2015

The whisky market is estimated to have grown by 14% compared to the previous year, due to expanding demand for highballs. With that, Suntory's core brands including *Kakubin* and *Jim Beam* showed favorable movement, growing a significant 13% year-on-year along with the market.

Suntory Spirits Limited promoted *Kakubin* as an ideal drink to pair with food. Along with the increase in on-premise places where *Kaku Highballs* can be experienced, the demand for drinking at home also expanded, contributing to a significant year-on-year growth of 14%. In Japanese premium whiskies, *Hibiki JAPANESE HARMONY* launched in March and *Chita* launched in September showed favorable movement, up 8% year-on-year.

For imported whiskies, main brands such as *Jim Beam* and *Maker's Mark* made favorable movement, up 38% year-on-year. In particular, *Jim Beam* grew at an exceptionally strong rate, up 62% year-on-year, as a result of new communication activities using television personality Rola and efforts to expand consumption occasions by promoting the "Jim Beam Citrus Highball."

- Strategy for 2016

As a leading company in the field of whiskies, Suntory Spirits Limited will utilize its portfolio representing the Five World Whiskies, working to promote the appeal of whisky and to stimulate the market. Aiming for continuous growth, we will strengthen marketing activities for brands including *Kakubin*, *Jim Beam* and *Torys (Classic)*, as well as promote the value and unique qualities of the premium world whiskies.

▼ *Kakubin, Jim Beam*

We will strengthen activities for more customers to experience high quality highballs made with both *Kakubin* and *Jim Beam*.

For *Kakubin*, we will strengthen its brand value by expanding the on-premise places where customers can enjoy high quality *Kaku Highball* and also by promoting ways of making delicious *Kaku Highballs* in the home.

For the world's No.1 bourbon*¹ *Jim Beam*, Suntory Spirits Limited will continue introducing television commercials featuring television personality Rola, with the aim of further improving brand recognition and desirability. Further, we will work to attract new consumers by actively proposing the *Jim Beam Highball* this year, in addition to the *Jim Beam Citrus Highball* that was well received last year.

*1 2014 sales numbers (Source: *Impact Newsletter* February Volumes 1 & 15, 2015)

▼ *Torys (Classic)*

Suntory Spirits Limited will introduce new television commercials featuring Masahiro Higashide, as well as activities at stores coupled with the advertisements, Suntory Spirits Limited will implement marketing activities throughout the year to make the whisky more available to new consumers in retail stores.

▼ Five World Whiskies, Premium Whiskies

As for the Five World Whiskies, including American *Maker's Mark* and "Craft bourbons", *Knob Creek* and *Booker's*, Scotch whiskies *Bowmore* and *Teacher's*, Irish whisky *Connemara*, Canada's *Canadian Club* and Japanese whiskies *Hibiki JAPANESE HARMONY*, *Chita* and others, we will utilize our unique portfolio to promote the broad appeal of whisky.

As for premium whiskies, we will actively engage in value promotion of whiskies by communicating our company's unique whisky craftsmanship and commitment to quality through brand communication and seminars with our distillery as our base.

RTDs

● Review of 2015

The overall RTD market is estimated to have grown by 9% compared to the previous year, due to expanding demand for alcohol to pair with meals. Leveraging this trend, our sales volume grew significantly, selling 57.59 million cases*² (up 14% year-on-year) to set a new record for the 11th straight year and drive the market.

-196°C *Strong Zero* acquired many new consumers thanks to active promotions of its appeal as a drink to go with food, showing extremely favorable movement

with sales of 27.5 million cases (up 19% year-on-year). In addition, *Horoyoi* has grown by 1 % and selling 12.3 million cases with its renewal and season limited products. *Kokushibori*, which was launched in February, was well received for its flavor providing a rich fruity feel and a deep body, selling 3.13 million cases, surpassing the upward adjustment of the year's plan.

Canned highball products showed significant growth at 8.72 million cases (up 20% year-on-year), supported by promotional activities related to the appeal of canned *Kaku Highball* and its compatibility with food. The introduction of television commercials promoting the appeal of the canned *Torys Highball* also contributed to the expansion of RTD consumers.

*2 One case is equivalent to twenty four (250 mL) bottles

- Strategy for 2016

With the total market for RTD beverages expected to continue growing, Suntory Spirits Limited aims to cultivate and strengthen *-196°C Strong Zero*, *Horoyoi*, *Kokushibori*, canned highballs, and more, as well as to introduce new products with new value including *Homemade Style*, in an effort to further stimulate the market. Suntory Spirits Limited will aim for total RTD sales of 62.85 million cases (up 9% year-on-year).

- ▼ *-196°C Strong Zero*

We will continue promoting its appeal as alcohol compatible with food to further expand the number of consumers. In addition to continuous launch of television commercials featuring actress Yuki Amami, promotional activities at stores coupled with the advertisements will be rolled out. New products will also be actively introduced, aiming for a brand total of 29.8 cases (up 8% year-on-year).

- ▼ *Horoyoi*

In addition to launching *Shiro Budo* from March as a new year-round product, Suntory Spirits Limited will aim to further expand contact with consumers through television commercials featuring actress Erika Sawajiri and communication activities utilizing SNS.

- ▼ *Kokushibori*

A renewal of the brand will be introduced on 19th January further enhance the popular rich fruity feel, and *Pink Grapefruit* will be newly launched as a year-round product. *Hojun Budo* and *Hojun Momo*, high value range products dedicated to an even finer quality body, will also be sold year-round, and we will actively promote the brand's appeal.

▼ *Homemade Style*

In order to add new value in the favorable RTD market, we will introduce *Homemade Style* on 15th March, a cocktail (new RTD) that focuses on the one small touch of a "homemade" recipe that brings out the taste of the ingredients.

▼ Canned highballs

Suntory Spirits Limited will further strengthen *Kaku Highball's* compatibility with food in efforts to expand demand. As for the canned *Torlys Highball*, in addition to a renewal for its year-round product, television commercials that feature Yuriko Yoshitaka and Uncle Torlys will be continued in an effort to attract more consumers. The canned *Jim Beam Highball* will also be newly released so that its popular taste at drinking establishments can be conveniently enjoyed elsewhere.

▼ *Non-arukibun*

For more consumers to experience the enjoyable features of this non-alcoholic but alcohol-like taste, *Okinawa Shequasar* will be released as a year-round product from March, and limited products will also be actively introduced.

Liqueurs, Spirits

● Review of 2015

The *Sumiwataru* series has been well received as a transparent liquor that has a refreshing taste and an enjoyable, fruit-based aroma. Further, the *Lejay Fruit Jar Cocktail* for enjoying *Lejay* cocktails in a jar was actively proposed, and the 2015 Beam Suntory the Cocktail Award by Maker's Mark was held with the aim of nurturing the cocktail drinking culture.

● Strategy for 2016

As for the *Sumiwataru* series, Suntory Spirits Limited will strengthen the marketing activities for *Sumiwataru Umeshu* and introduce new product of *Sumiwataru Hakutohshu* on 19th January. Further, the appeals of genuine liqueurs and spirits will be actively promoted through the promotion of *Lejay Fruit Jar Cocktail*, and of gin and tonic using the popular brand *Beefeater* specifically for compatibility with meat.