

# **Suntory Holdings Limited**

## **Summary on FY2018-H1 Earnings**

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Suntory Holdings Limited

We offer our heartfelt thanks for your steadfast support of our activities.

Before discussing the results, we wish also to express our sincere sympathies for those who suffered as a result of the recent earthquake in northern Osaka, or the torrential rains of July that affected mostly the western part of Japan.

### **(1) Results for the Period**

The Group adopted international accounting standards (IFRS), beginning with the results for the fiscal year ended December 2017 that were announced in February this year, and the results being reported on this occasion are also based on IFRS.

The Suntory Group's results for the first six months of the fiscal year ending December 31, 2018, were revenue (excluding excise tax) of 1,065.2 billion yen, up 3.7% over the same period of the previous year, and revenue (including excise tax) of 1,189.4 billion yen, up 3.3% over the same period of the previous year, operating income of 123.1 billion yen, up 5.0% year on year, and profit attributable to owners of the parent of 74.8 billion yen, up 36.9% over the same period of the previous year, such that the both revenue and profit posted growth for the first six months of the fiscal year.

### **(2) Business Trends**

Next we will give a brief review of the major segments.

<Non-Alcoholic Beverages and Food Segment>

Revenue was 610.2 billion yen, up 3.9% year on year, and operating income was 66.5 billion yen, up 3.7% year on year.

As reported yesterday by Suntory Beverage & Food Limited, the Group worked on initiatives to strengthen brands, primarily *Tennensui* and *BOSS* and generate new demand. Also, our joint venture with Pepsico in Thailand started operations, helping to further expand our business foundation in Asia. Both revenue and profit increased, helped by gains from the sale of part of the overseas food and instant coffee business.

## &lt;Alcoholic Beverages Segment&gt;

Revenue (excluding excise tax) was 349.1 billion yen, up 3.8% year on year, revenue (including excise tax) was 473.3 billion yen, up 2.9% year on year, and operating income was 62.4 billion yen, up 9.7% year on year.

Beam Suntory Inc. performed well, and revenue from existing businesses, excluding the impact from currency fluctuations and one-time factors, grew by mid-single digits year on year.

At a global level, such brands as the whiskies *Jim Beam* and *Maker's Mark*, the tequila *Hornitos* and the cognac *Courvoisier* also did well. We have successfully realized growth through the use of global brands such as *Jim Beam* and *Maker's Mark* as well as by nurturing individual brands that capture the needs of local consumers. In addition, the Japanese Craft Gin *ROKU*, which was launched last year, went on sale in countries such as the U.K., France and China this year, and it is now selling in more than 10 countries, including Japan. Sales volume in the first half alone was already more than double than that of last year's results. *ROKU* was a joint development between teams from Suntory and Beam Suntory, and we believe that our ability to launch a premium product such as this, from scratch, is one beneficial result of the integration. Going forward, we will continue to contribute knowledge to one another, and strive to enhance our ability to develop such products.

In Japan, in addition to strategic brands in the whisky category such as *Kakubin*, *Jim Beam*, *Torys* and *Maker's Mark*, the flagship *-196°C Strong Zero* RTD product also performed well.

Next we will discuss Suntory Beer Ltd. The overall beer category market in Japan remained difficult, declining by around 4% year on year, but our sales volumes were almost unchanged year on year. The "CREAMY FOAM" promotion, whereby consumers can experience for themselves *The Premium Malt's* silky smooth foam in restaurants and at home, has been very well received, and the Group's share of the beer-type beverage market reached a record high in the first half. With regard to new-genre products, the new high-alcohol *Itadaki* brand made a contribution to sales volumes, which reached a new record high. The *All-Free* brand underwent a renewal in February 2018. By refreshing packaging and communications, and realizing contents that deliver a crisp, light and satisfying taste, we have succeeded in broadening the customer base. The Company also worked to expand drinking situations, launching in June a new, transparent *All-Free All-Time* product, which is packaged in a PET bottle.

Finally, we come to Suntory Wine International. Japanese wine made entirely from grapes grown in Japan put in a strong performance, with sales volumes rising 20% year on year. In addition, at the International Wine Challenge, *Tomi Red 2013* won the highest award of Trophy in the Japanese wine (red) category, and has garnered high praise both in Japan and overseas.

**(3) The Outlook for 2018**

There are no changes to the results forecasts that were announced on February 16, 2018.

Suntory Holdings' guidance for the year ending December 2018 is for revenue (excluding excise tax) of 2 trillion 235 billion yen, up 3.6% year on year, revenue (including excise tax) of 2.5 trillion yen, up 3.3% year on year, and operating income of 264 billion yen, up 4.1% year on year.

At the end of the first half, overall the situation is progressing more or less as we expected, but peak demand for many of our businesses occurs in the summer and at the end of the year. We also anticipate an intensification of competition in both Japanese and overseas markets, as well as uncertainty with regard to the economic situation going forward. We will continue to make further efforts to accelerate future growth by refining product quality and quality at the point of consumption, investing in human resources, research and development and capital expenditures, as well as continuing to invest in marketing to strengthen our brands.

Profit attributable to owners of the parent is expected to be 126 billion yen, a fall of 40.4% year on year. The cause of this decline is that during the previous fiscal year the corporate tax rate in the U.S. was lowered, leading the reversal of deferred tax liabilities that in turn pushed up profit significantly, an effect that has disappeared in the current fiscal year. Excluding this factor, we expect an increase in profit of approximately 10.0 billion yen.

This brings my explanation to an end.

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