

Suntory Holdings Limited **Summary on FY2017-4Q Earnings**

Presenter: President and CEO Takeshi Niinami

Suntory Holdings Limited

Thank you very much for your support to the Suntory Group.

As part of the results announcement for fiscal year 2017, I will briefly go over the current state of Suntory Group.

(1)Results for FY2017

Starting from this fiscal year 2017, the Suntory Group will announce its results based on IFRS, which is the global standard.

Our revenue was 2 trillion 157.5 billion yen, up 2.7% year on year. Operating income was 253.6 billion yen, up 0.3% year on year.

We have two core businesses which are operated globally; “Non-Alcoholic Beverages and Food” and “Alcoholic Beverages”. Both of these segments achieved steady growth.

We made steady progress in the integration of Beam Suntory, which I see as the largest management issue we face. In 2017, revenue from the existing business of Beam Suntory achieved mid-single digit growth year on year, making Beam Suntory a major contributor to the Alcoholic Beverages segment income.

Attempts by Japanese companies to make large-scale cross border acquisitions are said to be rarely successful. The reason behind the steady growth of Beam Suntory is the fact that I, as top management, am making a “Hands On” commitment, and implementing governance through actually visiting “genba”, places of consumption, and having face to face discussions with CEO Matt Shattock on numerous occasions. His strong leadership in bringing down “Suntory’s spirit” to his colleagues also plays an essential role.

In this fiscal period, we launched the jointly-developed Japanese craft gin “*ROKU*” in Japan, Germany and southeast Asia, which customers rated very highly. We will continue to bring together our expertise in jointly developing products, and we already have other new products following “*ROKU*” in the pipeline.

The culture of drinking highball, which originated in Japan, has now crossed borders and is spreading steadily in Asia. We have begun full-fledged activities in relation to

highball in the U.S., and highball has been extremely well-received as a new way to enjoy whisky.

We also had notable successes in the domestic Alcoholic Beverages business, including the great advance made with “*Jim Beam*”, as well as further growth in the RTD category. The reason why we are able to compete with peers using our powerful brands “*Jim Beam*” and “*Maker’s Mark*” as weapons is because Beam and Suntory have been able to build a mutually complementary, win-win relationship.

Meanwhile, the environment surrounding the beer business has been extremely tough, with the implementation of the New Transaction Standards as well as the unstable weather in the summer. Under these circumstances, “*The Premium Malt’s*” outperformed the beer market and achieved results that were flat from the previous year, while our new genre products enjoyed record sales volumes and the highest market share ever.

However, we are still far from a level that we can be content with. The beer business is the leader of Suntory Group’s challenge, and represents the Yatte-minahare spirit. 2018 will be a crucial year for “*The Premium Malt’s*”, which is entering the second year following its major renewal. We are confident that we will make a huge leap forward this year, by promoting the quality focused on foam, which is the intrinsic value of beer. Meanwhile, we conducted a major renewal of “*All Free*”, including its content, package and communication, and launched it on the 13th of this month.

(2) Mid-to-long term strategy

The Suntory Group will continue pursuing “Growing for Good”, and will conduct our activities by focusing on both “growing our business” and “coexisting with society”.

On the “Growing” side, our role is not only to provide high quality products such as “*The Premium Malt’s*” and “*Jim Beam*”, but also make comprehensive proposals, including the time and scene in which our customers enjoy our products, thereby enriching our customers’ lifestyles. To put it another way, we are selling a relaxing time to customers, not simply selling bottles. And one example of such an initiative is our communication of the highball drinking culture globally.

One initiative on the “Good” side is the global expansion of our water-related activities in Japan. The water resource cultivation that started off in Japan is now being transferred to the Maker’s Mark Distillery in the U.S., as well as in Orangina Suntory

France. Next generation activities of Suntory's Mizuiku-Natural Water Education Program have begun in Vietnam, and have been highly appreciated by the local authorities and the community.

Human talent development is a major management issue. In order to bring about innovation, it is crucial to create a structure and culture that enables innovation. As a member of the Council on Economic and Fiscal Policy, I am strongly stressing to the government the importance of private sector companies investing in human talent development. The Suntory Group is proactively investing in our future growth, and we will further promote workstyle reform and health management.

In the year 2018, the Suntory Group will continue to position "Non-Alcoholic Beverages and Food" and "Alcoholic Beverages" as our two core businesses, and pursue further firm-wide growth, which will be driven by the growth of "*The Premium Malt's*".

We look forward to your continued support.

Presenter: Shinichiro Hizuka, Senior Managing Director
Suntory Holdings Limited

Thank you very much for your support to our activities. I would like to go over the results of Suntory Holdings Limited, for the fiscal year ended December 2017.

(1) Changes to accounting standards

With the globalization of our business activities, we have decided to adopt the international accounting standard IFRS, starting from this results announcement. By using a unified accounting standard within the firm, we plan to improve the quality of group management, while making ourselves more comparable with other global companies.

As for revenue, many of the global players in the spirits and beer businesses that we benchmark ourselves against announce their revenue excluding excise taxes. Suntory, which is pursuing growth as a global company, will also use revenue (excluding excise taxes) as our main revenue metric. However, in Japan, many of our peers report their revenues including excise taxes, and in order to make ourselves more comparable with our domestic peers, we will disclose revenues both excluding and including excise taxes.

(2) Results for FY2017

Suntory Group's results for the year ended December 2017 are as follows:

Revenue (excluding excise tax) was 2 trillion 157.5 billion yen, up 2.7% year on year,

Revenue (including excise tax) was 2 trillion 420.3 billion yen, up 2.6% year on year.

Operating income was 253.6 billion yen, up 0.3% year on year.

The operating income under IFRS is impacted by one-off items, which we used to book as extraordinary gains or losses under J-GAAP. Therefore, many global companies have their own definitions of income that reflects the fundamental state of their businesses. In Suntory's case, we will be using "Adjusted operating income", which excludes one-off items such as gains from the sale of businesses. Adjusted operating income for the year ended December 2017 saw steady growth of 3.2% year on year.

Profit attributable to owners of the parent was 211.4 billion yen, up 13.9% year on year. The passing of the tax reform law in the U.S. last December led to a lower

corporate tax rate, leading to us reversing part of the deferred tax liabilities that we had booked in relation to trademark rights. As a result, corporate income tax expenses is making a positive contribution to profit, but this is a one-off occurrence.

(3) Business trends

<Non-Alcoholic Beverages and Food Segment>

Revenue was 1 trillion 226.4 billion yen, up 2.2% year on year.

Operating income was 138.8 billion yen, up 5.5% year on year.

As reported by Suntory Beverage & Food yesterday, the global expansion of our business coverage helps our businesses supplement each other, leading to a stable result overall. Last year, we also reached an agreement with Pepsico regarding the business alliance in non-alcoholic beverages in Thailand, which helped further reinforce our business foundation in Asia.

<Alcoholic Beverages Segment>

Revenue (excluding excise tax) was 722.5 billion yen, up 4.8% year on year.

Revenue (including excise tax) was 985.3 billion yen, up 4.1% year on year.

Operating income was 126.9 billion yen, down 0.5% year on year.

The year on year decline in operating income was due to factors such as the gain in 2016 from the sale of a business in Spain. The Adjusted operating income, after excluding such one-off factors, enjoyed steady growth of +5.7% year on year.

Beam Suntory did especially well. Revenue from existing businesses, excluding the impact from currency fluctuations and one off factors, grew mid-single digit year on year. Both revenue and income grew in the Americas, Japan and other overseas regions.

For Beam Suntory overall, sales volume of whiskies “*Jim Beam*” and “*Maker’s Mark*” grew, while the tequila “*Hornitos*” also did well. In Japan, our strategic brands in the whisky category such as “*Kakubin*”, “*Jim Beam*”, “*Torys (Classic)*” and “*Maker’s Mark*” performed well. RTD sales volume grew 10% year on year, achieving 13 consecutive years of growth.

Suntory Beer strengthened its support structure to grow its brands. With the overall beer category market in an extremely dire situation, “*The Premium Malt’s*” underwent a major renewal after 5 years. and we focused on the canned product, “*The Premium Malt’s Kaoru Ale*”, and draft beer for the on-premise channel, and achieved robust growth in each area. In the new genre category, we added “*Itadaki*”, the new genre product with high alcohol content, on top of the existing “*Kin-mugi*” and “*Kin-mugi*”

〈75% less carbohydrates〉”, which led to record sales volume. Our market share in the beer category in Japan also reached record levels.

Suntory Wine International has been focused on expanding the product lineup and growing brands in the premium wine segment, achieving some notable results. Especially, Japan’s domestic wine has been receiving more attention in recent years, and Suntory Wine International launched the “Shiojiri Winery” series, as part of the local series following “Tomi-no-oka Winery”. International wineries such as Château Lagrange are also gaining popularity.

(4) Reinforcing our financial status

The EBITDA for the fiscal period was 359.3 billion yen, up 3.1% year on year. The EBITDA grew 10.9 billion yen from the previous year.

We were able to reduce our net debt by approximately 150 billion yen in 2017. Our net debt to EBITDA multiple became 3.4 times, coming closer to our target for the time being of 3 times.

(5)The outlook for 2017

The world is expected to remain unstable in 2018. Meanwhile, Suntory Group will maintain our sense of tension and continue pursuing sustainable growth.

Suntory Holdings’ guidance for the year ending December 2018 is as follows:

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.

Operating income of 264 billion yen, up 4.1% year on year.

We are guiding for adjusted operating income growth of 1.0% year on year.

We will seek steady growth and revenue increase in each of our businesses and regions. In order to do this, we will continue to actively invest in our talent, R&D and brand reinforcement.

Profit attributable to owners of the parent is expected to be 126 billion yen, which is 59.6% of what it was in 2017. As mentioned earlier, this was due to the big push in our profit in 2017 due to the reversal of deferred tax liabilities.

With that, I would like to conclude my presentation. Thank you.

We at Suntory have been managing the Group from a mid-to-long term

perspective. Meanwhile, we have also been voluntarily disclosing our quarterly results.

Meanwhile, there has been a recent trend around global companies pursuing sustainable growth to shift from quarterly to half-year reporting. With this trend in mind, we will change our reporting to twice a year starting from this fiscal year ending December 2018, and we will be announcing only our interim results and our full year results. Suntory will continue to focus on sustainable growth rather than short term gains.

We look forward to your continued support. Thank you.