

Suntory Holdings Limited

Summary on FY2020 Earnings

Presenter: President and CEO Takeshi Niinami
Suntory Holdings Limited

This is Takeshi Niinami, CEO of Suntory Holdings. My sincere appreciation goes to all of you who support Suntory's activities.

Before I go into my presentation, I would like to express my condolences to those affected by the COVID-19 pandemic, as well as my appreciation to medical workers, and everyone else who continue to support our everyday lives.

Today, I will look back on the year 2020, and talk about our medium-to-long term policy, followed by a presentation from Mr. Ishikawa, Division COO of Corporate Planning & Administration Division, about the financial results.

(1)Results for FY2020

In 2020, the COVID-19 pandemic limited the movement of people throughout the world, causing severe disruptions in the market environment. Suntory's business activities were also affected, and the Group suffered a decline in both revenue and operating income from the previous year.

The performance of our "Non-alcoholic Beverage and Food" business was announced by Suntory Beverage & Food the other day. The vending machine business in Japan was especially affected, with sales in offices etc. declining.

The "Alcoholic Beverage" business was impacted by bars and restaurants suspending or shortening their operations in Japan, as well as in the U.S., Europe and Asia. Bars and restaurants are facing an extremely grave challenge at the moment. Throughout its history, Suntory has been helped by bars and restaurants, and we have grown to our current state thanks to the food service industry. Meanwhile, bars and restaurants play a key role in protecting and nurturing the food culture of Japan. We are therefore determined to do everything we can to overcome this crisis, together and hand in hand with the food service industry.

COVID-19 has triggered a sharp acceleration of changes in consumer lifestyles and consumption activities, such as people becoming more health conscious, as well as the growth of E-commerce. For instance, in Japan, healthy and functional products such as "Kin-Mugi 75% Less Carbohydrate" and "KARADA-WO-OMOU All-Free" gained strong support from many consumers. In the U.S., sales of premium whisky such as Maker's Mark and Basil Hayden's was popular, driven by demand from people wanting to enjoy quality drinks at home, while cocktail take-away and delivery

“Cocktails-to-go” also gained popularity. We were able to plant and grow new seeds for the future, capturing these changes taking place among consumers.

(2) Mid-to-long term strategy

As stated in our “Vision for 2030”, the Suntory Group aspires to become “a unique multifaceted beverage and liquor company that is loved and trusted around the world”. We are working on the following four focal points to achieve this goal.

The first is “Continuing to revitalize our brands”.

For a manufacturer like Suntory, it is of utmost importance to continuously improve and revitalize our brands and their contents, as well as to always deliver safe, reliable and high-quality products, with a focus on quality at the point of consumption. We have succeeded in doing precisely this with our popular core brands, even during the COVID-19 pandemic. A good example is the “Iyemon” green tea. We succeeded by creating innovations, such as bringing out the authentic color of the green tea liquid, and conducting a bold renewal of the design package. We also made a strong push forward in the sales of canned products in the off-premise channel for “The Premium Malt’s <Kaoru> Ale”, which is quickly growing to become the second main pillar of “The Premium Malt’s” series. We achieved record sales for the canned “Kin-Mugi”, too.

It is precisely with our historic core brands that we will stay close to consumers, always keep watch and respond to their changes, and keep revitalizing our brands in order to continuously provide attractive value to consumers.

While maintaining our focus on our existing brands, we will also take on the challenge of creating new brands. In April, we will launch a new standard beer product for the new era, bringing together Suntory’s technologies and expertise. This is a zero-carbohydrate beer, which Suntory will be presenting to consumers with pride. We hope you look forward to this exciting product.

The next point is “Creating Group synergies”.

The Suntory Group is a very unique company, even in the whole world, having such a wide and diverse business portfolio. We will further grow our three business domains; “Non-alcoholic Beverage & Food”, “Alcoholic Beverage” and “Health and Wellness Products”, as well as integrate them together to provide new value to an even larger number of consumers. In order to make this possible, we established the Group Strategy & Transformation Division starting from January of this year, headed by Mr. Nobuhiro Torii, Executive Vice President of Suntory Holdings.

The third point is “Innovating our business model utilizing digital technology”.

Using digital technologies strategically allows us to accurately grasp changes in

consumers and our customers, and approach them directly so that we can come closer to them, as well as provide them with opportunities to deepen their understanding of our brands. In order to accelerate change at the Group level, we newly set up the Digital Transformation Division, and will be promoting digital transformation from a firm-wide perspective.

The fourth point is our “Efforts toward sustainability”.

We are now in the age of “Social Good”. If customers decide that a company is lacking in its efforts to coexist with society and pursue sustainability, they will not choose and use that company anymore.

Suntory’s founding spirit is “Giving Back to Society”. For 122 years since its founding, Suntory has given back to society the profit it generates, to causes such as protecting the natural environment, and supporting art and cultural activities as well as sports, thereby contributing to the creation of enriched lifestyle cultures. As the number one non-alcoholic and alcoholic beverages company in Japan, Suntory will continue to place more focus on activities such as water resource cultivation, reducing CO2 emissions, as well as shifting to sustainable PET bottles, not only in Japan but throughout the world. Suntory is aiming for fully sustainable plastic bottles in all the PET bottles used globally by 2030, which is our ambition the entire Suntory Group will be working on. Last year in Japan, we formed a cross-industry alliance with chemicals and packaging material makers, setting up a joint venture in Japan to recycle used plastic. If we can make this a reality, it will be one of the first successful cases of Japan taking the lead in solving global challenges.

Lastly, I would like to briefly comment on the year 2021. In Japan, the State of Emergency continues, and we expect things to also remain tough in regions such as the U.S., Europe and Asia, at least in the first half of the year. However, despite the future uncertainties, Suntory has set and announced high financial targets for 2021. The targets may seem to be somewhat ambitious, especially so in terms of revenue. However, we believe it is important to clearly outline our targets, which all employees in the Group will be working together as a team, taking the offensive and striving to achieve.

We look forward to and appreciate your continued support to Suntory.

Presenter: **Kazushi Ishikawa**
Executive Officer, Suntory Holdings Limited

This is Kazushi Ishikawa, Executive Officer, Division COO of Corporate Planning & Administration Division of Suntory Holdings. Thank you very much for your support to our activities. I will now go over the consolidated results for the fiscal year ended December 2020.

(1) Results for FY2020

I will begin with Suntory Group's revenue for the fiscal year ended December 2020.

Revenue excluding excise taxes was 2.1083 trillion yen, down 8.1% year-on-year.

Revenue including excise taxes was 2.3676 trillion yen, down 7.8% year-on-year.

Suntory uses "revenue excluding excise taxes" as the main revenue benchmark, which is in line with many of the global spirits and beer players. However, in order to make ourselves comparable with many of the domestic players in Japan, who report their revenue including excise taxes, we also disclose the "revenue including excise taxes".

Moving on to profit,

Operating income was 217 billion yen, down 16.4% year-on-year.

Profit attributable to owners of the Company was 100.4 billion yen, down 28.8% year-on-year.

Due to the impact of the COVID-19 pandemic, our revenue, operating income and profit attributable to owners of the Company declined from the previous year.

Let me now go over each business segment. Suntory Group has 3 segments.

I will begin with the "Non-alcoholic Beverage and Food" segment.

Revenue was 1.1729 trillion yen, down 9.2% year-on-year.

Operating income was 117 billion yen, down 13.8% year-on-year.

As announced by Suntory Beverage & Food, on the 9th of February, the business was affected by limitations on the movement of people, due to COVID-19, which led to weaker sales such as in the vending machine channel. Meanwhile, as Mr. Niinami mentioned earlier, we conducted the largest renewal of our green tea brand "Iyemon" since it first launched, and significantly outperformed the previous year. We worked on further strengthening our core brands, focusing especially in the water, coffee and non-sugar tea categories.

Moving on to the "Alcoholic Beverage" segment.

Revenue excluding excise taxes was 728.1 billion yen, down 4.2% year-on-year.

Revenue including excise taxes was 987.1 billion yen, down 4.6% year-on-year.

Operating income was 130.4 billion yen, down 9.2% year-on-year.

Revenue from the spirits business was, on a currency neutral basis, the same level compared to the previous year. Although on-premise sales fell throughout the world including Japan and the U.S. due to the spread of COVID-19, we achieved growth in the off-premise channel.

In Japan, whisky category brands such as “Torys” and “Maker’s Mark” achieved strong growth, while “Kodawari Sakaba no Lemon Sour” did well in the RTD category. The Japanese gin “Sui”, launched in March, has also been popular with consumers, providing a new value of “Sui gin soda”, which can be enjoyed while eating a meal. In the U.S., “Jim Beam” continued to perform well, together with brands such as “Basil Hayden’s”, supported by an increase in the number of consumers wanting to enjoy premium bourbon at home.

The beer business was also affected by weaker demand from bars and restaurants, due to COVID-19. However, if we look at canned products which people tend to enjoy at home, total sales volume of the “Kin-Mugi” brand reached a record high, while “The Premium Malt’s <Kaoru> Ale” outperformed the previous year. With consumers becoming more health conscious, functional products did well, such as “Kin-Mugi 75% Less Carbohydrate” and “KARADA-WO-OMOU All-Free”.

Lastly, the “Others” segment.

Revenue excluding excise taxes was 207.3 billion yen, down 14.7% year-on-year.

Operating income was 14.8 billion yen, down 43.9% year-on-year.

Health and wellness products business did well, especially the “Sesamin” series, but the restaurant business did not, leading to a significant decline in segment profit from the previous year.

(2) Forecast for FY2021

Lastly, I will comment on the current fiscal year 2021. Extreme uncertainties are expected to prevail in the global economy, including future developments of COVID-19, as well as how U.S.-China relations will evolve with the new Biden administration.

Under these circumstances, our forecast for the year ending December 2021 is:

Revenue excluding excise taxes of 2.258 trillion yen, up 7.1% year-on-year,

Revenue including excise taxes of 2.538 trillion yen, up 7.2% year-on-year,

Operating income of 221 billion yen, up 1.8% year-on-year,

and profit attributable to owners of the Company of 104 billion yen, up 3.6% year-on-year.

Despite the uncertainties and lack of visibility, the entire Suntory Group will be working together towards these challenging targets.

This concludes my presentation. We look forward to your continued support to the Suntory Group.

Thank you very much for your attention.