

# **Suntory Holdings Limited**

## **Summary of FY2022 Earnings**

Presenter: Takeshi Niinami

President & Chief Executive Officer, Suntory Holdings Limited

Thank you for your continued support to the Suntory Group.

Before we begin the results announcement, I would like to express my sincere condolences to those affected by the Turkey-Syria earthquake, and we extend our deepest sympathy for those who lost their lives. The Suntory Group has decided to make a donation of approximately 37 million yen to support relief efforts.

Now, in the results announcement for the full fiscal year 2022, I will review the past year, as well as explain our future initiatives. We will then have Mr. Miyanaga, Director in charge of the Corporate Planning & Administration Division, go over the financial results.

### ① Overview of FY2022

Looking back on the year 2022, the management environment surrounding companies was extremely tough, and it was very difficult to anticipate the future, with the COVID-19 pandemic continuing, as well as the Russian invasion of Ukraine, the rise in the price of oil, currency volatility, and the spike in supply chain-related costs for raw materials and logistics.

However, despite the challenging circumstances, Suntory Group leveraged on its strength as a global multifaceted beverage and liquor company, and was able to significantly outperform our full year forecast, and achieved record levels for both operating revenue as well as operating income.

### ② Beverage and Food, and the Alcoholic Beverage businesses

As for the “Beverage and Food” business, we achieved growth in both revenue and income, as announced by Suntory Beverage & Food (SBF) two days ago. Ms. Ono, who will be formally appointed CEO in the Shareholders’ Meeting and the Board meeting next month, will be the first female CEO for a Japanese company with a market capitalization of above one trillion yen. The new organization will be rich in diversity, with the majority of Directors being non-Japanese and/or female. SBF will be entering a new phase in which it will benefit from the unique characteristics and diversity of its employees and achieve even further growth.

In our “Alcoholic Beverage” business, Beam Suntory achieved a record level of sales. Last year, we relocated Beam Suntory’s headquarters from Chicago to Manhattan in New York, with the aim of further refining its premium brand. Not only is New York the center of the global economy, but the wide variety of its people makes it the origin of culture. New York is one of the leading cities of the world, and it generates and drives forward new trends in the restaurant industry. More than 8 years have passed since the integration with Beam Suntory, and as we enter the next phase of integration, I am looking forward to Beam Suntory making a big leap forward, to the extent that its corporate value will double from where it is today.

In Japan, we set up “Suntory Spirits Limited” last July, integrating the Beer, Spirits and Wine categories, and are working on reforming the alcoholic beverages business. With liquor tax reforms coming up in October, 2023 will be a defining year for the Beer business. For Suntory, the Beer business is our “founding family’s dream”, and the hallmark of the *Yatte Minahare* spirit. CEO Nobuhiro Torii of Suntory Spirits Limited is taking the lead in making this dream a reality.

2023 is a memorable year in several ways; it marks the 100<sup>th</sup> anniversary of Suntory Whisky, and the 60<sup>th</sup> anniversary of the start of the Beer business, as well as the 40<sup>th</sup> anniversary of us taking part in the management of Chateau Lagrange. We will further refine our *Monozukuri* technology and product development capabilities, which the Suntory Group has nurtured over the many years, and aim for even higher levels of good taste and quality in our products to bring joy to consumers.

### ③ Sustainability initiatives, and Human Capital Management

Nowadays, not a day goes by without hearing the word “Sustainability”. I attended the World Economic Forum at Davos the other day, and witnessed firsthand how Europe is taking the lead in setting sustainability rules, and was acutely felt that we must never stop our progress towards sustainability, especially our initiatives related to climate change and biodiversity. As a (truly) global company, the Suntory Group will further strengthen our engagement in “Water sustainability”, “Reducing GHG emissions” and “Plastic” as our top three priorities.

Last year, we completed our switch to 100% renewable energy-derived electricity, for the power we purchase in all of our R&D facilities in Japan, the Americas and Europe. In Japan we signed a contract with the Yamanashi Prefectural government with the aim of introducing one of the largest systems to make green hydrogen, using renewable energy sources such as solar power, to our production site/sites. We are also accelerating our initiatives in the “Bottle-to-bottle” direct recycling of pet bottles, through alliances with organizations in various regions. We also launched the “Sustainability Leaders Council” with the Eurasia Group, founded by Mr. Ian Bremmer. We will be working together with business leaders in Asia, which is the center of sustainability initiatives.

This year, we will further reinforce the water resource cultivation project “Natural Water Sanctuary”, which we have been continuing for the past two decades, in relation to the global movement of “Nature Positive”, which aims to prevent the decline of and restore biodiversity. Our aim is to lead the world in the area of sustainability.

It is our “People” that drives new value creation and business growth. Since our founding, the Suntory Group has been working on various initiatives, under the concept of “Human Capital Management” which regards “People” as the most fundamental platform and capital of management. We have yet to engage in this year’s negotiations with the labor union, but we intend to raise wages by 6% or more, including an increase in base salaries, precisely because we are facing this challenging situation. The aim is to create an environment in which each employee is fully motivated.

Suntory Group’s corporate philosophy is “To create harmony with people and nature, create a rich lifestyle and culture, and inspire the “Brilliance of Life””. We will create value hand in hand with society,

February 15, 2023

and continue our endeavors to become a unique multifaceted beverage and liquor company that is trusted and loved around the world.

In closing, we at the Suntory Group will come together as ONE SUNTORY One Family in the year 2023, and continue to be on the offensive with the *Yatte Minahare* spirit and take on challenges, aiming for the highest levels of revenue and profit that goes beyond what we achieved in 2022. We look forward to your continued support.

Thank you very much.

Presenter: Toru Miyanaga

Director in charge of Corporate Planning & Administration Division, Suntory Holdings Limited

This is Miyanaga. Thank you for your continued support to the Suntory Group. I will now go over the consolidated results for the fiscal year ended December 2022.

① Overview of Results

As for Suntory Group's performance in the fiscal year ended December 2022,

Revenue including excise taxes was 2.9701 trillion yen, up 16.1% year on year.

Revenue excluding excise taxes was 2.6588 trillion yen, up 16.3% year on year.

Operating income was 276.5 billion yen, up 11.7% year on year.

Adjusted operating income, which excludes non-recurring items from operating income and serves as a metric representing our business profit, was 270.6 billion yen, up 7.4% year on year.

Profit attributable to owners of the Company was 136.2 billion yen, up 19.5% year on year.

We achieved record levels for both revenue and profit.

② Business Trends

I will now go over each segment.

< Beverages and Food segment >

Revenue was 1.4449 trillion yen, up 14.3% year on year.

Operating income was 162.1 billion yen, up 15.8% year on year.

As announced by Suntory Beverage & Food Ltd., in Japan we achieved record sales volume for *Tennensui*, *Iyemon* and *GREEN DA · KA · RA*. Outside of Japan, we achieved growth in both revenue and profit through initiatives such as strengthening activities for our core brands.

< Alcoholic Beverages Segment >

Revenue including excise taxes was 1.2459 trillion yen, up 17.8% year on year.

Revenue excluding excise taxes was 935.6 billion yen, up 19.2% year on year.

Operating income was 140.6 billion yen, up 9.9% year on year.

The spirits business revenue grew more than 20% year-on-year, both including and excluding excise taxes.

Outside of Japan, the premiumization strategy driven by Beam Suntory proved to be successful, and sales grew in our major markets such as the U.S. and Asia. In Japan, we did well in *Kakubin*, *Ao*, and *Kaku Highball Can*. RTD sales volume outperformed the market as a result of us taking on challenges to create new demand, such as the launch of *CRAFT -196°C* and *Bar Pomum*. We succeeded in proposing new value through *Suntory Gin Sui*, with the concept of *Sui Gin Soda*, which goes well with our everyday

food, and has been well-received by consumers.

In the beer business, sales volume including the non-alcoholic beer-taste drinks increased 4% year on year, outperforming the market. We enjoyed the support from many consumers, and achieved significant year-on-year growth for *The Premium Malt's*, which offers “luxury in our everyday lives”, and *Perfect Suntory Beer*, which provides “real delicious taste of beer while containing zero Toshitsu”. *Beer Ball*, which was born from the passion to “create a new beer culture”, became extremely popular especially among young consumers as a new type of beer with a value proposition allowing users to freely adjust its concentration.

In the non-alcoholic beverage category, we aimed to create a culture in which both people who drink and do not drink alcohol can enjoy themselves together, and enhanced our product line-up, by launching *Non-Alcoholic Wine Holiday*, together with *All-free* and *Non-Aru-Banshaku Highball Non-Alcoholic*. We also opened “*the Non-arū Sakaba*”, a store that will be in operation for a limited period of time, and actively promoted the attractiveness of non-alcoholic beverages to consumers.

< Others segment >

Revenue including excise taxes was 279.4 billion yen, up 17.5% year on year.

Revenue excluding excise taxes was 278.3 billion yen, up 17.6% year on year.

Operating income was 27 billion yen, up 5.9% year on year.

In the health food business, *Locomore* and *Omega Aid* performed well due to customers becoming more health-conscious.

③ Outlook for 2023

The forecast for the fiscal year ending December 31, 2022 is as follows:

Revenue including excise taxes of 3.12 trillion yen, up 5% year-on-year

Revenue excluding excise taxes of 2.81 trillion yen, up 5.7% year-on-year

Operating income of 280 billion yen, up 1.3% year-on-year

EBITDA of 280 billion yen, up 3.5% year-on-year

Profit attributable to owners of the Company of 140 billion yen, up 2.8% year on year

and we are expecting another year of revenue and profit growth.

We will aim to grow revenue for the entire Group, while proactively making strategic investments in our future.

Despite the unclear and uncertain outlook, the entire Group will work together to achieve further growth.

That concludes my presentation.

We look forward to your continued support.