

Suntory Holdings Limited

Summary of FY2023 Earnings

Presenter: Takeshi Niinami

President & Chief Executive Officer, Suntory Holdings Limited

I would like to express my sincere gratitude for your continued support of Suntory's activities.

Before going into our financial results, I would like to offer my heartfelt condolences to the victims of the Noto Peninsula earthquake (in Ishikawa Prefecture) this January, as well as my sincere wishes for the earliest possible recovery of the afflicted areas. The Suntory Group has made a donation of 50 million yen to be used for relief activities and reconstruction, and has provided over 200,000 bottles of soft drink products such as "Suntory Tennensui (mineral water)" as relief supplies.

Now, let me share the review of 2023 and future initiatives. After that, Toru Miyanaga (from the Corporate Planning Division) will provide an overview of the financial results.

① Overview of FY2023

Looking back on the year 2023, the business environment surrounding companies remained challenging, with supply chain costs such as raw materials and logistics continuing to rise, despite COVID-19 being downgraded to a Category V Infectious Diseases, and economic activities beginning to normalize.

However, despite these difficult conditions, the Suntory Group has demonstrated its strength as a global multifaceted beverages company and our full-year operating results have far exceeded our forecasts, reaching record highs for both revenue and operating income.

② Beverages and Foods, and the Alcoholic Beverages businesses

For the Beverages and Foods business, we achieved growth in both revenue and profit, as announced yesterday by Suntory Beverage & Food. We are looking forward to the company achieving further growth under President Makiko Ono's leadership.

As for Alcoholic Beverages, this year marks the 10th anniversary of the business integration of Beam Suntory. The first stage of the integration, which I had positioned as the biggest management challenge since I became President, is now complete. The amount paid at the time of acquisition was approximately 1.6 trillion yen, and we succeeded in more than tripling its corporate value over the 10 years. Our next goal is to become No.1 in the RTD category by 2030, a category that is on a growth trend worldwide. In the Oceania region, we have begun construction of the plant towards the collaboration with Suntory Beverage & Food last year, and preparations are progressing according to plan. In addition, as announced today, we will gradually expand "-196 (Minus One-Nine-Six)" to the U.S., Europe, and Southeast Asia starting this year.

Sales in our alcoholic beverages business in Japan grew well above the market. In particular, the beer category was a major driver of overall sales, benefiting from the tailwind of the liquor tax revision, and both "The Premium Malt's" and "Suntory Draft Beer", which was launched in April, performed well. In addition to beer, we have a broad portfolio that includes whisky, gin and other spirits, liqueurs, wine, RTD, and non-alcoholic drinks. We are proud to be the category leader in many of these areas, and will continue to create new value and revitalize various markets.

③Sustainability initiatives, and Investment in our people

Today, companies that are not doing enough in terms of their sustainability initiatives will not be selected by consumers. That is why a company's sustainability activities, which serve as a "social good" to gain the trust of society and consumers, are a crucially important strategy.

As the entire planet faces many environmental challenges such as climate change, water scarcity, and environmental pollution, the Suntory Group, as a global company, has positioned "water sustainability," "climate action," and "packaging and resource efficiency" as our three priority pillars in the sustainability field.

Water scarcity is an extremely pressing issue, with some predicting that 5 billion people worldwide will suffer from severe water shortages by 2050. Suntory, under the slogan "Sustained by Nature and Water," has been working in earnest on water sustainability for 20 years. We will continue to lead the world as the "pioneer in water sustainability", by further expanding and strengthening our water resource cultivation initiatives such as the "Natural Water Sanctuary", not only in Japan but worldwide.

The Suntory Group's Purpose is "To inspire the brilliance of life, by creating rich experiences for people, in harmony with nature". Through our products, services, and all other activities, we hope to bring smiles to the faces of as many people as possible around the world.

In order to realize a society filled with the "Brilliance of Life", the power source for enabling companies to grow and create new value is "People". Since its foundation, management and employees of Suntory Group have together been promoting various initiatives, based on the concept that people are the most important foundation and capital of management. DEI is one such initiative. By actively accepting and embracing diverse human resources regardless of nationality, age, LGBTQ+, disabilities, etc., and by mutually respecting each other's values, each individual can work more vibrantly and better demonstrate his or her own personality and strengths. Recognizing each other's differences leads to new insights and seeds innovation. An organization with diversity can adapt flexibly to turbulent times. This is how I see the importance of DEI.

In addition, in the coming era, companies that cannot raise its wages will not be able to attract good talent. Companies need to change their mindsets, from "We will raise wages once productivity is enhanced", to taking higher wages as a given, and thinking "How can we improve our productivity to accommodate higher wages?", which is the global standard. In Japan, Suntory aims to raise wages by more than 7%, including a rise of the base salary, in this year's negotiations with the labor union, and will continue to invest in our people, including continuous wage increases as part of our strategy.

Lastly, in 2024, we will aim for even higher sales and profit than in 2023, by continuing to take on challenges aggressively with all Suntory Group employees working together as one. In order to do so, it is important to leverage the Group's strength of having various businesses such as beverages, food and liquors, by tearing down the walls and taking on the challenge together globally.

As a mid-term goal, we aim to reach 4 trillion yen in revenue in 2030.

We look forward to your continued guidance and support. Thank you very much.

Presenter: Toru Miyanaga

Managing Executive Officer, Suntory Holdings Limited

This is Toru 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 2023.

① Overview of Results

As for Suntory Group's performance in the fiscal year ended December 2023,

Revenue including liquor tax was 3,285.1 billion yen, up 10.6% year on year.

Revenue excluding liquor tax was 2,952.1 billion yen, up 11.0% year on year.

Operating income was 317.2 billion yen, up 14.7% year on year.

Adjusted operating income, which excludes non-recurring items from operating income and serves as a metric representing our business profit, was 316.9 billion yen, up 17.1% year on year.

Profit attributable to owners of the Company was 172.7 billion yen, up 26.8% year on year.

We achieved record high for both revenue and operating income.

② Business Trends

Now, let me go over our three major operating segments one by one.

< Beverages and Food segment >

Revenue was 1,584.3 billion yen, up 9.6% year on year.

Operating income was 165.9 billion yen, up 2.3% year on year.

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

< Alcoholic Beverages Segment >

Revenue including liquor tax was 1,377.7 billion yen, up 10.6% year on year.

Revenue excluding liquor tax was 1,045.7 billion yen, up 11.8% year on year.

Operating income was 175.6 billion yen, up 24.9% year on year.

Spirits business revenue grew approximately 10% year on year, both including and excluding liquor tax.

Outside Japan, bourbon whiskies *Jim Beam* and *Maker's Mark*, Scotch whisky *Bowmore*, Japanese whisky *TOKI*, as well as *Hornitos* tequila and Japanese craft vodka *HAKU* performed well. We have also been proactive in expanding our Ready-to-Drink (RTD) products globally. Sales of recently released *Jim Beam Highball Can* in South Korea far exceeded our initial plans.

In Japan, along with whisky brands *Torlys*, *Jim Beam*, and *Ao*, we also did well in canned highballs. In the RTD area, we strengthened major brands such as *-196°C*, *Kodawari Sakaba*, and *SUI Gin Soda Can*. In order to create new demand, we launched the new *Kodawari Sakaba no Tako-hi* in March. As a basic Japanese-style sour popular in bars, it was well received thanks to its refreshing taste that goes well with meals. Sales volume exceeded 6 million cases, approximately 20% above the upwardly revised annual sales plan.

In the beer category, which is expanding due to Japan's Liquor Tax Reform in October last year, our sales far outpaced the market trend, with a significant 31% growth year on year. *The Premium Malt's* has undergone a successful renewal with the aim of creating a new premium product that matches the times, and sales increased by 9% year on year. *Suntory Draft Beer*, which was launched in April, was well received for its thoroughly satisfying mouth feel and drinkability. Sales reached approximately 4 million cases, approximately 30% higher than the original annual sales plan.

In the non-alcohol category, we broadened our lineup of beverages in pursuit of our goal of creating a culture that can be enjoyed by people who drink alcohol and those who do not, launching *Ashita wo Omou All-Free* and *Non-Aru Banshaku Highball Non-Alcohol* to join existing products *All-Free* and *Non-Aru Banshaku Lemon Sour Non-Alcohol*. We also developed *Non-aru Sakaba* stores nationwide, and actively conveyed the attractiveness of non-alcoholic beverages to consumers.

< Others segment >

Revenue including liquor tax was 323.2 billion yen, up 15.7% year on year.

Revenue excluding liquor tax was 322.1 billion yen, up 15.7% year on year.

Operating income was 34.1 billion yen, up 26.2% year on year.

In the health and wellness products business, *Locomore* and *VARON* performed well due to customers becoming more health conscious.

③ Outlook for 2024

The forecast for the fiscal year ending December 31, 2024, is as follows:

Revenue including liquor tax is 3,450 billion yen, up 5.0% year on year

Revenue excluding liquor tax is 3,110 billion yen, up 5.3% year on year

Operating income is 320 billion yen, up 0.9% year on year

EBITDA is 320 billion yen, up 1.0% year on year

Profit attributable to owners of the Company is projected to be 153 billion yen, down 11.4% year on year.

This decline represents a reactionary effect after profit rose in 2023 due to tax reform mainly in the United States.

We will continue to work together as a group to achieve our high targets.

That concludes my presentation.

We look forward to your continued support to Suntory Group.