

FOCUS

The Driving Force of Mizu To Ikiru

Mizu To Ikiru is the promise SBF has made to society to live sustainably with water. It is based on a philosophy that has evolved through the long history of Suntory.

Why Water is Precious to Us

The Origin of the Suntory Mizu To Ikiru Philosophy

Suntory's intense focus on the quality of water can be traced back to 1923, when the company's founder, Shinjiro Torii, began his efforts to create the first Japanese-made whisky. In other words, the ultimate starting point was whisky. The word "whiskey" is derived from the Gaelic word *uisge beatha*, which means "water of life." With water making up 60% of the human body, that connection is clear, but it is perhaps an odd twist that SBF's search for water to sustain human life began with whisky.

Good water is essential for good whisky. Shinjiro Torii's nationwide search for water eventually led him to the Yamazaki area of Kyoto. Japan's first whisky distillery, the Yamazaki Distillery, was completed in 1924. Among the many Japanese whiskies developed at this distillery was *Yamazaki*, which is still enjoyed by whisky drinkers around the world today.

SOURCE

Growth Fueled by Water

When *Suntory Mineral Water* first went on sale in 1970, the custom of buying and drinking mineral water was almost unknown in Japan. This is because the country is endowed with many natural water sources and the tap water is safe to drink. The mineral water market was extremely small, and the product was initially introduced for use in *mizuwari* (whisky with water on the rocks). However, a press release issued at the time stated the product was intended to be a health-promoting mineral water for regular consumption. Suntory's determination to enrich people's lives by supplying safe, clean water abundant with minerals was present from the start.

In 1973, Suntory launched a project to find a source for the most delicious water in Japan. After exploring many candidate locations, we eventually chose Hakushu in Yamanashi Prefecture, where a second distillery was built. Hakushu was selected because of the strong flow of pure-tasting water spilling from the area's granite layer, and because of the excellent natural environment. In addition, the water had a light, fresh taste.

The discovery of this water in Japan's Southern Alps provided the impetus for the subsequent growth of the mineral water business.

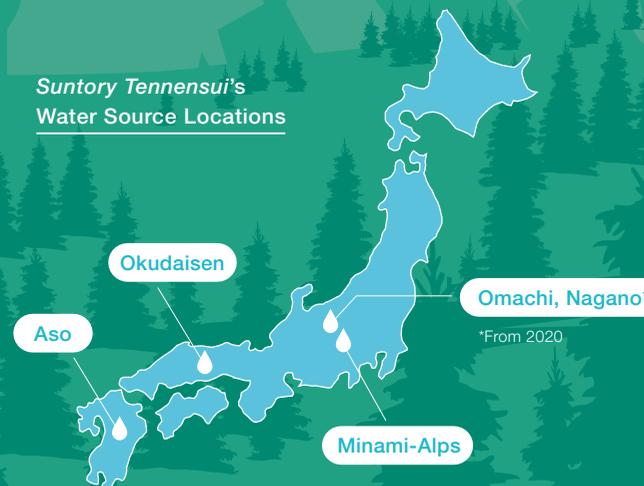
GROWTH

In 1977, we launched a series of bottled mineral water products made using famous mineral water varieties from seven locations around Japan. Then the mineral water *Suntory Minami-Alps Tennensui*, which was sourced from Hakushu, was launched in 1991.

Suntory has a long history of studying water and searching for ideal water sources for use in its whisky and beer products. This strong commitment to water quality and taste has driven the growth of the *Suntory Tennensui* brand in step with the increasing demand for mineral water in Japan. We have expanded the brand through the addition of water from Aso in Kumamoto Prefecture and Okudaisen in Tottori Prefecture, as well as creating sparkling and flavored varieties. Our focus on quality control has helped to build a reputation for the *Suntory Tennensui* brand as a range of products that combine the values of safety and reliability with a delicious, fresh, clean taste. As a result of these efforts, *Suntory Tennensui* has grown to become Japan's leading brand in the soft drink market in terms of sales volumes—reaching sales of over 100 million cases* in 2018. A commitment to water quality has been the foundation for the growth of SBF's beverage business.

*Source: Japan beverage research institute Inryou Souken

Suntory Tennensui's Water Source Locations



Developing Markets through Taking Up New Challenges

Achievements Made Possible by the Yatte Minahare Spirit

Suntory's founder, Shinjiro Torii, was a pioneer of the Western wine and liquor culture in Japan. His indomitable spirit was encapsulated in the phrase *Yatte Minahare*. Passed down via successive generations as part of the DNA of the Suntory Group, this phrase continues to inspire us to boldly take up new challenges.

First launched in 1981, *Suntory Oolong Tea* made a key contribution to the establishment of the non-sugar ready-to-drink (RTD) tea market. At a time when Japanese consumers never thought of purchasing RTD tea, we helped to change consumer behavior in Japan by developing products, and implementing promotions and marketing activities that were in tune with rising health-consciousness. Today *Suntory Oolong Tea* continues to deliver growth as a long-selling product.

After building the popularity of oolong tea as a new addition to Japan's tea culture, we next turned to green tea. Our attempts to develop green tea products repeatedly ended in failure, but we remained determined to create a drink that would deliver the unique flavor achieved by brewing the tea in a teapot. These efforts culminated in the development of *Suntory Green Tea Iyemon*, which went on sale in 2004.

Our long-selling *BOSS* range of coffee drinks was originally launched in 1994 as the "coffee of working people." In response to changing work styles and to



expand the range of situations in which RTD coffee drinks could be consumed, we developed the *Craft BOSS* series, which is packaged in PET bottles. In 2018, yearly sales of *BOSS* coffee exceeded 100 million cases.

In addition to our focus on product development, we have also continually enhanced services designed to bring our products closer to consumers and to situations where they want to enjoy them. We have actively built our vending machine business with the aim of improving the availability of our products whenever and wherever people want to obtain beverages. Today we offer a wide variety of channels, including vending machines, tea dispensers, water servers, and Smart Cafés® (automatic and self-serving coffee machines). SBF is continually working to provide the optimal product line-up for every location, including the development of specialty products.

SBF has dramatically expanded its business by continually opening up new markets, creating long-selling brands, and developing distribution networks. The keys to success are our commitment to water quality, our determination to discover consumer needs, and our unchanging commitment to our founding spirit expressed in the words *Yatte Minahare*.



Taking SBF Technology and Know-how Overseas

We began to target international expansion in earnest in the second half of the 2000s. While our business operations in Europe, Asia, Oceania, and North America center on popular local brands, we have also combined technology developed in Japan with SBF know-how to create products that are in tune with the culture and preferences of each market.

In Vietnam, a shift to richer diets has been paralleled by an increase in various health issues. In 2013, we responded by launching *TEA+*. This product contains oolong tea polymerized polyphenols (OTPPs), which inhibit the absorption of fat. By 2018, *TEA+* had grown into a major

product with annual sales in excess of 10 million cases.

In 2016, we launched the *MayTea* range of low-sugar premium iced tea drinks. Based on our "natural & healthy" concept, these delicious drinks have been extremely popular with health-conscious consumers and have gained the second largest share of the French RTD tea market. In Indonesia, we used our flavored water development technology to create the *goodmood* range of products, which first went on sale in 2017. After establishing ourselves as the pioneer of the flavored water market in Indonesia, we also began to market *goodmood* products in Thailand and Vietnam in March 2019.

Using knowledge and technology developed in Japan, SBF has begun to offer new value that matches local consumer needs and lifestyles in markets around the world.

In the Future, As In the past, Water Will Continue to Be the Driving Force for Our Growth

Corporate Belief in Commitment to Water

Access to Japan's abundant water resources has allowed SBF to create its many products. However, if Japan's forests are depleted, we will also lose the water and natural beauty that we enjoy today. That is why Suntory has pledged to protect the forests that are so vital to the conservation of water resources. This promise is the starting point for the many different forest conservation initiatives we undertake.

The Suntory Institute for Water Science plays a part in these initiatives through its comprehensive research activities relating to the protection of water and life. Areas of research range from the physiological role of water, including the relationship between water and health and the source of taste preferences, to the role of water in the natural environment, including the conservation of water for the future through sustainable groundwater utilization.

Under the *Suntory Mizuiku*—Education Program for Nature and Water, we are helping children to understand the importance of water and the role of forests within natural water systems. Since 2004, we have given children opportunities to experience nature for themselves through the Outdoor School of Forest and Water, which is held at Hakushu in Yamanashi Prefecture,



The Outdoor School of Forest and Water

Okudaisen in Tottori Prefecture, and Aso in Kumamoto Prefecture. Since 2006, we have also run courses with elementary schools.

Under our *Mizu To Ikiru* philosophy, what can we do as a company to contribute to living sustainably with water? We will always consider our environment and face any related challenges, whether it be over the next ten or even hundred years.

Living More Sustainably with Water

Overseas SBF Group employees, who understand and share our *Mizu To Ikiru* philosophy, are implementing water conservation and environmental education activities that we initially established in Japan. In France, we have formed a water resource conservation partnership with the nature park Grand Parc Miribel Jonage. Activities include forest conservation initiatives in the park, and support for educational programs for children. In Spain, we have undertaken projects to improve water quality and restore low-lying riverbank environments in cooperation with the local people. We are also helping to build understanding about aquatic ecosystems and carrying out extensive educational activities for our employees and their families.

We are continuing to expand the *Suntory Mizuiku* environmental education program into areas such as Vietnam and Indonesia, and developing study activities designed to match local cultural and social backgrounds.

We are supporting initiatives to help supply drinking water in Kenya and have donated a 2,000-liter water tank to an orphanage in Nigeria. We also contribute to the improvement of sanitation infrastructure.

Through these activities in regions around the world, we are diffusing the SBF belief in water conservation as the basis for living with water. Our *Mizu To Ikiru* promise is one we will pass on to future generations, and through a diverse range of initiatives, SBF will continue to make these ideas a reality.



Suntory Mizuiku in Vietnam

SUSTAINABILITY