

“SBF Group will continuously work to strengthen business foundations in each region, and aim for sales and profit growth.”



Yuji Yamazaki

Senior Managing Executive Officer,
Member of the Board

An Operational Review of Fiscal 2017

Suntory Beverage & Food Group (SBF Group) put efforts into brand reinforcement and new demand creation, as well as strengthening earning capacity through cost reductions, quality improvement of products and strengthening its business foundation and redeveloping its business portfolio with the aim of achieving sustainable future growth. As a result, SBF Group reported consolidated revenue of ¥1,234.0 billion, up 2.1% year on year and consolidated operating income of ¥118.0 billion, up 5.4%. SBF has applied the International Financial Reporting Standards (IFRS) beginning from fiscal 2017.

In Japan, the Group worked on creating new demand by proposing products that bring new value, strengthening core brands, as well as continuing to focus on efforts to improve profitability.

As a result, segment profit grew by a larger margin than sales, with a year-on-year increase of ¥57.3 billion (5.1%), and revenue of ¥689.2 billion, up 0.2%. In Europe, aggressive marketing activities were conducted with a focus on core brands, and in Africa, the Group strove to reinforce the business foundation. Despite a temporary rise in supply chain costs, the Europe business reported revenue of ¥238.9 billion, up 4.2% year on year and segment profit of ¥34.6 billion, up 2.9%. In Asia, besides reinforcing core brands, the Group worked on strengthening the sales and distribution structures in each country. As a result, the Asia business reported revenue of ¥177.1 billion, up 7.6% year on year. With the strong sales in Vietnam and in the health supplement business overall, the Group has achieved high segment profit growth of 34.5% reaching ¥23.2 billion. In Oceania, the Group

worked to expand sales by conducting aggressive marketing activities surrounding its core brands. The region reported revenue of ¥42.8 billion, up 3.8% year on year. However, segment profit declined by 13.8%, due to an increase in sales promotion costs in response to intensified competition. In the Americas, the Group strove to further support PepsiCo brand products while focusing on the growing non-carbonated beverage category. On the other hand, earnings were affected by a decrease in sales in the carbonated beverage category and higher raw material costs. The Group reported revenue down 0.2% year on year and a 17.9% fall in segment profit.

Performance Forecasts for Fiscal 2018

In fiscal 2018, SBF Group aims to achieve increases in revenue and profit, forecasting consolidated revenue of ¥1,293.0 billion, up 4.8% year on year, and consolidated operating income of ¥127.0 billion, up 7.7%. SBF Group will work continuously to strengthen business foundations in each region, as it aims for sales and profit growth.

In Japan the Group aims to grow sales at a rate higher than that of the market by capturing needs of consumers through strengthening core brands and developing future core categories, and through offering new value. In Europe, the Group will broaden the product portfolio by reinforcing low-sugar products, and promote the expansion of consumer contact points through bolstering storefront activities, as well as improving supply

chain management. And in Asia, the Group will focus on the core brands in key regions and build up Suntory PepsiCo Beverage (Thailand) Co., Ltd., with the aim of achieving further growth and expanding the business in a rapidly growing market. In Oceania, as well as working to reinforce core brands, the Group will introduce new health-focused products to broaden the portfolio and also expand route-to-market. The Group will pursue its growth strategy by shifting the fresh coffee business unit to Oceania region from 2018, which was originally positioned within the Asia region. In the Americas, the Group will strive to restore growth in the carbonated beverage category, while also focusing on the expanding non-carbonated beverage category. In addition, in view of the rising health focus among consumers, the Group will pursue initiatives related to investing in new business.

Medium-term Plan (2018–2020)

SBF is working under its new long-term strategy to improve its profitability. In its medium-term plan to 2020, SBF targets sales characterized largely by organic growth ahead of the market coupled with incremental growth through new investments, and operating income at a CAGR (Compound Annual Growth Rate) of mid single-digits or above. Under our basic policy on profit distribution, we consistently allocate 30% or more of the parent company's net income to shareholder dividends, while building a robust financial base that assures flexible response in various situations.

Revenue and Segment Profit by Region (IFRS)

	FY2016		FY2017	
	Revenue	Segment profit	Revenue (Change)	Segment profit (Change)
Japan	687.8	54.5	689.2 (0.2%)	57.3 (5.1%)
Europe	229.4	33.6	238.9 (4.2%)	34.6 (2.9%)
Asia	164.5	17.2	177.1 (7.6%)	23.2 (34.5%)
Oceania	41.2	5.8	42.8 (3.8%)	5.0 (-13.8%)
Americas	86.2	11.3	86.0 (-0.2%)	9.3 (-17.9%)
Total	1,209.1	111.9	1,234.0 (2.1%)	118.0 (5.4%)

Notes 1: The SBF Group has applied the IFRS since fiscal 2017. The figures for fiscal 2016 are stated on an IFRS basis.
2: Adjustments have been deducted from the sum of segment profits.