English Translation

SUNTORY BEVERAGE & FOOD

May 8, 2019

Summary of Consolidated Financial Results for the First Three Months of the Year Ending December 31, 2019 <IFRS> (UNAUDITED)

Company name:	**Suntory Beverage & Food Limited**
Shares listed:	First Section, Tokyo Stock Exchange
Securities code:	2587
URL:	https://www.suntory.com/sbf/
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Scheduled date to file quarterly securities report:	May 13, 2019
Scheduled date to commence dividend payments:	–
Attachment of supplementary material on quarterly financial results:	Yes
Holding of quarterly financial results briefing meeting (for institutional investors and analysts):	Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first three months of the year ending December 31, 2019 (from January 1, 2019 to March 31, 2019)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax for the period		Profit for the period	
Three months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2019	285,716	3.1	17,783	(33.1)	17,478	(32.1)	13,284	(40.3)
March 31, 2018	277,133	3.3	26,566	27.0	25,733	26.8	22,261	49.5

	Profit for the period attributable to owners of the Company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Three months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)	(Yen)
March 31, 2019	10,708	(47.7)	16,276	–	34.66	–
March 31, 2018	20,490	57.0	481	(75.2)	66.31	–

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
As at	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
March 31, 2019	1,529,950	802,153	715,044	46.7
December 31, 2018	1,539,416	798,877	714,823	46.4

(3) Consolidated cash flows

	Net cash inflow (outflow) from operating activities	Net cash inflow (outflow) from investing activities	Net cash inflow (outflow) from financing activities	Cash and cash equivalents at the end of the period
Three months ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2019	4,135	(14,270)	(43,392)	93,814
March 31, 2018	(6,683)	(13,968)	18,697	113,524

2. Dividends

	Annual cash dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended December 31, 2018	–	39.00	–	39.00	78.00
Year ending December 31, 2019	–				
Year ending December 31, 2019 (Forecast)		39.00	–	39.00	78.00

Note: Revisions to the forecast of dividends most recently announced: None

3. Consolidated earnings forecast for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax		Profit for the year		Profit for the year attributable to owners of the Company		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Year ending December 31, 2019	1,313,000	1.4	110,000	(3.1)	108,000	(3.4)	76,500	(13.9)	66,500	(16.9)	215.21

Note: Revisions to the earnings forecast most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

a. Changes in accounting policies required by IFRS: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

(Note) For details, please refer to "2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto (Unaudited), (6) Notes to condensed quarterly consolidated financial statements, (Changes in accounting policies)" of the Attached Materials on page 12.

(3) Number of issued shares (ordinary shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As at March 31, 2019	309,000,000 shares
As at December 31, 2018	309,000,000 shares

b. Number of treasury shares at the end of the period

As at March 31, 2019	– shares
As at December 31, 2018	– shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the year)

Three months ended March 31, 2019	309,000,000 shares
Three months ended March 31, 2018	309,000,000 shares

*** Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecast, and other special matters**

The earnings forecast contained in these materials are based on our judgment attributable to information available to the Company and the Group as of the date of announcement of these materials, and include certain risks and uncertainties. These statements are not intended as a promise by the Company to achieve such results. Actual business results may differ substantially due to various factors such as economic situation surrounding the Company and the Group, market trend, exchange rates and other factors.

Attached Materials

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1. Qualitative Information Regarding Settlement of Accounts for the First Three Months

(1) Operating results

Suntory Beverage & Food Limited Group (the Group), based on the philosophy of enriching consumers' lives by proposing premium and unique products that match the tastes and needs of consumers, put effort into brand reinforcement and new demand creation, and worked to improve the quality of products. In addition, the Group worked to strengthen profitability in each area.

As a result of the above, for the operating results of the first three months of the year ending December 31, 2019, the Group reported consolidated revenue of ¥285.7 billion, up 3.1% year on year. Consolidated operating income was ¥17.8 billion, which was down 33.1% year on year due to the impact of a gain on sale of business of ¥11.6 billion recorded in the previous year. Profit for the period attributable to owners of the Company was ¥10.7 billion, down 47.7% year on year.

Results by segment are described below.

< Japan business >
The Group worked on strengthening core brands with a focus on water, coffee, and sugar-free tea categories. As a result, sales volume increased year on year. For the *Suntory Tennensui* brand, sales of the core mineral water product and the *Suntory Tennensui Sparkling* series were strong and sales volume for the brand as a whole exceeded that of previous year. For the *BOSS* brand, in addition to carrying out proactive marketing activities for canned coffee, the *Craft BOSS* series sold strongly with products such as *Craft Boss TEA* non sugar, launched in March, being well received by consumers, and sales volume for the *BOSS* brand as a whole were considerably higher than previous year. In the sugar-free tea category, the flavor and packaging of *Iyemon* brand were renewed and sales volume for *Green DAKARA Yasashii Mugicha* grew significantly.
In terms of profit, while experiencing a continuingly challenging business environment due to increases in various costs and so on, the Group promoted structural change in order to improve profitability, including initiatives to achieve recovery of the sales trend of *Tokucha* in the FOSHU drink products. In addition, sales promotion and advertising costs decreased as the timing for brand investments was shifted to the second quarter or later.
As a result of these activities, the Japan business reported revenue of ¥150.7 billion, up 0.2% year on year, and segment profit of ¥6.5 billion, up 24.8% year on year.

< Europe business >
In France, year-on-year increases in sales volume were achieved for the core brand *Orangina* and the premium low-sugar iced tea *MayTea*, but sales volume declined year on year for *Oasis*. In the UK, with the ongoing recovery in the sales trend of *Lucozade*, sales volume for the brand exceeded that of previous year. In Spain, sales volumes for *Schweppes* decreased year on year, reflecting a shrinking of the on-premise tonic market.

In terms of profit, the Company saw a positive impact in the first quarter from the different timing of expenditure on sales promotion and advertising costs in France and the UK compared to the previous fiscal year.
As a result of these activities, the Europe business reported revenue of ¥48.4 billion, down 6.6% year on year, and segment profit of ¥3.9 billion, up 6.0% year on year.

< Asia business >
In both the beverage business and the health supplement business, in addition to strengthening marketing activities targeting the core brands in key regions, the Group also focused efforts on expanding the sales areas of each brand.
Regarding the beverage business, in Vietnam, sales increased year on year, assisted by the proactive marketing activities for such products as the energy drink *Sting*, as well as the RTD tea *TEA+*. In

Thailand, where Suntory PepsiCo Beverage (Thailand) Co., Ltd. started operations in March last year, the core product *Pepsi* sold strongly, while the flavored water *goodmood*, which had been well-received by consumers in Indonesia, was launched in Thailand in February.
Regarding the health supplement business, although the Group focused on strengthening marketing for such products as *BRAND'S Essence of Chicken*, mainly in the core Thailand market, sales declined year on year.
As a result of these activities, the Asia business reported revenue of ¥55.5 billion, up 25.2% year on year. Segment profit was ¥7.2 billion, down 58.6% year on year due to the impact of a gain on sale of business of ¥11.6 billion recorded in the previous year.

< Oceania business >
Regarding the beverage business, in addition to focusing efforts on strengthening marketing for energy drinks such as *V*, the Group worked to strengthen the fermented tea product (kombucha) brand *Amplify*.
In the fresh coffee business, the Group worked on strengthening its core brands such as *Toby's Estate*, *L'Affare*, and *Mocopan*.
As a result of these activities, the Oceania business reported revenue of ¥12.9 billion, down 4.9% year on year, and segment profit of ¥1.4 billion, down 9.7% year on year.

< Americas business >
In addition to further strengthening sales of the core carbonated beverage brand products, the Group also focused on the growing non-carbonated beverage category, which included water and RTD coffee.
As a result of these activities, the Americas business reported revenue of ¥18.3 billion, up 7.4% year on year, and segment profit of ¥1.5 billion, down 0.4% year on year.

(2) Financial position

Total assets as at March 31, 2019 stood at ¥1,530.0 billion, a decrease of ¥9.5 billion compared to December 31, 2018. The main factor was a decrease in cash and cash equivalents, despite an increase in right-of-use assets due to the application of IFRS 16 “Leases”.

Total liabilities stood at ¥727.8 billion, a decrease of ¥12.7 billion compared to December 31, 2018. This was due in part to a decrease in long-term borrowings, despite an increase in other financial liabilities due to the application of IFRS 16 “Leases”.

Total equity stood at ¥802.2 billion, an increase of ¥3.3 billion compared to December 31, 2018, due in part to an increase in non-controlling interests.

(3) Overview of cash flows for the period

Cash and cash equivalents as at March 31, 2019 amounted to ¥93.8 billion, a decrease of ¥52.7 billion compared to December 31, 2018.

Net cash inflow from operating activities was ¥4.1 billion, compared to ¥6.7 billion of net cash outflow from operating activities in the same period of the previous year. This was the result of a decrease in trade and other payables of ¥4.0 billion, an increase in trade and other receivables of ¥2.3 billion and an increase in inventories of ¥7.8 billion, despite profit before tax for the period of ¥17.5 billion and depreciation and amortization of ¥18.0 billion.

Net cash outflow from investing activities was ¥14.3 billion, an increase of ¥0.3 billion compared to the same period of the previous year. This was mainly the result of the payments for property, plant and equipment and intangible assets of ¥14.3 billion.

Net cash outflow from financing activities was ¥43.4 billion, compared to ¥18.7 billion of net cash inflow from investing activities in the same period of the previous year. This was mainly the result of the repayments of long-term borrowings of ¥26.9 billion.

(4) Consolidated earnings forecast and other forward-looking statements

No changes have been made to the consolidated earnings forecast for the year ending December 31, 2019, which was announced on February 14, 2019.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto (Unaudited)

(1) Condensed quarterly consolidated statement of financial position

	Millions of yen	
	As at December 31, 2018	As at March 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	146,535	93,814
Trade and other receivables	184,900	187,563
Other financial assets	984	5,803
Inventories	85,766	93,795
Other current assets	25,149	25,555
Subtotal	443,336	406,532
Assets held for sale	27	27
Total current assets	443,363	406,559
Non-current assets:		
Property, plant and equipment	375,382	363,439
Right-of-use assets	–	47,510
Goodwill	250,685	249,648
Intangible assets	418,562	418,826
Investments accounted for using the equity method	1,216	1,248
Other financial assets	20,955	16,548
Deferred tax assets	14,291	15,299
Other non-current assets	14,959	10,867
Total non-current assets	1,096,052	1,123,391
Total assets	1,539,416	1,529,950

	Millions of yen	
	As at December 31, 2018	As at March 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	75,437	85,746
Trade and other payables	303,783	297,571
Other financial liabilities	30,736	31,133
Accrued income taxes	18,445	12,250
Provisions	2,074	2,014
Other current liabilities	8,639	10,353
Total current liabilities	439,117	439,071
Non-current liabilities:		
Bonds and borrowings	195,436	158,191
Other financial liabilities	20,150	44,804
Post-employment benefit liabilities	13,258	13,528
Provisions	2,702	2,666
Deferred tax liabilities	63,494	63,557
Other non-current liabilities	6,377	5,978
Total non-current liabilities	301,421	288,725
Total liabilities	740,538	727,796
Equity		
Share capital	168,384	168,384
Share premium	182,349	182,349
Retained earnings	420,638	418,584
Other components of equity	(56,548)	(54,273)
Total equity attributable to owners of the Company	714,823	715,044
Non-controlling interests	84,054	87,109
Total equity	798,877	802,153
Total liabilities and equity	1,539,416	1,529,950

(2) Condensed quarterly consolidated statement of profit or loss

Millions of yen

	Three months ended March 31, 2018	Three months ended March 31, 2019
Revenue	277,133	285,716
Cost of sales	(161,368)	(169,489)
Gross profit	115,764	116,227
Selling, general and administrative expenses	(100,091)	(97,798)
Gain on investments accounted for using the equity method	45	36
Other income	12,049	501
Other expenses	(1,201)	(1,183)
Operating income	26,566	17,783
Finance income	212	439
Finance costs	(1,044)	(744)
Profit before tax for the period	25,733	17,478
Income tax expense	(3,471)	(4,194)
Profit for the period	22,261	13,284
Attributable to:		
Owners of the Company	20,490	10,708
Non-controlling interests	1,771	2,575
Profit for the period	22,261	13,284
Earnings per share (Yen)	66.31	34.66

(3) Condensed quarterly consolidated statement of comprehensive income

	Millions of yen	
	Three months ended March 31, 2018	Three months ended March 31, 2019
Profit for the period	22,261	13,284
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets	(269)	652
Remeasurement of post-employment benefit plans	18	22
Total	(251)	675
Items that may be reclassified to profit or loss:		
Translation adjustments of foreign operations	(21,433)	2,478
Net gain (loss) on revaluation of cash flow hedges	(53)	(178)
Changes in comprehensive income of investments accounted for using the equity method	(42)	17
Total	(21,528)	2,317
Other comprehensive income for the period, net of tax	(21,779)	2,992
Comprehensive income for the period	481	16,276
Attributable to:		
Owners of the Company	1,164	12,983
Non-controlling interests	(682)	3,293
Comprehensive income for the period	481	16,276

(4) Condensed quarterly consolidated statement of changes in equity

Three months ended March 31, 2018

Millions of yen

	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Other compo-nents of equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2018	168,384	182,404	364,274	(24,625)	690,437	55,763	746,201
Profit for the period			20,490		20,490	1,771	22,261
Other comprehensive income				(19,326)	(19,326)	(2,453)	(21,779)
Total comprehensive income for the period	–	–	20,490	(19,326)	1,164	(682)	481
Dividends			(11,742)		(11,742)	(71)	(11,813)
Increase due to business combinations					–	26,881	26,881
Transactions with non-controlling interests		(54)			(54)	108	54
Total transactions with owners of the Company	–	(54)	(11,742)	–	(11,796)	26,918	15,121
Balance at March 31, 2018	168,384	182,349	373,023	(43,951)	679,805	82,000	761,805

Three months ended March 31, 2019

Millions of yen

	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Other compo-nents of equity	Total	Non-controlling interests	Total equity
Balance at December 31, 2018	168,384	182,349	420,638	(56,548)	714,823	84,054	798,877
Cumulative effect of adopting new accounting standards			(710)		(710)	(165)	(876)
Balance at January 1, 2019	168,384	182,349	419,927	(56,548)	714,112	83,888	798,000
Profit for the period			10,708		10,708	2,575	13,284
Other comprehensive income				2,274	2,274	717	2,992
Total comprehensive income for the period	–	–	10,708	2,274	12,983	3,293	16,276
Dividends			(12,051)		(12,051)	(72)	(12,123)
Total transactions with owners of the Company	–	–	(12,051)	–	(12,051)	(72)	(12,123)
Balance at March 31, 2019	168,384	182,349	418,584	(54,273)	715,044	87,109	802,153

(5) Condensed quarterly consolidated statement of cash flows

Millions of yen

	Three months ended March 31, 2018	Three months ended March 31, 2019
Cash flows from operating activities		
Profit before tax for the period	25,733	17,478
Depreciation and amortization	15,605	18,046
Impairment losses (reversal of impairment losses)	(5)	(5)
Interest and dividends income	(208)	(338)
Interest expense	654	724
Loss (gain) on investments accounted for using the equity method	(45)	(36)
Loss (gain) on sales of shares of subsidiaries	(11,555)	–
Decrease (increase) in inventories	(5,641)	(7,836)
Decrease (increase) in trade and other receivables	(5,698)	(2,346)
Increase (decrease) in trade and other payables	(6,744)	(4,038)
Other	(6,498)	(6,181)
Subtotal	5,595	15,466
Interest and dividends received	122	205
Interest paid	(831)	(1,034)
Income tax paid	(11,569)	(10,501)
Net cash inflow (outflow) from operating activities	(6,683)	4,135
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(12,726)	(14,279)
Proceeds on sale of property, plant and equipment and intangible assets	361	14
Payments for purchase of shares of subsidiaries	(25,207)	–
Proceeds from sales of shares of subsidiaries	23,621	–
Other	(17)	(6)
Net cash inflow (outflow) from investing activities	(13,968)	(14,270)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	40,266	(851)
Proceeds from long-term borrowings	9,500	–
Repayments of long-term borrowings	(17,409)	(26,946)
Payments of lease liabilities	(1,900)	(3,470)
Dividends paid to owners of the Company	(11,742)	(12,051)
Dividends paid to non-controlling interests	(71)	(72)
Other	54	–
Net cash inflow (outflow) from financing activities	18,697	(43,392)

	Millions of yen	
	Three months ended March 31, 2018	Three months ended March 31, 2019
Net increase (decrease) in cash and cash equivalents	(1,955)	(53,527)
Cash and cash equivalents at the beginning of the period (Opening balance on the condensed quarterly consolidated statement of financial position)	113,883	146,535
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	3,439	–
Cash and cash equivalents at the beginning of the period	117,322	146,535
Effects of exchange rate changes on cash and cash equivalents	(1,843)	806
Cash and cash equivalents at the end of the period	113,524	93,814

(6) Notes to condensed quarterly consolidated financial statements

(Going concern)

The condensed quarterly consolidated financial statements are prepared on going concern basis.

(Changes in accounting policies)

The Group has adopted IFRS 16 “Leases” (hereinafter, “IFRS 16”) from the first quarter ended March 31, 2019. With regard to a lessee of lease transactions, IFRS 16, which makes amendments to the previous IAS 17, eliminates the classification as operating or finance leases and provides that assets and liabilities related to all significant lease transactions are recorded under a single model. In the application of IFRS 16, the Group has adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application, which is allowed as the transitional measure, without making retrospective adjustments for each reporting period. In addition, the Group adopts the following practical expedients on a regional or business basis in light of practical burdens.

- Not to reassess whether a contract is, or contains, a lease at the date of initial application
- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- To exclude initial direct costs from the measurement of the right-of-use asset arising from leases previously classified as operating leases at the date of initial application
- To measure the right of use asset arising from leases previously classified as operating leases at the same value as the lease liabilities
- To account in the same way as short-term leases for leases with a lease term of 12 months or less
- To use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease

At the commencement date of a lease, the right-of-use assets are measured at cost and the lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. If ownership of the underlying asset is transferred to the Group by the end of the lease term, or if the cost of the right-of-use asset reflects the exercise of a purchase option, the right-of-use assets are depreciated on a straight-line basis over their useful lives. Otherwise, right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful lives or the end of the lease terms. Lease payments are allocated to finance costs and the repayment of the lease liabilities, using the effective interest rate method, and finance costs are recognized in the consolidated statement of profit or loss.
The lease term is determined after adjustment for periods covered by an extension and termination option that the Group is reasonably certain to exercise in the non-cancellable period under the lease contract. In the measurement of the present value, the interest rate implicit in the lease or the incremental borrowing rate is used.
For short-term leases for which the lease term ends within 12 months and leases in which the underlying asset is of low value, total lease payments are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Reconciliation of operating lease commitments disclosed under IAS 17 and lease liabilities recognized on the consolidated statement of financial position as at the adoption date is as follows:

	Amount
	Millions of yen
Operating lease commitments disclosed on December 31, 2018	30,092
Discounted operating lease commitments disclosed on December 31, 2018	26,710
Finance lease liabilities recognized on December 31, 2018	12,144
Additionally recognized lease liabilities due to reassessment of lease term	20,130
Others	(10,132)
Lease liabilities on January 1, 2019	48,852

“Others” includes short-term leases and low-value leases which are principally lease of pallets used for transport of products and are exempted from the scope of recognition. Current and non-current lease liabilities are included in other financial liabilities, respectively.

Assets newly recognized on the consolidated statement of financial position as at the adoption date of IFRS 16 are as follows:

	Millions of yen					
	Reportable segment					Segment total
	Japan	Europe	Asia	Oceania	Americas	
Carrying amount of right-of-use assets						
Land, buildings and structures	18,760	5,100	2,469	2,832	3,006	32,169
Machinery and vehicles	–	2,116	387	402	97	3,003
Tools, fixtures and equipment	–	–	6	–	–	6
Others	–	546	20	–	–	567
Total right-of-use assets	18,760	7,763	2,884	3,234	3,103	35,747
Weighted average of incremental borrowing rate	1.0%	2.3%	4.8%	3.1%	3.7%	1.7%

For land, buildings and structures recorded as right-of-use assets, lease contracts have been entered into principally to use these assets as the head office, other offices, and manufacturing sites as well as warehouses. The Group estimates the lease terms by evaluating the reasonable certainty of exercising options to extend or terminate leases, making reference to its business plans and considering all relevant facts and circumstances that create an economic incentive for the Group to exercise such options. Other than those above, right-of-use assets recorded on the consolidated statement of financial position include balances transferred from property, plant and equipment, intangible assets, and other non-current assets at ¥11,936 million, ¥18 million, and ¥2,306 million, respectively.