

Financial Results for Q1 Year Ending December 31, 2019

May 8, 2019
Suntory Beverage & Food Limited

This is Takayuki Sanno.

Now, I would like to review the financial results of the first quarter of FY2019.

(Billions of yen)

	FY2018 Jan - Mar	FY2019 Jan - Mar	Change			
			YoY	Currency Neutral	%YoY	Currency Neutral
Revenue	277.1	285.7	+8.6	+12.1	+3.1%	+4.4%
Operating Income	26.6	17.8	-8.8	-8.5	-33.1%	-32.2%
Operating Income (Organic basis*1)	15.4	18.0	+2.6	+2.9	+16.8%	+19.3%
Net Income*2	20.5	10.7	-9.8	-9.5	-47.7%	-47.1%

*1 Excluding factors derived from extraordinary reasons from "Other income" and "Other expenses"

*2 Profit for the year attributable to owners of the Company

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Revenue was 285.7 billion yen, up 3.1% year on year and up 4.4% on a currency neutral basis.

Operating income was 17.8 billion yen, down 33.1% due to the 11.6 billion yen gain on sale of food and instant coffee business in 2018. When excluding factors as such, operating income on an organic basis increased by 18.0 billion yen, up 16.8%, and up 19.3% on a currency neutral basis.

Quarterly profit attributable to owners of the Company was 10.7 billion yen, down 47.7% year on year due to factors such as non-taxable gain on sale of food and instant coffee business in 2018.

As we explained in the full year earnings release in February, we are pursuing the structural reform, including "Reconstruction of Profit Generation Force". However, the business environment surrounding us continues to be challenging and the peak season, the second and third quarter, will be the crucial period for us. In order to achieve the full year forecasts, we will steadily address challenges facing us.

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Financial Results for Q1, FY2019 (by Segment)

(Billions of yen)	Revenue	Change				Segment Profit	Change			
		YoY	Currency Neutral	%YoY	Currency Neutral		YoY	Currency Neutral	%YoY	Currency Neutral
Japan	150.7	+0.2	-	+0.2%	-	6.5	+1.3	-	+24.8%	-
Europe	48.4	-3.4	-0.6	-6.6%	-1.3%	3.9	+0.2	+0.5	+6.0%	+13.2%
Asia	55.5	+11.2	+11.4	+25.2%	+25.8%	7.2	-10.2	-10.2	-58.6%	-58.4%
Organic							+1.1	+1.1	+17.0%	+18.4%
Oceania	12.9	-0.7	+0.2	-4.9%	+1.4%	1.4	-0.1	-0.1	-9.7%	-4.1%
Americas	18.3	+1.3	+0.9	+7.4%	+5.5%	1.5	-0.0	-0.0	-0.4%	-2.2%
Reconciliation	-	-	-	-	-	-2.7	+0.1	+0.0	-	-
Total	285.7	+8.6	+12.1	+3.1%	+4.4%	17.8	-8.8	-8.5	-33.1%	-32.2%
Organic							+2.6	+2.9	+16.8%	+19.3%

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Revenue and profit by segment.

I will go over each segment in detail on the following pages.

Please turn to page 4.

(Billions of yen)

Revenue

%YoY

Segment Profit

%YoY

150.7

+0.2%

6.5

+24.8%

- Sales volume increased 2% due to good performance of core brands
 - *Suntory Tennensui* and *BOSS* grew
 - Volume decrease of *Tokucha* and canned coffee *BOSS* moderated as a result of strengthened sales activities
- Profit increased year on year as brand investment was shifted to the second quarter or later to strengthen marketing activities for the peak season



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First, Japan.

Sales volume increased 2% due to continued good performance of core brands such as *Suntory Tennensui* and *BOSS*, outperforming the volume growth of overall beverage market which is estimated to remain unchanged from the previous year.

Revenue was 150.7 billion yen, up 0.2% year on year due to the deterioration of channel and size mix. Although the trend of FOSHU drinks and foods with function claims category recovered, it was lower than the overall average growth.

Segment profit increased 24.8% year on year. As a result of strengthening highly profitable products since last year, negative impacts of the product mix diminished with improved volume decrease rates in *Tokucha* and canned coffee *BOSS*. In addition, as a result of continuous cost saving activities, gross profit was roughly the same as the previous year. Furthermore, shifting marketing investment to the second quarter or later also contributed to the profit growth. However, segment profit was roughly the same as the previous year when the timing shift of brand investment was excluded.

Please turn to page 5.

Establish a high added-value
and profitability business model

SCM structural innovation

Reforms of the
vending machine business structure

Now, I would like to explain the progress of “Mid-term Structural Reform” in Japan.

First, establish a high added-value and profitability business model.

We are particularly strengthening *Tokucha* by introducing “Tokucha Program” to support overall health promotion of users. As a result, *Tokucha* is on a recovery trend with 3% volume decrease year on year, which is an improvement compared to approximately 20% decrease in the same quarter last year. We renewed *Tokucha* on April 2 followed by the launch of a new food with functional claims, *Iyemon Plus for Cholesterol Control*, on May 7. Thus, we will stay aggressive in our activities.

Next, SCM structural innovation.

Constructions to expand production capacity are underway in Ujigawa and Haruna plants and the fourth water source for *Suntory Tennensui* in Omachi City, Nagano prefecture. Please note that these will primarily start to contribute to the business performance next year onwards. For this year, we are making progress to reduce the risk of unexpected costs through cost saving activities such as weight reduction of *Craft BOSSPET* bottles and enhancements of supply capacity in the peak season such as securing logistics capacity.

Finally, reforms of the vending machine business structure.

We are taking actions to improve sales trends and reduce operation costs amid the challenging business environment, but it is likely to take some time before we begin to see positive outcomes.

On top of these actions, as of May 1, we raised the prices for certain products.

A number of customer negotiations resulted in agreement, but it is difficult to estimate the actual effects on the business performance at this moment in time because it depends on factors such as changes in sales volume following the price hike.

Please turn to page 6.

(Billions of yen)

Revenue

48.4

%YoY

-6.6%

Currency
Neutral

-1.3%

Segment Profit

3.9

%YoY

+6.0%

Currency
Neutral

+13.2%

Revenue

%YoY

Currency
NeutralFrance
(*1)

20.0

-7.6%

-1.7%

Decreased due to sales decline of *Oasis* despite growth of *Orangina* and *MayTea*UK
(*2)

13.5

-0.7%

+4.2%

Increased due to continued growth for *Lucozade Energy*Spain
(*3)

8.8

-13.1%

-7.6%

Schweppes struggled due to decline of on-premise tonic market. Recovery is expected to take time.

(*1) France, Belgium (*2) UK, Ireland (*3) Spain, Portugal



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Next, Europe.

Revenue decreased 1.3% on a currency neutral basis due to the continued weak performance in Spain.

Segment profit increased 13.2% on a currency neutral basis due to factors such as the shift of sales promotion and advertising costs in France and the UK to the second quarter or later.

In France, *MayTea*, along with the core brand *Orangina*, grew despite slightly declining market, but *Oasis* performed less than the previous year, resulting in decreased revenue.

In the UK, *Lucozade Energy* continued to grow, resulting in increased revenue on a currency neutral basis.

In Spain, amid the decline of the on-premise market, especially tonic category declined. The core brand *Schweppes* continued to struggle in such an environment, leading to tough results.

The new leadership has been carrying out portfolio reviews and salesforce reforms, but it is going to take some time before such initiatives get on track and contribute to the performance recovery.

Please turn to page 7.

(Billions of yen)

Revenue

55.5

%YoY

+25.2%

Currency
Neutral

+25.8%

Segment Profit

7.2

%YoY

-58.6%

Currency
Neutral

-58.4%

Organic

+17.0% +18.4%

Revenue

%YoY

Currency
NeutralBeverage
(Vietnam)

20.8

+18.9%

+18.9%

Increased significantly due to strong core brands such as the energy drink *Sting* and the RTD tea *TEA+*Beverage*
(Thailand)

16.1

+213.4%

+208.0%

Increased due to strong core brand *Pepsi* and other productsHealth
Supplement

13.4

-3.4%

-3.0%

Essence of Chicken continued to struggle

*Beverage (Thailand): Last year results consist of only one month (Business started operations in March last year)



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Next, Asia.

Revenue increased 25.8% on a currency neutral basis due to continued good performance of the beverage business. Beverage business in Thailand started operations in March last year. When results of Jan and Feb are excluded, overall revenue growth in Asia was over 10%.

Segment profit on an organic basis, excluding the impact of the gain on sale of food and instant coffee business in 2018, increased 18.4% on a currency neutral basis. Similarly, profit growth rate was in a mid-single digit when the impact of beverage business in Thailand was excluded.

Beverage business in Vietnam continued to perform well, bringing 18.9% growth in revenue. In Thailand, the core brand *Pepsi* and other products did well with a tailwind of beverage market recovery. *goodmood*, a well-received product in Indonesia, was launched in Thailand in February followed by Vietnam in April as part of actions initiated to establish multinational brands in Asia.

Health supplement business resulted in revenue decrease as *Essence of Chicken* struggled not only in Thailand but also in emerging countries, such as Myanmar which used to underpin the growth.

Please turn to page 8.

(Billions of yen)

Oceania

Revenue

12.9

%YoY

-4.9%

Currency
Neutral

+1.4%

Segment Profit

1.4

%YoY

-9.7%

Currency
Neutral

-4.1%

Revenue

%YoY

Currency
Neutral

Frucor Suntory

9.9

-5.8%

+0.4%

Fresh Coffee Business

3.0

-1.9%

+6.4%

Americas

Revenue

18.3

%YoY

+7.4%

Currency
Neutral

+5.5%

Segment Profit

1.5

%YoY

-0.4%

Currency
Neutral

-2.2%

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Lastly, Oceania and Americas.

In Oceania, revenue of the fresh coffee business increased on a currency neutral basis. Meanwhile, Frucor Suntory shifted activities for Easter to the second quarter.

As a result, Oceania as a whole resulted in a slight revenue increase(1.4%) and a slight profit decrease year on year on a currency neutral basis.

In Americas, revenue increased due to the recovery of *Pepsi* brand, the growth of non-carbonated category, and the successful price increase implemented in the second half of last year. Profit was slightly down from the previous year due to factors such as high costs of raw materials.

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With that, I would like to conclude my explanation on each segment.

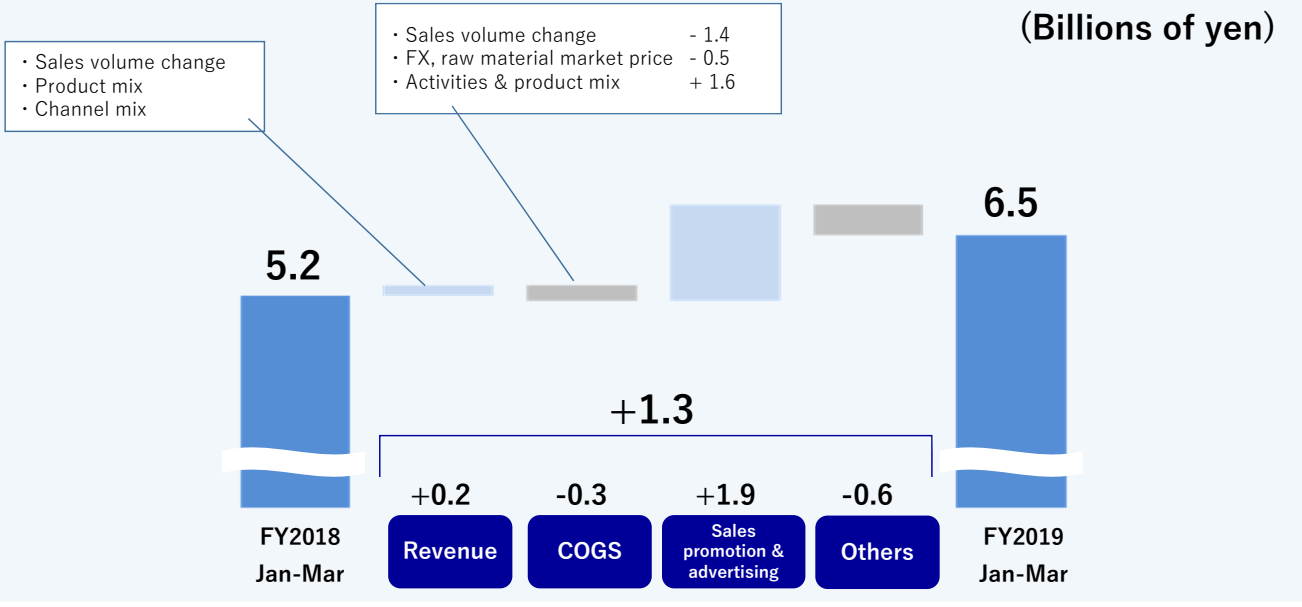
Not only Japan but many regions are moving into a peak season soon.

We will stay focused to achieve the full year forecasts by making steady progress in the structural reform and by generating stable results in the coming peak season.

That is all from me.

Thank you.

(Billions of yen)



Japan

*On the basis of shipment volumes

(Million cases)	Three months ended March 31, 2018		Three months ended March 31, 2019	
	Actual	Increase (decrease)	Actual	Increase (decrease)
Suntory Tennensui	22.3	8%	23.1	4%
Boss	24.1	6%	25.6	6%
Iyemon	12.0	-6%	11.7	-2%
Suntory Oolong Tea	5.6	7%	5.3	-5%
Pepsi	4.0	-15%	4.0	-2%
Green DAKARA	4.9	21%	5.9	20%
FOSHU drinks and Foods with Function Claims	5.2	-10%	4.9	-5%
Total	93.5	3%	95.4	2%

*The portions of the sales volume that were supplied from other soft drink manufacturers such as Japan Beverage Holdings Inc. are not included in the above figures.

Europe

(Million liters)	Three months ended March 31, 2018		Three months ended March 31, 2019	
	Actual	Increase (decrease)	Actual	Increase (decrease)
Orangina (France)	33	-6%	35	6%
Oasis (France)	62	-1%	61	-2%
Schweppes (Spain, Portugal)	25	-1%	24	-2%
Lucozade (UK, Ireland)	79	-12%	90	14%
Ribena (UK, Ireland)	24	-3%	21	-11%

(Billions of yen)

	FY2018 Results	FY2019 Forecast	Change		
			YoY	%YoY	Currency Neutral
Revenue	1,294.3	1,313.0	+18.7	+1.4%	+2.0%
Operating Income	113.6	110.0	-3.6	-3.1%	-2.5%
Operating Income (Organic basis*1)	108.4	111.0	+2.6	+2.4%	+3.0%
Net Income*2	80.0	66.5	-13.5	-16.9%	-16.4%

*1 Excluding factors related to extraordinary reasons such as M&A

*2 Profit for the period attributable to owners of the Company

FY2019 Forecast (IFRS) (by Segment)

(Billions of yen)	Revenue	Change			Segment Profit	Change		
		YoY	%YoY	Currency Neutral		YoY	%YoY	Currency Neutral
Japan	709.0	+0.3	+0.0%	—	53.0	+0.3	+0.6%	—
Europe	245.0	-0.2	-0.1%	+1.3%	31.5	+6.5	+26.1%	+27.9%
Organic					33.0	+2.2	+7.3%	+8.7%
Asia	219.0	+17.9	+8.9%	+9.9%	22.5	-10.8	-32.5%	-31.9%
Organic					22.5	+0.6	+2.9%	+3.7%
Oceania	53.0	-1.2	-2.2%	+1.6%	6.5	+0.1	+2.0%	+4.1%
Americas	87.0	+2.0	+2.3%	+1.8%	8.5	+0.0	+0.1%	-0.4%
Reconciliation	—	—	—	—	-12.0	+0.3	—	—
Total	1,313.0	+18.7	+1.4%	+2.0%	110.0	-3.6	-3.1%	-2.5%
Organic					111.0	+2.6	+2.4%	+3.0%

(Yen, average exchange rate)

	FY2018 Jan - Mar	FY2019 Jan - Mar	FY2019 Forecast
U.S. Dollar	108.2	110.2	111
Euro	133.1	125.2	129
British Pound	150.8	143.7	144
Singapore Dollar	82.1	81.4	81
Thai Baht	3.4	3.5	3.4
Vietnam Dong	0.0048	0.0048	0.0048
New Zealand Dollar	78.8	75.1	73
Australian Dollar	85.2	78.5	80

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