

Summary of Consolidated Financial Results
for the First Three Months of the Year Ending December 31, 2022
<IFRS> (UNAUDITED)

Company name:	Suntory Beverage & Food Limited	
Shares listed:	Tokyo Stock Exchange	
Securities code:	2587	
URL:	https://www.suntory.com/sbf/	
Representative:	Kazuhiro Saito, Chief Executive Officer	
Inquiries:	Kazushi Ishikawa, Chief Financial Officer, Corporate Strategy Division	
	TEL: +81-3-5579-1837 (from overseas)	
Scheduled date to file quarterly securities report:		May 13, 2022
Scheduled date to commence dividend payments:		–
Preparation of supplementary material on quarterly financial results:		Yes
Holding of quarterly financial results presentation 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, 2022
(from January 1, 2022 to March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax for the period		Profit for the period	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Three months ended								
March 31, 2022	296,010	9.7	21,624	9.2	21,490	10.0	16,112	10.8
March 31, 2021	269,791	(2.7)	19,804	(0.2)	19,532	(1.1)	14,546	(7.0)

	Profit for the period attributable to owners of the Company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)		
Three months ended					(Yen)	(Yen)
March 31, 2022	12,351	15.8	51,596	16.2	39.97	–
March 31, 2021	10,668	(16.2)	44,415	–	34.53	–

(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	
				(Millions of yen)	(%)
As at	(Millions of yen)	(Millions of yen)	(Millions of yen)		(%)
March 31, 2022	1,696,201	983,479	891,218		52.5
December 31, 2021	1,676,926	943,952	860,593		51.3

(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, 2022	30,651	(11,993)	(34,190)	160,853
March 31, 2021	34,636	(13,570)	(15,111)	176,387

2. Dividends

	Annual cash dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended December 31, 2021	–	39.00	–	39.00	78.00
Fiscal year ending December 31, 2022	–				
Fiscal year ending December 31, 2022 (Forecast)		39.00	–	39.00	78.00

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

3. Consolidated earnings forecast for the fiscal year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(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 (Yen)
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	
Fiscal year ending December 31, 2022	1,369,000	7.9	125,500	5.8	124,000	5.9	88,500	6.6	73,500	7.0	237.86

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: | None |
| b. | Changes in accounting policies due to other reasons: | None |
| c. | Changes in accounting estimates: | None |
- (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, 2022 | 309,000,000 shares |
| | As at December 31, 2021 | 309,000,000 shares |
| b. | Number of treasury shares at the end of the period | |
| | As at March 31, 2022 | 31 shares |
| | As at December 31, 2021 | 31 shares |
| c. | Average number of outstanding shares during the period (cumulative from the beginning of the year) | |
| | Three months ended March 31, 2022 | 308,999,969 shares |
| | Three months ended March 31, 2021 | 308,999,997 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 always starting from consumers, pursuing to create new taste, well-being and joy, and aiming to be the most locally beloved company by proposing premium and unique products that match the tastes and needs of consumers, worked to 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.

In the first quarter of the year ending December 31, 2022, an increasing number of people infected with the novel coronavirus infectious disease (COVID-19) in Japan and the Asia Pacific region, and further inflation in commodity and energy prices due to the impact of the situation in Russia and Ukraine also affected the Group. In addition to demand growth in Europe and the Americas driving the Group despite the challenging external environment, we rigorously concentrated our efforts on core brands in all segments, and expanded our market share in key countries. In addition to the growth in revenue, continued management of costs resulted in operating income in line with expectations.

For the operating results of the first three months of the year ending December 31, 2022, the Group reported consolidated revenue of ¥296.0 billion, up 9.7% year on year. Consolidated operating income was ¥21.6 billion, up 9.2% year on year. Furthermore, profit for the period attributable to owners of the Company was ¥12.4 billion, up 15.8% year on year.

Results by segment are described below.

The Company has established SBF International upon having restructured its overseas organization as of January 1, 2022, with the aims of increasing momentum with respect to achieving rapid transformation of its overseas operations and taking an integrated approach to management. This does not entail changes to the reportable segments.

< Japan business >

Despite being affected since the beginning of the year by the declarations of priority preventative measures that followed the spread of infections, and subsequent extensions to those measures, the beverage market is estimated by the Company to have grown year on year. The Company increased its sales volume year on year as a result of the contribution of initiatives to strengthen its core brands with a focus on the water, coffee, and sugar-free tea categories, sales of new products and marketing activities, leading the Company to increase market share.

For the *Suntory Tennensui* brand, due to rising demand the overall sales volume of the brand increased year on year. In the *Suntory Tennensui Sparkling* series, sales of *THE STRONG*, which was released in 2021, continued to increase substantially. For the *BOSS* brand, the overall sales volume of the brand increased year on year. In addition to growth of coffee and tea series, which were renewed, in the *Craft BOSS* series, *Matcha Latte* and other products continued to contribute to incremental increases. In the sugar-free tea category, the *Iyemon* brand's overall sales volume exceeded that of the same period of the previous year. *Iyemon Koi Aji*, which was launched in February as a food with functional claims, made a contribution to the growth of sales volume.

In terms of segment profit, the increase in sales volume along with growth in small-size products (500ml PET, etc.) led to improvement in the product mix, but changes in the channel mix had a negative impact. We continued to implement rigorous cost management, including supply chain cost reduction activities, but the impact of inflation in commodities prices was significant.

The Japan business reported revenue of ¥134.0 billion, down 0.1% year on year, and segment profit of ¥2.6 billion, down 34.8% year on year.

< Asia Pacific business >

In Asia, the beverage business in Vietnam continued its recovery trend, and was the driver of the business. The beverage and health food businesses in Thailand were affected by intermittent restrictions on movement, etc. imposed following the spread of COVID-19, as well as by unfavorable weather, but recorded steady growth of sales volume due to its efforts to concentrate on its core brands. By brand, increases in sales from the energy drink *Sting* and the tea beverage *TEA+* were achieved in Vietnam, and sales of *Pepsi*, including low-sugar products were strong in Thailand. In the health supplement business, mainstay product *BRAND'S Essence of Chicken* grew due to expanding distribution to general store channels, and marketing activities.

In Oceania, despite the impact of the spread of COVID-19 and of flooding in Australia, we achieved growth by concentrating our efforts on the energy drink *V*, a core brand.

In terms of segment profit, the increase in sales volume along with price revisions in the beverage business contributed to an increase in revenue, but there was a significant impact from inflation in commodities.

The Asia Pacific business reported revenue of ¥83.0 billion, up 12.8% year on year. Segment profit was ¥11.8 billion, down 7.2% year on year.

< Europe business >

In Europe, due in part to a strong increase in demand, France, the UK, and Spain, all recorded significant growth.

In France, in addition to a strong off-premise market, the on-premise market continued its recovery, with sales volume of core brands *Orangina*, *Oasis* and *Schweppes* all growing substantially year on year. In the UK, following the abolition of restrictions on movement, etc. due to COVID-19, the market continued to recover, and our sales volume also rose year on year. In addition to a strong performance in *Lucozade Energy*, *Lucozade Sport* also recorded significant growth. In Spain, core brand *Schweppes* grew significantly alongside a recovery in the on-premise market.

In terms of segment profit, the increase in sales volume along with price revisions resulted in an increase in revenue, and a more efficient approach to sales promotion and advertising costs reduced the impact from inflation in commodities, leading to a substantial increase in profit.

The Europe business reported revenue of ¥53.2 billion, up 27.5% year on year, and segment profit of ¥6.9 billion, up 72.1% year on year.

< Americas business >

In the Americas, in addition to further strengthening sales of the core carbonated beverage products, the Group also focused on the growing noncarbonated beverage category, which includes water and RTD coffee. As a result, the Group's business maintained its market share, and both sales volume and revenue rose significantly.

In terms of segment profit, the significant increase in revenue resulting from price revisions and a rise in sales volume in off-premise and on-premise channels, reduced the impact from inflation in commodities and higher personnel expenses, leading to a substantial increase in profit.

The Americas business reported revenue of ¥25.9 billion, up 27.1% year on year, and segment profit of ¥3.1 billion, up 50.0% year on year.

(2) Financial position

Total assets as at March 31, 2022 stood at ¥1,696.2 billion, an increase of ¥19.3 billion compared to December 31, 2021. The main factors were increases in inventories and intangible assets.

Total liabilities stood at ¥712.7 billion, a decrease of ¥20.3 billion compared to December 31, 2021. This was due in part to decreases in bonds and borrowings and trade and other payables.

Total equity stood at ¥983.5 billion, an increase of ¥39.5 billion compared to December 31, 2021, due in part to an increase in other components of equity.

(3) Analysis of cash flows

Cash and cash equivalents as at March 31, 2022 amounted to ¥160.9 billion, a decrease of ¥15.8 billion compared to December 31, 2021.

Net cash inflow from operating activities was ¥30.7 billion, a decrease of ¥4.0 billion compared to the same period of the previous year. This was mainly the result of an increase in inventories of ¥14.4 billion and a decrease in trade and other payables of ¥11.7 billion, despite profit before tax for the period of ¥21.5 billion, depreciation and amortization of ¥17.5 billion, and a decrease in trade and other receivables of ¥24.7 billion.

Net cash outflow from investing activities was ¥12.0 billion, a decrease of ¥1.6 billion compared to the same period of the previous year. This was mainly the result of payments for property, plant and equipment and intangible assets of ¥12.2 billion.

Net cash outflow from financing activities was ¥34.2 billion, an increase of ¥19.1 billion compared to the same period of the previous year. This was mainly the result of a decrease in short-term borrowings and commercial paper of ¥5.8 billion, repayments of long-term borrowings of ¥12.8 billion, and payment of dividends of ¥12.4 billion.

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

No changes have been made to the consolidated earnings forecast for the fiscal year ending December 31, 2022, which was announced on February 14, 2022. With inflation in commodity and energy prices arising from the situation in Russia and Ukraine, fluctuating exchange rates, and the risk of the spread of further coronavirus variants, the environment in which the Company operates remains highly uncertain. In the second quarter and beyond, in a cost environment that continues to be more challenging than originally expected, we will focus tightly on returning revenue to a growth track, further concentrate our efforts on core brands in all reportable segments, and rigorously implement cost reduction activities.

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, 2021	As at March 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	176,655	160,853
Trade and other receivables	240,584	219,208
Other financial assets	1,252	1,610
Inventories	87,807	99,405
Other current assets	23,953	25,335
Subtotal	530,253	506,412
Assets held for sale	–	20,386
Total current assets	530,253	526,799
Non-current assets:		
Property, plant and equipment	372,337	373,972
Right-of-use assets	52,260	52,323
Goodwill	255,599	262,291
Intangible assets	430,086	447,482
Investments accounted for using the equity method	1,005	1,083
Other financial assets	13,847	14,736
Deferred tax assets	14,173	10,223
Other non-current assets	7,362	7,287
Total non-current assets	1,146,673	1,169,401
Total assets	1,676,926	1,696,201

Millions of yen

	As at December 31, 2021	As at March 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	55,789	38,342
Trade and other payables	354,595	343,955
Other financial liabilities	30,877	31,472
Accrued income taxes	14,757	14,389
Provisions	2,016	1,281
Other current liabilities	5,529	6,789
Subtotal	463,565	436,231
Liabilities directly associated with assets held for sale	–	5,965
Total current liabilities	463,565	442,196
Non-current liabilities:		
Bonds and borrowings	109,558	109,739
Other financial liabilities	54,241	56,129
Post-employment benefit liabilities	14,697	15,109
Provisions	4,312	4,694
Deferred tax liabilities	81,403	80,539
Other non-current liabilities	5,196	4,314
Total non-current liabilities	269,409	270,524
Total liabilities	732,974	712,721
Equity		
Share capital	168,384	168,384
Share premium	182,423	182,459
Retained earnings	536,996	536,649
Treasury shares	(0)	(0)
Other components of equity	(27,210)	3,725
Total equity attributable to owners of the Company	860,593	891,218
Non-controlling interests	83,358	92,260
Total equity	943,952	983,479
Total liabilities and equity	1,676,926	1,696,201

(2) Condensed quarterly consolidated statement of profit or loss

Millions of yen

	Three months ended March 31, 2021	Three months ended March 31, 2022
Revenue	269,791	296,010
Cost of sales	<u>(158,566)</u>	<u>(180,639)</u>
Gross profit	111,224	115,370
Selling, general and administrative expenses	(91,283)	(93,804)
Gain on investments accounted for using the equity method	24	40
Other income	530	671
Other expenses	<u>(691)</u>	<u>(654)</u>
Operating income	19,804	21,624
Finance income	201	377
Finance costs	<u>(473)</u>	<u>(511)</u>
Profit before tax for the period	19,532	21,490
Income tax expense	<u>(4,986)</u>	<u>(5,377)</u>
Profit for the period	<u>14,546</u>	<u>16,112</u>
Attributable to:		
Owners of the Company	10,668	12,351
Non-controlling interests	<u>3,877</u>	<u>3,760</u>
Profit for the period	<u>14,546</u>	<u>16,112</u>
Earnings per share (Yen)	34.53	39.97

(3) Condensed quarterly consolidated statement of comprehensive income

Millions of yen

	Three months ended March 31, 2021	Three months ended March 31, 2022
Profit for the period	14,546	16,112
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Changes in the fair value of financial assets	271	155
Remeasurement of defined benefit plans	(245)	3
Total	26	159
Items that may be reclassified to profit or loss:		
Translation adjustments of foreign operations	29,028	34,919
Changes in the fair value of cash flow hedges	765	341
Changes in comprehensive income of investments accounted for using the equity method	49	63
Total	29,842	35,324
Other comprehensive income for the period, net of tax	29,869	35,483
Comprehensive income for the period	44,415	51,596
Attributable to:		
Owners of the Company	36,498	42,639
Non-controlling interests	7,917	8,956
Comprehensive income for the period	44,415	51,596

(4) Condensed quarterly consolidated statement of changes in equity

Three months ended March 31, 2021

Millions of yen

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity			
Balance at January 1, 2021	168,384	182,414	492,451	(0)	(61,495)	781,755	77,801	859,556
Profit for the period			10,668			10,668	3,877	14,546
Other comprehensive income					25,829	25,829	4,039	29,869
Total comprehensive income for the period	–	–	10,668	–	25,829	36,498	7,917	44,415
Dividends			(12,050)			(12,050)	(6)	(12,057)
Transactions with non-controlling interests		35				35	(42)	(7)
Total transactions with owners of the Company	–	35	(12,050)	–	–	(12,015)	(49)	(12,065)
Balance at March 31, 2021	168,384	182,450	491,069	(0)	(35,665)	806,237	85,668	891,906

Three months ended March 31, 2022

Millions of yen

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity			
Balance at January 1, 2022	168,384	182,423	536,996	(0)	(27,210)	860,593	83,358	943,952
Profit for the period			12,351			12,351	3,760	16,112
Other comprehensive income					30,287	30,287	5,195	35,483
Total comprehensive income for the period	–	–	12,351	–	30,287	42,639	8,956	51,596
Dividends			(12,050)			(12,050)	(5)	(12,056)
Transactions with non-controlling interests		36				36	(48)	(11)
Reclassification to retained earnings			(647)		647	–		–
Total transactions with owners of the Company	–	36	(12,698)	–	647	(12,014)	(53)	(12,068)
Balance at March 31, 2022	168,384	182,459	536,649	(0)	3,725	891,218	92,260	983,479

(5) Condensed quarterly consolidated statement of cash flows

Millions of yen

	Three months ended March 31, 2021	Three months ended March 31, 2022
Cash flows from operating activities		
Profit before tax for the period	19,532	21,490
Depreciation and amortization	17,392	17,485
Impairment losses (reversal of impairment losses)	–	39
Interest and dividends income	(103)	(133)
Interest expense	444	492
Loss (gain) on investments accounted for using the equity method	(24)	(40)
Decrease (increase) in inventories	(5,447)	(14,377)
Decrease (increase) in trade and other receivables	10,106	24,708
Increase (decrease) in trade and other payables	(5,849)	(11,668)
Other	6,897	(1,413)
Subtotal	42,948	36,580
Interest and dividends received	87	97
Interest paid	(212)	(581)
Income tax paid	(8,187)	(5,445)
Net cash inflow (outflow) from operating activities	34,636	30,651
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(11,214)	(12,156)
Proceeds on sale of property, plant and equipment and intangible assets	59	59
Payments for transfer of business	(2,158)	–
Other	(256)	104
Net cash inflow (outflow) from investing activities	(13,570)	(11,993)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	17,046	(5,807)
Proceeds from long-term borrowings	2,203	–
Repayments of long-term borrowings	(18,108)	(12,768)
Payments of lease liabilities	(3,842)	(3,211)
Dividends paid to owners of the Company	(12,050)	(12,050)
Dividends paid to non-controlling interests	(360)	(352)
Net cash inflow (outflow) from financing activities	(15,111)	(34,190)
Net increase (decrease) in cash and cash equivalents	5,953	(15,532)
Cash and cash equivalents at the beginning of the period	167,480	176,655
Effects of exchange rate changes on cash and cash equivalents	2,953	4,317
Cash and cash equivalents included in assets held for sale	–	(4,586)
Cash and cash equivalents at the end of the period	176,387	160,853

(6) Notes to condensed quarterly consolidated financial statements

(Going concern)

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

(Significant subsequent events)

(Transfer of non-alcoholic beverages production and sales business in Nigeria)

The Company's subsidiary Suntory Beverage & Food Asia Pte. Ltd. (SBFA), as a result of our continuous and comprehensive portfolio review, has come to an agreement with Africa FMCG Distribution Ltd. (AFDL) to transfer all the shares in Suntory Beverage & Food Nigeria Limited (SBFN), which operates the basic business infrastructure related to the production and sale of non-alcoholic beverages in Nigeria, along with the loan receivables held by SBFA against SBFN, for approximately ¥1.5 billion, and on April 5, 2022, SBFA entered into a basic transfer agreement with AFDL.

The transfer is scheduled to be completed after obtaining the regulatory approvals from the agencies of antitrust in Nigeria during the second quarter of the fiscal year ending December 31, 2022.

In addition, SBFA has agreed with AFDL on a license agreement for the exclusive right to manufacture and distribute SBF brands, Lucozade and Ribena, in Nigeria.