

Financial Results for Q2 Year Ending December 31, 2020

August 5, 2020
Suntory Beverage & Food Limited

Overview of First Half FY2020

Kazuhiro Saito, CEO

This is Kazuhiro Saito.

I would like to begin my presentation by offering our heartfelt sympathies to the people affected by the disaster caused by the Heavy Rain in July 2020. We send our thoughts to many regions still suffering a great deal of damage for the earliest possible recovery and reconstruction.

We would also like to extend our deepest sympathies to all those who have been personally affected by the COVID-19, and once again express our sincere gratitude to medical professionals engaged in the diagnosis and treatment for patients and many others who are working hard to stop the spread of the virus.

Today, I will report the results of the first half of FY2020, followed by explanations on the business environment and our strategy to navigate through it.

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(JPY BN)

	FY2019 Jan-Jun	FY2020 Jan-Jun	Change			
			YoY	Currency Neutral	%YoY	Currency Neutral
Revenue	627.8 BN	552.5 BN	-75.2	-65.5	-12.0%	-10.6%
Operating Income	50.9 BN	35.7 BN	-15.2	-14.3	-29.8%	-28.5%
Operating Income (Organic basis*1)	51.5 BN	36.1 BN	-15.4	-14.4	-29.9%	-28.5%
Net Income*2	31.8 BN	20.9 BN	-10.8	-10.3	-34.1%	-33.0%

*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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Now, I would like to report the results of the first half of FY2020.

Revenue was 552.5 billion yen, down 10.6% on a currency neutral basis, and down 12.0% on a reported basis. With the easing of lockdown and requests to refrain from operations and outings across all the regions since June, movement and traffic of people have started to pick up, putting us on a recovery track. However, the impact from March to May remained significant.

Operating income on an organic basis was 36.1 billion yen, down 28.5% on a currency neutral basis, and down 29.9% on a reported basis. The significant impact from the sales decline from March to May could not have been offset by the recovery trend since June. The channels with high profit contribution, namely the vending machine business in Japan and the on-premise channel in Europe, were especially hit hard by the paralyzed movement and traffic of people both indoors and outdoors.

Operating income including extraordinary factors was 35.7 billion yen, down 28.5% on a currency neutral basis, and down 29.8% on a reported basis.

Quarterly profit attributable to owners of the Company was 20.9 billion yen, down 33.0% on a currency neutral basis, and down 34.1% on a reported basis.

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Revenue	Apr-May YoY	Jun YoY
Japan	-25%	-5%
Europe	-42%	-4%
Asia	-16%	-6%
Oceania	-14%	7%
Americas	-10%	-3%

*currency neutral basis for overseas figures

I will explain more about the situation we are in.

As I mentioned earlier, movement and traffic of people started to pick up since June and the market is on a recovery trend. We are making a remarkable turnaround from a difficult April and May when some of our channels had been completely shut down.

Off-premise channels centered on supermarkets grew across the globe since lockdown which drove a rise in home consumption demand. Despite the decline in stockpiling demand, the trend continues to be stable since June.

As mentioned earlier, Japan's vending machine channel and the on-premise channel mainly in Europe were most affected by the inactive movement and traffic of people, resulting in a low performance in Japan and Europe during the April to May period.

Having said that, Japan's vending machine channel is on a recovery trend since June as people started to go back to their workplaces, leisure related businesses resumed operations, and schools reopened.

In the European on-premise channel, on-premise accounts resumed operations while keeping social distancing measures in place.

In Asia and Oceania, recovery of the beverage business is ahead of other regions as a result of relatively early lifting of lockdown.

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- Major changes in business environment since March due to the COVID-19 outbreak
- Market trend recovering since June along with resumption of movement and traffic of people
- Transition to the “with-COVID” era
- Uncertainty over the second and third waves

As mentioned above, we are on a recovery trend since June.

Under the circumstances, we were reminded of the fact that our business is tightly linked with the movement and traffic of our customers.

Meanwhile, commodity prices have fallen, bringing cost saving effects to some regions.

Looking ahead, we are convinced that the so-called “New Normal” will continue: teleworking as a common practice, limited dine-in services at on-premise accounts, fewer number of tourists due to continued travel restrictions, and so forth.

On top of that, some areas including Japan are observing a resurgence in the number of infected people, making it extremely difficult to foresee how the consumer behavior and flow may change going forward.

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Agility
to convert
change into opportunity



X

Resilience
to endure
the 2nd and 3rd waves



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Thinking of how to evolve ourselves under the current circumstances and uncertainty lying ahead, there are two keywords: “agility” and “resilience”.

There is absolutely no change to our customer centric approach as we pursue transformation and evolution.

We will drive our “agility” to the next level to identify changes in the movement and traffic of people, in other words, changes in consumer behavior and purchasing and drinking occasions quicker than ever, and to find business opportunities in them.

In parallel, we will refine our “resilience” to build an even more robust organization.

To be more specific, we will accelerate our core brand innovation and structural reform, and continue our untiring efforts to review the cost base management.

Change brings opportunity. People say that digitalization and other profound social changes will progress at a speed three times faster than before.

We will change ourselves five times faster.

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First Mover

- Double down on core brands through innovation
- Innovate future categories

Game Changer

- Go beyond RTD (Ready To Drink)
- Expand into new markets

Way of Working

- “*Gemba*” centric
- Break down silos, build One Team

The key strategic pillars we explained to you in February remain unchanged and we will accelerate our efforts to become the “First Mover” and “Game Changer”. Our focus to “double down on core brands through innovation” will be more important than ever.

In Japan, the major renewal of *Iyemon* was successfully executed, leading to an extremely strong trend despite the current circumstances. It resulted in our performance against a declining market and enabled us to increase market share.

In Europe, *Lucozade Energy* and *Schweppes* captured well the home consumption demand. Although the environment continues to be tough, we gained confidence with such a positive outcome.

In Asia and Oceania, *Tea+* and *V* are trending well, and the carbonated drink category is going strong in the Americas.

We can say that all these are not only the result of our constant and focused investment in core brands, our valuable assets, but also the result of our uninterrupted innovation. We will continue actively responding to changes originated on the customers’ side such as growing demand for home consumption and online channels.

At the same time, we will speed up our structural reform for the vending machine business in Japan and the on-premise business in Europe that are greatly susceptible to movement and traffic of people.

Japan's vending machine channel covers the last one mile, serving as the direct contact point with our customers. It has been and will continue to be one of the most essential channel for us.

We will further accelerate structural reform for our vending machine business by applying a positive attitude and seeing change in the environment as opportunity.

The same applies to Europe's on-premise channel. We have started taking actions to reinforce our core brands through innovation and to transform our on-premise sales activities.

Lastly, I would like to reiterate that our performance is on a recovery trend since June, and the northern hemisphere is about to enter the summer peak season. However, the uncertainty of COVID-19 risks and possible bad weather cannot be denied. We consider that it might be the case that we suffer a full year negative growth of about mid to high single digit in Revenue and between 10 to 20% in Operating Income year on year.

In the light of the above mentioned, we respectfully withdraw our full year forecast for now. We will continue scrutinizing our plans and update you once we have a clear enough outlook.

The amount of interim dividend is 39 yen, same as last year.

We leave the forecast for the full year dividend as it is for now, but depending on how the situation unfolds down the road, we would like to update you on it.

That is all from me.

Supplementary Explanation

Takayuki Sanno, CFO

This is Takayuki Sanno.

I will now explain the first half of FY2020 in more detail.

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Financial Results for Q2 FY2020 by Segment (6 months) SUNTORY SUNTORY BEVERAGE & FOOD

(JPY BN)

	Revenue	Change				Segment Profit	Change			
		YoY	Currency Neutral	%YoY	Currency Neutral		YoY	Currency Neutral	%YoY	Currency Neutral
Japan	298.7 BN	-37.3	—	-11.1%	—	11.1 BN	-11.6	—	-51.2%	—
Europe	87.7	-23.5	-18.8	-21.1%	-17.6%	10.5	-4.1	-3.5	-28.2%	-25.2%
Organic							-4.6	-3.9	-29.9%	-26.9%
Asia	104.5	-10.8	-8.6	-9.3%	-7.6%	14.7	+2.0	+2.2	+15.5%	+17.3%
Organic							+2.0	+2.2	+15.5%	+17.4%
Oceania	23.1	-2.3	-0.2	-9.2%	-0.8%	1.9	-0.7	-0.5	-25.4%	-21.7%
Americas	38.6	-1.3	-0.7	-3.4%	-1.7%	2.9	-0.8	-0.8	-22.1%	-20.7%
Reconciliation						-5.4	+0.1	+0.0		
Total	552.5	-75.2	-65.5	-12.0%	-10.6%	35.7	-15.2	-14.3	-29.8%	-28.5%
Organic						36.1	-15.4	-14.4	-29.9%	-28.5%

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This is the performance by segment. From here on, the figures are on a currency neutral basis.

Revenue was down about 10% in total, with all the regions resulting in negative growth year on year. Japan and Europe in particular reported double-digit declines.

Segment Profit fell nearly 30% in total, while Asia reported growth.

I will cover each segment on the following pages.

Please turn to page 10.

		(JPY BN)	
Revenue	%YoY	Segment Profit	%YoY
298.7 BN	-11.1%	11.1 BN	-51.2%

- Beverage market impacted by the paralyzed movement and traffic of people following the requests to refrain from outings in late March. Recovery trend since June post lifting of such requests
- Sales volume fell by 8% despite *Iyemon* renewal's contribution by outperforming the market
- Revenue and Segment Profit plunged due to sales volume decrease in the vending machine channel, a major profit contributor



I will start with Japan.

We estimate the sales volume for the overall market decreased by 10% in the first half due to the paralyzed movement and traffic of people following the requests to refrain from outings made in late March, which severely impacted April and May.

We suffered a similar impact, but our sales volume decrease stood at 8%, less severe than the overall market, as a result of effective core brand activities including the renewal of *Iyemon*.

Revenue was 298.7 billion yen, down 11.1%.

Although we are on a recovery trend since June, the vending machine and convenience store channels decreased in sales volume due to the diminished movement and traffic of people under the declaration of a state of emergency during April and May.

Segment Profit was down 51.2% as a result of the decrease in the sales volume in the vending machine channel, a major profit contributor, and unexpected deterioration of supply chain cost due to such as emergency production control in response to sudden changes in the market.

In the second half, we will further accelerate our mid-term structural

reform.

We will exert more focused efforts in our core brands such as *Iyemon* and highly profitable health conscious products while we continue driving the supply chain reform for more cost savings.

There is no change to the notion that the vending machine channel is an important channel for us. We will accelerate structural reform in pursuit of profitability improvement.

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(JPY BN)

Revenue

87.7 BN

%YoY

-21.1%

Currency
Neutral

-17.6%

Segment Profit

10.5 BN

%YoY

-28.2%

Currency
Neutral

-25.2%

Revenue

%YoY

Currency
NeutralFrance
(*1)

39.7 BN

-17.0%

-13.5%

Recovery trend since June. Tough on-premise market in April and May led to weak sales of *Orangina* and *Oasis* and Revenue fall

UK
(*2)

25.5 BN

-16.1%

-12.3%

Lucozade Energy stayed steady. *Lucozade Sport* weakened due to self-restrained sporting activity

Spain
(*3)

13.3 BN

-41.2%

-38.7%

Steady off-premise. Lockdown led to weak on-premise market and revenue drop



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

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Next is Europe.

Revenue dropped by 17.6% in the first half period.

Following the full-scale reopening of the market in June, we observed a significant recovery mainly in the off-premise channel. The on-premise channel is also on a recovery trend with increasing movement and traffic of people. However, the severe impact suffered by Spain and France with high on-premise ratio during the April and May lockdown period contributed to the deterioration of revenue.

Segment Profit dropped by 25.2% due to the sales decrease, despite the contributions from improved efficiency in marketing spend and the favorable commodity market conditions.

In France, revenue fell by 13.5% as our core brands *Orangina* and *Oasis* performed lower than the previous year amid the deterioration of the on-premise market conditions, although we are on a recovery trend since June.

In the UK, revenue fell by 12.3% as *Lucozade Sport* was hit by voluntarily suspended sporting activity, while *Lucozade Energy* sustained its steady performance.

In Spain, revenue plunged by 38.7% despite the effort in *Schweppes* for home consumption, due to its high on-premise ratio where the market conditions were brutal.

During the second half of FY2020, we will reinforce activities for our core brands in a more focused manner to further capture home consumption demand. On the on-premise front, we will continue driving structural reform including continued support for on-premise accounts, portfolio update, and refinement of sales activities for higher efficiency.

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(JPY BN)

	Revenue	%YoY	Currency Neutral	Segment Profit	%YoY	Currency Neutral
	104.5 BN	-9.3%	-7.6%	14.7 BN	+15.5%	+17.3%
	Revenue	%YoY	Currency Neutral			
Beverage (Vietnam)	39.1 BN	-7.6%	-5.8%	Tough April under lockdown. Recovery trend since May		
Beverage (Thailand)	33.1 BN	-3.8%	-2.2%	Limited revenue decrease with early lifting of lockdown and last year's price increase		
Health Supplement	21.1 BN	-13.0%	-11.9%	Bird's Nest hit hard by decrease in the number of Chinese tourists		



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Moving on to Asia.

Revenue fell by 7.6% in a mixed picture. The beverage business presented a remarkable recovery since June due to lockdowns easing earlier than other regions. On the other hand, the health supplement business is taking time to recover for *Bird's Nest* in Thailand.

Segment Profit rose by 17.3%, a major improvement in profitability, driven by favorable commodity market conditions and meticulous cost management effort including reviews on the timing of marketing spend.

The beverage business in Vietnam reduced revenue by 5.8%. Although April under lockdown was a tough month, the business has been recovering since May and *Aquafina* and *TEA+* contributed by performing better than last year.

The beverage business in Thailand kept the revenue decrease at 2.2% with the economic recovery since the lifting of lockdown and effect from the price increase implemented last summer. The business has been on a recovery trend since May, along with Vietnam.

Revenue of the health supplement business was down by 11.9% despite a relatively steady performance of our core brand *Essence of*

Chicken because of a plunge in the sales of *Bird's Nest* in Thailand, which is typically purchased by Chinese tourists.

In the second half of FY2020, we will continue to actively invest in our core brands while catching the wave of recovery in the market to make a turn around and go on the offensive in the beverage business.

We will in parallel aim to recover the health supplement business by focusing our efforts on *Essence of Chicken*.

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Oceania

Revenue

23.1 BN

%YoY

-9.2%

Currency
Neutral

-0.8%

Segment Profit

1.9 BN

%YoY

-25.4%

Currency
Neutral

-21.7%

(JPY BN)

Revenue

Frucor Suntory

17.6 BN

%YoY

-7.7%

Currency
Neutral

+0.8%

Fresh Coffee Business

5.4 BN

-14.4%

-6.5%

Americas

Revenue

38.6 BN

%YoY

-3.4%

Currency
Neutral

-1.7%

Segment Profit

2.9 BN

%YoY

-22.1%

Currency
Neutral

-20.7%

Lastly, Oceania and the Americas.

In Oceania, the sales trend in on-premise accounts and convenience stores is improving, following the lockdown easing.

We successfully limited revenue decrease to 0.8%. The growth of our core product V in the energy drink category contributed to the result.

Segment Profit dropped by 21.7% due to a negative effect from the channel mix.

In the Americas, PBV observed a steady trend in supermarkets and a gradual recovery continues in the convenience store sales trend since June. Most recently, the on-premise business has also entered a recovery phase, though not in earnest yet.

Revenue decrease in the first half was limited to 1.7% supported by strong home consumption demand.

Segment Profit dropped by 20.7%.

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That is all for the first half results.

Now, I will explain our financial condition.

Our financial strength is robust and we have secured adequate liquidity on hand.

We will continue our cashflow management with focus.

Upon concluding my presentation, I would like to reiterate that the markets in each country are recovering with resumed movement and traffic of people since June.

We will speedily execute actions to drive a turn around and go on the offensive in each region while accelerating structural reform in pursuit of sustainable growth.

That is all from me.

Results for Q2 FY2020 (3 months)

(JPY BN)

	FY2019 Apr-Jun	FY2020 Apr-Jun	Change			
			YoY	Currency Neutral	%YoY	Currency Neutral
Revenue	342.1 BN	275.3 BN	-66.8	-60.8	-19.5%	-18.1%
Operating Income	33.1 BN	15.9 BN	-17.2	-16.6	-52.1%	-51.1%
Operating Income (Organic basis ^{*1})	33.4 BN	16.0 BN	-17.4	-16.7	-52.1%	-51.1%
Net Income ^{*2}	21.1 BN	8.2 BN	-12.9	-12.5	-61.1%	-61.0%

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

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

FY2020 Quarterly Revenue

(JPY BN)

	Q1 (Jan-Mar)	Change				Q2 (Apr-Jun)	Change			
		YoY	Currency Neutral	%YoY	Currency Neutral		YoY	Currency Neutral	%YoY	Currency Neutral
Japan	146.8	-3.9	—	-2.6%	—	151.9	-33.4	—	-18.0%	—
Europe	44.0	-2.8	-0.9	-5.9%	-2.1%	43.6	-20.7	-17.8	-32.2%	-29.0%
Asia	55.1	-1.9	-1.4	-3.4%	-2.4%	49.4	-8.8	-7.2	-15.1%	-12.7%
Oceania	12.4	-0.5	0.6	-3.9%	+5.0%	10.7	-1.8	-0.8	-14.6%	-6.8%
Americas	19.0	0.7	0.9	+3.7%	+5.0%	19.6	-2.0	-1.6	-9.4%	-7.4%
Total	277.2	-8.5	-4.8	-3.0%	-1.7%	275.3	-66.8	-60.8	-19.5%	-18.1%

FY2020 Quarterly Segment Profit

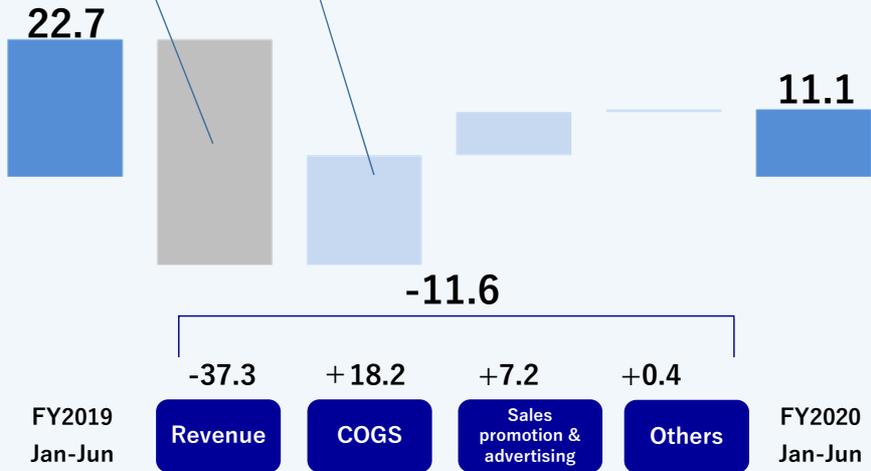
(JPY BN)

	Q1 (Jan-Mar)	Change				Q2 (Apr-Jun)	Change			
		YoY	Currency Neutral	%YoY	Currency Neutral		YoY	Currency Neutral	%YoY	Currency Neutral
Japan	7.1	+0.6	-	+9.4%	-	4.0	-12.2	-	-75.3%	-
Europe	4.8	+0.7	+0.8	+17.2%	+21.5%	5.7	-4.8	-4.4	-45.7%	-43.3%
Organic		+0.6	+0.7	+13.7%	+17.9%		-5.1	-4.7	-47.2%	-44.9%
Asia	7.8	+0.7	+0.7	+9.7%	+10.5%	6.9	+1.3	+1.4	+22.7%	+26.0%
Organic		+0.7	+0.7	+9.7%	+10.5%		+1.3	+1.4	+22.9%	+26.2%
Oceania	1.4	+0.1	+0.1	+3.8%	+9.4%	0.5	-0.7	-0.7	-57.5%	-55.6%
Americas	1.5	-0.0	+0.0	-1.0%	+0.2%	1.4	-0.8	-0.8	-36.3%	-35.0%
Reconciliation	-2.7	+0.3	+0.0			-2.7	+0.4	+0.2		
Total	19.8	+2.1	+2.3	+11.6%	+13.2%	15.9	-17.2	-16.6	-52.1%	-51.1%
Organic	20.1	+2.0	+2.3	+11.3%	+13.0%	16.0	-17.4	-16.7	-52.1%	-51.1%

(JPY BN)

- Sales volume change
- Product mix
- Channel mix

- Sales volume change +11.0
- FX and raw material market price -0.3
- Activities and product mix +7.4



Sales Volume of Major Brands

Japan

(Million cases)	6 months ended June 30th 2019		6 months ended June 30th 2020	
	Actual	YoY	Actual	YoY
<i>Suntory Tennensui</i>	53.2	-2%	52.7	-1%
<i>BOSS</i>	53.8	5%	49.5	-8%
<i>Iyemon</i>	24.8	-3%	25.1	1%
<i>Suntory Oolong Tea</i>	11.7	-7%	9.5	-18%
<i>PEPSI</i>	9.8	2%	7.9	-20%
<i>Green DAKARA</i>	17.6	19%	18.3	4%
FOSHU drinks and Foods with Function Claims	11.3	-1%	10.6	-6%
Total	215.8	1%	198.8	-8%

* On the basis of shipment volume

* 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)	6 months ended June 30th 2019		6 months ended June 30th 2020	
	Actual	YoY	Actual	YoY
<i>Orangina</i> (France)	85	-1%	74	-12%
<i>Oasis</i> (France)	139	-7%	124	-11%
<i>Schweppes</i> (Spain, Portugal)	60	1%	44	-27%
<i>Lucozade</i> (UK, Ireland)	200	9%	181	-10%
<i>Ribena</i> (UK, Ireland)	44	-16%	36	-17%

(JPY, average of period)

	FY2019 Jan-Jun	FY2020 Jan-Jun	FY2020 Forecast
U.S. Dollar	110.1	108.2	109
Euro	124.3	119.3	122
British Pound	142.5	136.4	143
Singapore Dollar	81.0	77.4	81
Thai Baht	3.5	3.4	3.6
Vietnam Dong	0.0047	0.0046	0.0047
New Zealand Dollar	74.0	67.8	73
Australian Dollar	77.8	71.2	76

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