

Financial Results for Q3 Year Ending December 31, 2019

November 5, 2019
Suntory Beverage & Food Limited

This is Takayuki Sanno.

I would like to review the third quarter of FY2019.

Financial Results for Q3, FY2019 (9 months)

(Billions of yen)

	FY2018 Jan - Sep	FY2019 Jan - Sep	Change			
			YoY	Currency Neutral	%YoY	Currency Neutral
Revenue	972.1	980.6	+8.5	+24.0	+0.9%	+2.5%
Operating Income	94.4	90.6	-3.8	-1.9	-4.0%	-2.1%
Operating Income (Organic basis*1)	83.6	91.2	+7.6	+9.4	+9.0%	+11.5%
Net Income*2	65.8	57.8	-8.0	-6.8	-12.2%	-10.5%

*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 up 2.5% year on year on a currency neutral basis, and up 0.9% on a reporting basis.

Operating income excluding the 12 billion yen gain on the sale of our food and instant coffee business in 2018 and other non-recurring factors was 91.2 billion yen, up 11.5% year on year on a currency neutral basis, and up 9% on a reporting basis. Operating income including the non-recurring factors was 90.6 billion yen, down 2.1% year on year on a currency neutral basis, and down 4% on a reporting basis.

Quarterly profit attributable to owners of the Company was 57.8 billion yen, down 10.5% year on year on a currency neutral basis due to factors such as the non-taxable gain on the sale of our food and instant coffee business in 2018.

The beverage business in Asia performed well. Meanwhile, some areas including Japan were affected by bad weather, but overall performance was satisfactory. We can attribute the performance to the progress we have made in structural reform in each region, but it is still ongoing and there are remaining challenges to be addressed. We will continue pushing forward with steady structural reform.

Please turn to page 3.

Financial Results for Q3, FY2019 by Segment (9 months) SUNTORY SUNTORY BEVERAGE & FOOD

(Billions of yen)

	Revenue	Change				Segment Profit	Change			
		YoY	Currency Neutral	%YoY	Currency Neutral		YoY	Currency Neutral	%YoY	Currency Neutral
Japan	535.4	-1.4	—	-0.3%	—	44.0	+4.2	—	+10.4%	—
Europe	174.3	-14.6	-2.5	-7.7%	-1.4%	27.3	+0.6	+2.2	+2.2%	+8.6%
Asia	170.3	+22.2	+22.7	+15.0%	+15.3%	17.6	-8.5	-8.5	-32.6%	-32.4%
Organic							+3.1	+3.2	+21.5%	+22.4%
Oceania	38.4	-0.4	+2.3	-1.1%	+6.2%	3.5	-0.0	+0.2	-1.3%	+6.2%
Americas	62.2	+2.7	+2.9	+4.5%	+5.0%	6.5	+0.0	+0.0	+0.0%	+0.5%
Reconciliation						-8.3	+0.1	-0.0		
Total	980.6	+8.5	+24.0	+0.9%	+2.5%	90.6	-3.8	-1.9	-4.0%	-2.1%
Organic							+7.6	+9.4	+9.0%	+11.5%

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Revenue and profit by segment.

Revenue grew in all segments except for a slight decrease in Japan and Europe year on year on a currency neutral basis. In particular, Asia continued to grow significantly.

Segment profit on an organic and currency neutral basis grew in all regions, notably in Japan and Asia, achieving overall growth rate of double digits.

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

535.4

-0.3%

44.0

+10.4%

- 2% volume down due to July bad weather
- Continued sales recovery of FOSHU drinks and Foods with Function Claims
- Adverse impact of lower volume on profit was largely offset by tight cost control resulting in Q3 profit almost in line with the previous year



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First, Japan.

The rainy season ended about one month later than last year, resulting in an estimated volume decrease in the beverage market in July by 19%. Although a certain degree of recovery was observed in August and September, the market volume is estimated to have fallen by 4% in the July-to-September period, leading to a 3% fall in the first nine months of the year.

Given this context, our volume was down 5% in the July-to-September period and 2% in the first nine months of the year.

Revenue was affected by the decreased sales volume, but was almost flat year on year, down only 0.3% due to factors such as continuous sales trend improvement of FOSHU drinks and Foods with Function Claims as well as the price increase implemented for large formats.

In the July-to-September period, revenue decrease remained at 1.8% despite 5.0% decrease in sales volume, which means that the unit price continues to be on a recovery trend.

While revenue was almost flat year on year, segment profit was up 10.4% due to factors including the progress we have made in our cost saving efforts as part of the SCM activities and reductions in promotion and advertising costs compared to last year as a result of strategic reviews on expenditure timing.

Costs decreased compared to the July-to-September period last year when we had a temporary cost from the disrupted distribution caused by a series of natural disasters, but segment profit was flat year on year due to the significant revenue decrease caused by the bad weather.

In our “Mid-term Structural Reform”, “Establish a high added-value and profitable business model” and “SCM structural innovation” are making steady progress.

Regarding “Reform of the vending machine business structure”, the market in general continues to face a downward trend in sales and increase in operational and promotional costs. It will take more time, but we have been and will continue to be persistent in carrying out our structural reform.

Please turn to page 5.

(Billions of yen)

Revenue

174.3

%YoY

-7.7%

Currency
Neutral

-1.4%

Segment Profit

27.3

%YoY

+2.2%

Currency
Neutral

+8.6%

Revenue

%YoY

Currency
NeutralFrance
(*1)

74.4

-9.9%

-3.8%

Down due to continued difficulties in *Oasis*
Q3 recovery to flat YoY by focus on core brandsUK
(*2)

46.2

-2.5%

+3.9%

Continued growth of *Lucozade Energy*Spain
(*3)

38.0

-11.7%

-5.8%

Progress in off-premise activities
Down due to weak on-premise market

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



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Next, Europe. From here on, all the growth rates I present are on a currency neutral basis.

Revenue decreased 1.4% due to revenues falling in France and Spain while the UK performed well.

Segment profit increased 8.6% in Europe due to factors such as sales growth in the UK, cost saving by SCM activities progress and strategic marketing spend in France, and reduced costs as a result of lower commodity prices.

In France, revenue was down 3.8% as our core brand *Oasis* faced difficulties. However, our focused efforts for core brands led to the recovery of revenue to flat year on year in the July-to-September period.

In the UK, revenue was up 3.9% as a result of continued growth of *Lucozade Energy*.

In Spain, our reinforced activities for the off-premise channel resulted in higher sales volume of *Schweppes* than the previous year, but the overall revenue was down 5.8% amid the continued sluggishness of the on-premise market. Although we have been trying to improve the trend through portfolio reviews and other efforts, it is likely to take some more time before we make a full recovery.

Please turn to page 6.

(Billions of yen)

Revenue

170.3

%YoY

+15.0%

Currency
Neutral

+15.3%

Segment Profit

17.6

%YoY

-32.6%

Currency
Neutral

-32.4%

Organic

+21.5%

+22.4%

Revenue

%YoY

Currency
Neutral

Beverage

(Vietnam)

63.3

+13.4%

+15.8%

Up due to market growth and continued strength of core brands such as *Sting* and *TEA+*

Beverage*

(Thailand)

48.5

+59.0%

+55.3%

Continued growth

Price up since July prior to sugar tax hike in October

Health

Supplement

37.3

-2.8%

-4.1%

Distribution strengthening

Q3 recovery to flat YoY

*Beverage (Thailand): Last year results consist of only 7 months (Business started operations in March last year)

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Next, Asia.

Revenue was up 15.3% as a result of continued significant growth of the beverage business. Segment profit was up 22.4% on an organic basis.

When January and February results from Thailand are excluded from the Asia total, revenue grew by low 10-to-20% range while segment profit on an organic basis grew by mid 10-to-20% range year on year.

In Vietnam, estimated volume growth of the market stands at near 10% while our revenue was up 15.8% as a result of continued growth of core brands including the energy drink *Sting* and the RTD tea *TEA+*.

In Thailand, revenue growth continued even though the pace has slowed compared to the first half of the year, as a result of a series of price increases in July onwards prior to the sugar tax hike in October. In the seven months period from March to September, revenue grew by mid 20-to-30% range year on year.

The health supplement business decreased its revenue by 4.1% because brands such as *Essence of Chicken* and *Bird's Nest* faced difficulties, but as a result of strengthening distribution in the key market, Thailand, revenue in the July-to-September period recovered to the same level as last year.

Please turn to page 7.

(Billions of yen)

Oceania

Revenue

38.4

%YoY

-1.1%

Currency
Neutral

+6.2%

Segment Profit

3.5

%YoY

-1.3%

Currency
Neutral

+6.2%

Revenue

%YoY

Currency
Neutral

Frucor Suntory

28.9

-0.2%

+6.7%

Fresh Coffee Business

9.6

-3.6%

+4.9%

Americas

Revenue

62.2

%YoY

+4.5%

Currency
Neutral

+5.0%

Segment Profit

6.5

%YoY

+0.0%

Currency
Neutral

+0.5%

Lastly, Oceania and Americas.

In Oceania, both Frucor Suntory and the fresh coffee business grew in revenue. Overall segment profit was up 6.2%.

In Americas, positive business momentum resulted in revenue and profit growth.

Revision of FY2019 Forecast

Next, I would like to walk you through the full year forecasts of FY2019.

Please turn to page 9.

(Billions of yen)

	FY2018 Results	FY2019 Revised Forecast	Difference from prev. forecast	Change			
				YoY	Currency Neutral	%YoY	Currency Neutral
Revenue	1,294.3	1,297.0	-16.0	+2.7	+25.9	+0.2%	+2.0%
Operating Income	113.6	111.0	+1.0	-2.6	-0.3	-2.3%	-0.3%
Operating Income (Organic basis*1)	108.4	112.0	+1.0	+3.6	+6.2	+3.3%	+5.9%
Net Income*2	80.0	68.0	+1.5	-12.0	-10.1	-15.0%	-12.9%

*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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Based on the results up to the third quarter and the outlook for the fourth quarter, we revised the full year forecast which we had announced in February.

Revenue forecast on a currency neutral basis remains unchanged from the original, but was revised down by 16 billion yen to 1,297 billion yen on a reporting basis due to currency effects.

Revenue growth forecast of 2.0% remains unchanged from the original on a currency neutral basis. However, on a reporting basis, it was revised down from 1.4% to 0.2%, mainly due to the weak currencies in Europe and Oceania.

Operating income and operating income on an organic basis are revised up to 111 billion yen and 112 billion yen respectively. Both are expected to surpass the original forecasts by 3 billion yen on a currency neutral basis, but the currency effects limited the upside to 1 billion yen.

Dividend forecast remains unchanged from the original 78 yen.

I will cover forecasts for each segment on the following page.

Please turn to page 10.

FY2019 Forecast (IFRS) (by Segment)

(Billions of yen)	Revenue	Difference from prev. forecast	Change				Segment Profit	Difference from prev. forecast	Change			
			YoY	Currency Neutral	%YoY	Currency Neutral			YoY	Currency Neutral	%YoY	Currency Neutral
Japan	703.0	-6.0	-5.7	-	-0.8%	-	53.5	+0.5	+0.8	-	+1.6%	-
Europe	220.0	-25.0	-18.9	-2.3	-7.9%	-1.0%	31.5		+2.4	+4.1	+8.1%	+14.9%
Organic							32.5	-0.5	-0.4	+1.6	-1.3%	+5.0%
Asia	236.0	+17.0	+28.6	+29.7	+13.8%	+14.4%	23.5	+1.0	-5.7	-5.5	-19.4%	-19.1%
Organic							23.5	+1.0	+3.8	+4.0	+19.2%	+20.5%
Oceania	51.0	-2.0	-3.2	+1.0	-5.9%	+1.9%	6.5		+0.1	+0.6	+2.0%	+10.0%
Americas	87.0		+2.0	+3.2	+2.3%	+3.8%	8.5		+0.0	+0.1	+0.1%	+1.4%
Reconciliation							-12.5	-0.5	-0.2	-0.4		
Total	1,297.0	-16.0	+2.7	+25.9	+0.2%	+2.0%	111.0	+1.0	-2.6	-0.3	-2.3%	-0.3%
Organic							112.0	+1.0	+3.6	+6.2	+3.3%	+5.9%

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Japan

Revenue forecast was revised down by 6 billion yen due to the significant impact from the bad weather in July. On the other hand, segment profit forecast was revised up by 0.5 billion yen from the original based on the steady progress of structural reform including the price increase. Segment profit grew in double digits for the first nine months, but the full year growth rate forecast stands at 1.6% due to the following four factors anticipated in the fourth quarter:

- 1) Impacts from the typhoon in October
- 2) Lower sales compared to last year when the weather was favourable
- 3) Continued difficult trend in the vending machine business
- 4) Active brand investments mainly in high value added products

Europe

Considering the performance in the first nine months, the original revenue forecast is unlikely to be achieved. In addition, currency effects and the reclassification of the African business to Asia segment during the period were also factored in to make a downward revision of 25 billion yen. Segment profit is expected to be higher than the original forecast due to good progress in actions such as supply chain cost saving in France, but the forecast remains unchanged considering currency effects and the reclassification of the African business.

Asia

Revenue is expected to surpass the original forecast due to strong business performance. Currency effects and the reclassification of the African business was also factored in to make an upward revision of 17 billion yen to the revenue forecast. Segment profit is expected to be higher than the original forecast due to the strong performance. The reclassification of the African business was also considered in revising up the forecast by 1 billion yen.

Oceania

Revenue forecast was revised down by 2 billion yen due to currency effects. Segment profit remains unchanged.

Americas

Forecasts for both revenue and segment profit remain unchanged.

SUNTORY

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That is all for the segment forecast details.

We have only two months left this year. We will stay focused on rapid implementation of structural reform in each region.

That is all from me.

Financial Results for Q3, FY2019 (3 months)

(Billions of yen)

	FY2018 Jul - Sep	FY2019 Jul - Sep	Change			
			YoY	Currency Neutral	%YoY	Currency Neutral
Revenue	358.2	352.8	-5.4	+2.1	-1.5%	+0.6%
Operating Income	38.0	39.7	+1.7	+2.8	+4.6%	+7.7%
Operating Income (Organic basis*1)	38.6	39.8	+1.1	+2.2	+2.9%	+6.0%
Net Income*2	24.5	26.0	+1.5	+1.7	+6.2%	+7.0%

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

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

Revenue Results by Quarter (IFRS)

(Billions of yen)

	Q1 (Jan-Mar)	Change				Q2 (Apr-Jun)	Change				Q3 (Jul-Sep)	Change			
		YoY	Currency Neutral	%YoY	Currency Neutral		YoY	Currency Neutral	%YoY	Currency Neutral		YoY	Currency Neutral	%YoY	Currency Neutral
Japan	150.7	+0.2	-	+0.2%	-	185.3	+1.9	-	+1.1%	-	199.4	-3.6	-	-1.8%	-
Europe	46.8	-3.0	-0.2	-6.1%	-0.5%	64.3	-5.8	-2.1	-8.3%	-3.1%	63.2	-5.7	-0.2	-8.3%	-0.3%
Asia	57.0	+10.8	+11.0	+23.3%	+23.9%	58.2	+8.1	+8.2	+16.1%	+16.3%	55.0	+3.3	+3.5	+6.5%	+6.8%
Oceania	12.9	-0.7	+0.2	-4.9%	+1.4%	12.5	-0.2	+0.6	-1.5%	+4.8%	13.0	+0.4	+1.5	+3.5%	+13.1%
Americas	18.3	+1.3	+0.9	+7.4%	+5.5%	21.6	+1.3	+1.2	+6.5%	+5.6%	22.3	+0.1	+0.8	+0.5%	+3.9%
Total	285.7	+8.6	+12.1	+3.1%	+4.4%	342.1	+5.3	+9.8	+1.6%	+2.9%	352.8	-5.4	+2.1	-1.5%	+0.6%

Segment Profit Results by Quarter (IFRS)

(Billions of yen)

	Q1 (Jan-Mar)					Q2 (Apr-Jun)					Q3 (Jul-Sep)				
	YoY	Change		%YoY	Currency Neutral	YoY	Change		%YoY	Currency Neutral	YoY	Change		%YoY	Currency Neutral
Japan	6.5	+1.3	-	+24.8%	-	16.2	+2.5	-	+18.0%	-	21.4	+0.4	-	+1.9%	-
Europe	4.1	-0.1	+0.1	-1.8%	+3.7%	10.6	-0.3	+0.2	-3.0%	+2.0%	12.6	+1.0	+1.8	+8.4%	+16.8%
Asia	7.1	-9.9	-9.8	-58.4%	-58.2%	5.6	+1.3	+1.1	+30.2%	+25.7%	4.9	+0.1	+0.2	+1.5%	+5.1%
Organic		+1.3	+1.4	+23.6%	+25.5%		+1.6	+1.5	+40.2%	+35.0%		+0.2	+0.4	+3.8%	+7.5%
Oceania	1.4	-0.1	-0.1	-9.7%	-4.1%	1.2	-0.2	-0.1	-13.1%	-7.7%	0.9	+0.3	+0.4	+48.4%	+70.4%
Americas	1.5	-0.0	-0.0	-0.4%	-2.2%	2.3	-0.0	-0.0	-0.4%	-1.3%	2.7	+0.0	+0.1	+0.7%	+3.6%
Reconciliation	-2.7					-2.8					-2.8				+3.3%
Total	17.8	-8.8	-8.5	-33.1%	-32.2%	33.1	+3.3	+3.7	+11.0%	+12.6%	39.7	+1.7	+2.8	+4.6%	+7.7%
Organic		+2.6	+2.9	+16.8%	+19.3%		+3.8	+4.3	+13.0%	+14.6%		+1.1	+2.2	+2.9%	+6.0%



Japan

(Million cases)	Nine months ended September 30, 2018		Nine months ended September 30, 2019		FY2019 Forecast	
	Actual	Increase (decrease)	Actual	Increase (decrease)	Forecast	Increase (decrease)
<i>Suntory Tennensui</i>	92.1	10%	86.3	-6%	112.0	-4%
<i>Boss</i>	77.9	9%	82.3	6%	111.0	4%
<i>Iyemon</i>	40.8	-5%	38.5	-6%	51.0	-5%
<i>Suntory Oolong Tea</i>	20.2	1%	18.9	-7%	24.8	-7%
<i>Pepsi</i>	15.4	-10%	15.7	1%	20.0	-1%
<i>Green DAKARA</i>	30.9	22%	34.6	12%	42.0	11%
FOSHU drinks and Foods with Function Claims	17.5	-13%	17.8	2%	23.3	-0%
Total	353.0	4%	347.4	-2%	453.6	-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)	Nine months ended September 30, 2018		Nine months ended September 30, 2019	
	Actual	Increase (decrease)	Actual	Increase (decrease)
<i>Orangina</i> (France)	131	4%	130	-1%
<i>Oasis</i> (France)	225	5%	214	-5%
<i>Schweppes</i> (Spain, Portugal)	102	-5%	104	2%
<i>Lucozade</i> (UK, Ireland)	290	-0%	312	7%
<i>Ribena</i> (UK, Ireland)	79	-2%	67	-15%

(Yen, average exchange rate)

	FY2018 Jan-Sep	FY2019 Jan-Sep	FY2019 Forecast (as of Nov 5)	Previous Forecast (as of Feb 14)
U.S. Dollar	109.6	109.2	109	111
Euro	130.9	122.6	121	129
British Pound	148.1	139.0	137	144
Singapore Dollar	81.8	80.0	80	81
Thai Baht	3.4	3.5	3.5	3.4
Vietnam Dong	0.0048	0.0047	0.0047	0.0048
New Zealand Dollar	76.7	72.5	71	73
Australian Dollar	83.1	76.3	75	80

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