

Financial Results for Q1 Fiscal Year Ending December 31, 2017

April 28, 2017

Suntory Beverage & Food Limited



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This is Haruhisa Inada.

I will explain the results for the 1st quarter of FY 2017.

Financial Results for Q1, FY2017

Net sales declined due to negative FX impact,
while operating income increased

(Billions of yen)

	FY2016 Jan - Mar	FY2017 Jan - Mar	Change		
			YoY	% YoY	Currency neutral
Net Sales	311.1	310.5	-0.6	-0.2%	+1.2%
Operating Income	12.5	16.1	+3.6	+28.8%	+33.7%
Ratio	4.0%	5.2%			
Net Income ^{*1}	6.1	6.8	+0.7	+11.6%	+15.9%
EBITDA ^{*2}	34.7	38.1	+3.4	+9.7%	+12.6%
Net income before amortization of goodwill ^{*3}	13.5	14.0	+0.5	+3.8%	+7.0%

*1 Net income attributable to owners of the parent

*2 EBITDA = operating income + depreciation and amortization + amortization of goodwill

*3 Net income before amortization of goodwill = Net income attributable to owners of the parent + amortization of goodwill

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Net sales was 310.5 billion yen, operating income was 16.1 billion yen, and net income was 6.8 billion yen.

Net sales declined slightly due to the impact of exchange rates, with the yen trending stronger than the same period of last year, but operating income and net income increased.

We feel that we were able to make a good start as we work on strengthening the business foundation of each area, and aim to accomplish our goal for 2017 which is to achieve increase in both sales and profit for five consecutive years since our listing.

Japan and Asia business drove segment profit growth

(Billions of yen)

	Sales	Change			Segment Profit	Change		
		YoY	% YoY	Currency neutral		YoY	% YoY	Currency neutral
Japan	189.6	-2.0	-1.0%	-	8.7	+1.6	+22.2%	-
Overseas	120.9	+1.4	+1.1%	+4.9%	14.6	+1.8	+14.3%	+20.3%
Europe	49.5	-1.6	-3.2%	+5.1%	5.3	-0.5	-8.6%	+0.8%
Asia	42.3	+2.5	+6.4%	+7.4%	6.7	+2.2	+49.4%	+50.7%
Oceania	10.5	+0.4	+4.1%	-0.4%	1.3	+0.4	+39.2%	+43.5%
Americas	18.6	+0.0	+0.2%	+1.8%	1.3	-0.3	-16.0%	-14.5%

Here we have the sales and segment profit by each area

Sales for Japan segment was down 1.0%, and segment profit was up 22.2%.

Sales for overseas segment was up 1.1%, and segment profit was up 14.3%.
On a currency neutral basis, sales was up 4.9%, and segment profit was up 20.3%.

Japan and Asia business drove segment profit growth.

I will go over each in detail from the next page.

Initiatives focused on profit were successful and drove profit growth

		(Billions of yen)	
Sales	% YoY	Segment Profit	% YoY
189.6	-1.0%	8.7	+22.2%

- Sales volume increased by 1% due to good sales of core brands including *Suntory Tennensui*, *Boss* and *Iyemon*
- Segment profit grew due to cost reduction and efficient marketing execution



First, Japan segment.

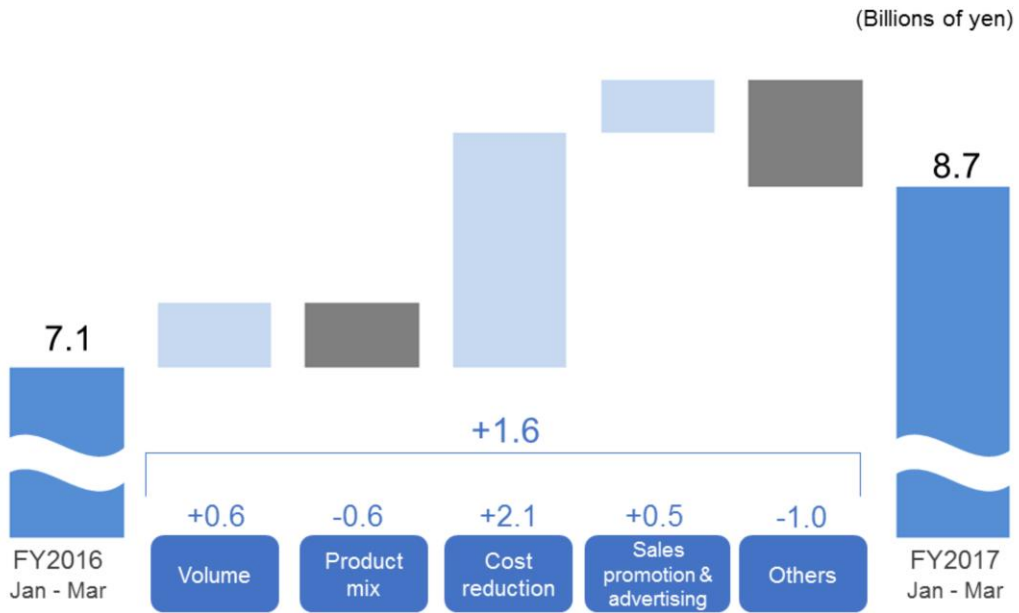
Sales was 189.6 billion yen, down 1.0%.

Sales volume increased 1%, however we saw growth in large sized products which have low unit prices, leading to a slight decline in sales.

Segment profit was 8.7billion yen, up 22.2%.

We were able to increase our profit through our cost reduction efforts and efficient marketing execution.

Japan: Segment Profit Bridge for Q1



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I will explain the factors that impacted the increase and decrease of Japan segment profit for the first quarter.

Sales volume was similar to market levels with an increase of 1%, which contributed positively to profit by 0.6 billion yen.

Our core brands, such as *Suntory Tennensui*, *Boss*, and *Iyemon* achieved steady growth. *Iyemon*, which was renewed in March, set off according to plan and grew significantly in the first quarter by 10%.

Product mix had a negative impact on profit of 0.6 billion yen.

Product mix worsened with the impact of *Blood Orangina* which was launched last year and had a high unit price.

By bottle size, 500ml pet bottles increased slightly, and the larger sized pet bottles had mid-single digit growth.

Cost reduction contributed positively to profit by 2.1 billion yen.

Cost improvement activities lead to an improvement of 2 billion yen.

We made packaging materials lighter, and made operation of our existing equipment more efficient.

Also, currency and market conditions lead to a net improvement of 0.1 billion yen.

Sales promotion and advertising cost contributed positively to profit by 0.5 billion yen.

The volume of larger sized pet bottles increased, but we were able to avoid excessive price competition, and focused on efficient investment in marketing.

Other factors had negative impact on profit by 1 billion yen.

This is due to increase in personnel expense and enterprise tax.

1. Reinforce core brands

Iyemon



Revitalized
on Mar. 7

Orangina



Revitalized
on Mar. 28

Suntory
Oolong Tea



Revitalized
on May 9

2. Offer products with new value

Craft Boss
Black



Launched
on Apr. 4

Craft Boss
Latte



To be launched
on Jun. 13

Suntory Tennensui
PREMIUM MORNING TEA
Lemon



Launched
on Apr. 25

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I would like to take this opportunity to explain the 2017 brand strategy in detail, which were briefly covered in the February earnings announcement.

This year, we will focus on two strategies:

“Reinforce core brands” and “Offer products with new value.”

As part of our activities to “Reinforce core brands,” we are planning a renewal of *Suntory Oolong Tea* on May 9th, following the renewals of *Iyemon* and *Orangina* in March. In both brands, the flavor and packaging have been revitalized to enhance the values that each brand holds.

We will also proactively engage in marketing activities to communicate those values to our consumers.

As part of our activities to “Offer products with new value,” we have introduced two new products.

First, is *Craft Boss*, which was launched on April 4th.

We have developed a pet bottle version of *Boss* for contemporary office workers, who want to take more time enjoying coffee while they work, and carry their coffee with them throughout the day.

Another new product is the *Suntory Tennensui PREMIUM MORNING TEA Lemon*, which was launched on April 25th.

We aim to capture new demand by creating a new category of transparent lemon tea. We are planning more new product launches in the future.

We will further strengthen our activities towards the peak season to achieve our goal that we announced in the beginning of the year, which is to achieve “Sales growth that outperform the market.”

Europe: Q1 Results

Sales and profit grew due to good performance in France and UK

(Billions of yen)

Sales	% YoY (Currency neutral)	Segment Profit	% YoY (Currency neutral)
49.5	+5.1%	5.3	+0.8%

	Sales	% YoY (Currency neutral)	
France ^{*1}	19.6	+7.7%	Sales grew for <i>Orangina</i> and <i>Oasis</i>
UK ^{*2}	13.9	+3.8%	<i>Lucozade</i> recorded good sales
Spain ^{*3}	9.9	-3.9%	Horeca market slowed down



*1: France and Belgium *2: UK and Ireland +3: Spain and Portugal

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I will explain the overseas segment on a currency-neutral basis.

First, Europe.

Sales was up 5.1%, and segment profit was up 0.8%.

We struggled last year in France, but by focusing on small format products and implementing active promotional activities we were able to grow *Orangina* and *Oasis*, which contributed positively to sales.

In the UK, good sales of *Lucozade Sport* contributed to sales growth.

In Spain, Horeca market slowed down due to adverse weather, which caused sales of *Schweppes* to be lower than last year, resulting in sales decrease.

Segment profit increased slightly, due to sales decrease in Spain and investment to Africa and other emerging countries.

Sales and profit grew, driven by Health Supplement business

(Billions of yen)

Sales	% YoY (Currency neutral)	Segment Profit	% YoY (Currency neutral)
42.3	+7.4%	6.7	+50.7%

	Sales	% YoY (Currency neutral)	
Vietnam	16.3	-0.6%	Slow recovery trend in beverage market
Health Supplement	14.0	+23.9%	<i>BRAND'S Essence of Chicken</i> recorded strong sales in Thailand



Next, Asia.

Sales was up 7.4%, segment profit was up 50.7%.

Vietnam resulted in a slight decrease in sales, but the slowdown in the beverage market, which has continued from the end of last year, has bottomed out, and our business performance is recovering as well.

The sales of Health Supplement business increased significantly.

We have started working with a new distributor in Thailand, and improved our route-to-market capabilities.

In addition, shipments were moved forward for Thai New Year's festival, leading to strong sales of *BRAND'S Essence of Chicken*.

Oceania/Americas: Q1 Results

[Oceania] Flat sales but V recorded steady sales

Sales		% YoY (Currency neutral)		Segment Profit		% YoY (Currency neutral)	
10.5		-0.4%		1.3		+43.5%	



[Americas] Further good momentum in non-carbonated beverages

Sales		% YoY (Currency neutral)		Segment Profit		% YoY (Currency neutral)	
18.6		+1.8%		1.3		-14.5%	



Lastly, Oceania and the Americas.

In Oceania, sales was slightly lower year on year, but our core energy drink V and sports drink *Maximus* recorded steady sales performance.

In the Americas, sales of non-carbonated beverage category grew, leading to an increase in sales.

However, it resulted in a decrease in profit due to worsening of the raw materials market.

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This concludes the results of each area.

Overall, we feel that we have achieved a good start.

The operations in Suntory Kyushu Kumamoto Plant were suspended due to the earthquake in April 2016, but we are pleased to announce that the manufacturing of canned products has been restarted today.

Manufacturing of pet bottle drinks is planned to restart in May as well.

As we enter our peak season, we will continue to implement activities based on our key strategies which we announced in the beginning of the year, to aim to achieve an annual operating income of 98 billion yen.

That is it from me.

FY2017 Forecast

(Billions of yen)

	FY2016 Result	FY2017 Forecast	Changes		
			YoY	% YoY	Currency neutral
Net Sales	1,410.8	1,430.0	+19.2	+1.4%	+2.2%
Operating Income	93.5	98.0	+4.5	+4.8%	+6.4%
Net Income ^{*1}	46.1	47.0	+0.9	+2.0%	+3.7%
EBITDA ^{*2}	180.8	186.0	+5.2	+2.9%	+4.4%
Net income before amortization of goodwill ^{*3}	74.7	75.2	+0.5	+0.6%	+2.4%

*1 Net income attributable to owners of the parent

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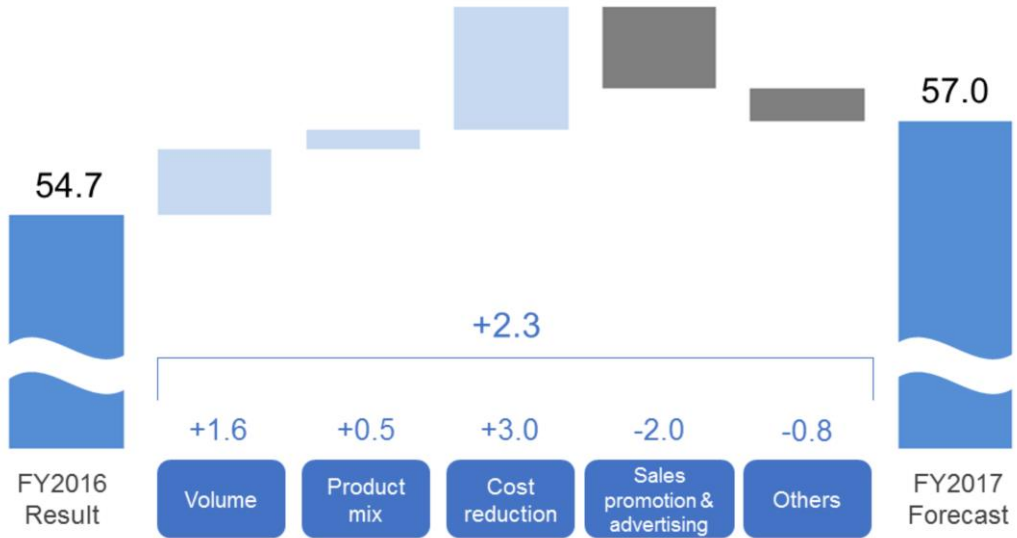
FY2017 Forecast by Segment

(Billions of yen)

	Sales	Changes			Segment Profit	Changes		
		YoY	% YoY	Currency neutral		YoY	% YoY	Currency neutral
Japan	895.0	+5.0	+0.6%	-	57.0	+2.3	+4.1%	-
Overseas	535.0	+14.3	+2.7%	+5.0%	69.2	+1.8	+2.6%	+5.8%
Europe	225.0	-4.4	-1.9%	+3.8%	36.5	-1.9	-4.9%	+1.1%
Asia	181.0	+16.7	+10.1%	+10.1%	17.8	+3.5	+24.3%	+22.6%
Oceania	42.0	+1.2	+3.0%	+1.4%	5.2	+0.0	+1.0%	+2.0%
Americas	87.0	+0.8	+0.9%	-0.2%	9.7	+0.1	+1.4%	+0.1%

FY2017 Forecast: Japan Segment Profit Bridge

(Billions of yen)



Exchange Rates

(Yen, average exchange rate)

	FY2016 Jan-Mar	FY2017 Jan-Mar	FY2017 Forecast
U.S.Dollar	115.4	113.6	110
Euro	127.1	121.0	115
British Pound	165.0	140.7	135
Singapore Dollar	82.2	80.2	77
Vietnam Dong	0.0052	0.0050	0.0048
New Zealand Dollar	76.5	80.9	77
Australian Dollar	83.3	86.2	82

Forward-Looking Statements

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