English Translation

April 28, 2017

Summary of Consolidated Financial Results for the First Three Months of the Fiscal Year Ending December 31, 2017 <under Japanese GAAP> (UNAUDITED)

Company name:	**Suntory Beverage & Food Limited**
Shares listed:	First Section, Tokyo Stock Exchange
Securities code:	2587
URL:	http://www.suntory.com/sbf/
Representative:	Saburo Kogo, President and Chief Executive Officer
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Scheduled date to file quarterly securities report:	May 11, 2017
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 fiscal year ending December 31, 2017 (from January 1, 2017 to March 31, 2017)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Three months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2017	310,484	(0.2)	16,095	28.8	15,515	31.3	6,781	11.6
March 31, 2016	311,126	14.2	12,496	23.1	11,819	20.7	6,075	33.2

Note: Comprehensive income (loss)
For the three months ended March 31, 2017: ¥(2,223) million [–%]
For the three months ended March 31, 2016: ¥(21,227) million [–%]

Reference: EBITDA
For the three months ended March 31, 2017: ¥38.1 billion [9.7%]
For the three months ended March 31, 2016: ¥34.7 billion [19.4%]
For the definition of EBITDA, its calculation method, etc., refer to “Segment information, etc.” on page 9.
Net income before amortization of goodwill
For the three months ended March 31, 2017: ¥14.0 billion [3.8%]
For the three months ended March 31, 2016: ¥13.5 billion [25.9%]

Note: Net income before amortization of goodwill is the sum of net income attributable to owners of the parent and amortization of goodwill.

	Net income per share	Diluted net income per share
Three months ended	(Yen)	(Yen)
March 31, 2017	21.95	–
March 31, 2016	19.66	–

(2) Consolidated financial position

	Total assets	Total equity	Shareholders' equity ratio
As of	(Millions of yen)	(Millions of yen)	(%)
March 31, 2017	1,341,039	587,825	40.1
December 31, 2016	1,366,000	602,447	40.4

Reference: Shareholders' equity (Equity excluding noncontrolling interests)
As of March 31, 2017: ¥537,838 million As of December 31, 2016: ¥552,229 million

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, 2016	–	34.00	–	39.00	73.00
Fiscal year ending December 31, 2017	–				
Fiscal year ending December 31, 2017 (Forecast)		37.00	–	37.00	74.00

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

3. Consolidated earnings forecast for the fiscal year ending December 31, 2017 (from January 1, 2017 to December 31, 2017)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Fiscal year ending December 31, 2017	1,430,000	1.4	98,000	4.8	95,500	4.7	47,000	2.0	152.10

Note: Revisions to the earnings forecast most recently announced: None
Reference: EBITDA
For the fiscal year ending December 31, 2017 (forecast): ¥186.0 billion [2.9%]
Net income before amortization of goodwill
For the fiscal year ending December 31, 2017 (forecast): ¥75.2 billion [0.6%]
Note: Net income before amortization of goodwill is the sum of net income attributable to owners of the parent and amortization of goodwill.

* Notes

(1) Changes in significant subsidiaries during the three months ended March 31, 2017 (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting methods for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a.	Changes in accounting policies due to revisions to accounting standards and other regulations:	None
b.	Changes in accounting policies due to other reasons:	None
c.	Changes in accounting estimates:	None
d.	Restatement of prior period financial statements after error corrections:	None

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

As of March 31, 2017	309,000,000 shares
As of December 31, 2016	309,000,000 shares

b. Number of treasury shares at the end of the period

As of March 31, 2017	– shares
As of December 31, 2016	– shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2017	309,000,000 shares
Three months ended March 31, 2016	309,000,000 shares

*** Quarterly financial results reports are not required to be subjected to quarterly review.**

*** 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

In the first three months of the fiscal year ending December 31, 2017 (from January 1, 2017 to March 31, 2017), there was a gradual recovery in the global economy overall despite signs of weakness in some areas. The Japanese economy continued to follow a path of gradual recovery, exhibiting such signs as a pick-up in consumer spending.

Amid these circumstances, Suntory Beverage & Food Limited Group (the Group) put efforts into brand reinforcement and new demand creation under its philosophy of proposing premium and unique products that match the tastes and needs of consumers, and enriching consumers' lives. By utilizing the expertise of each company, the Group also worked to strengthen earning capacity through cost reductions and to improve quality of products throughout the group. Furthermore, with the aim of achieving sustainable future growth, the Group concentrated on strengthening its business foundation in each area.

In the Japan segment, in addition to reinforcing core brands with a focus on the *Suntory Tennensui* brand, *Boss* coffee brand and *Iyemon* brand, the Group strengthened high-value-added products as part of efforts to create new demand.
In the overseas segment, the Group further reinforced core brands and reduced costs in each area. In Europe, the Group continued efforts centering on core brands such as *Orangina*, *Oasis*, *Schweppes*, *Lucozade* and *Ribena*. Furthermore, in Asia, the Group made focused efforts to further strengthen its business foundation, such as sales and production structures both in the health supplement business and the beverage business.

As a result of the above, for the operating results of the first three months of the fiscal year under review, the Group reported consolidated net sales of ¥310.5 billion, down 0.2% year on year, operating income of ¥16.1 billion, up 28.8%, ordinary income of ¥15.5 billion, up 31.3% and net income attributable to owners of the parent of ¥6.8 billion, up 11.6%.

Results by segment are as follows:

< Japan segment >
In Japan, as well as strengthening core brands, by focusing on high-value-added products, the Group worked on creating new demand, and consequently achieved a year-on-year increase in sales volume.
In the *Suntory Tennensui* brand, the Group promoted the brand's original value by emphasizing its qualities of "clear & tasty" and "natural & healthy," and the sales grew steadily.
In the *Boss* coffee brand, the Group continued efforts focused on *Premium Boss*, *Rainbow Mountain Blend*, *Zeitaku Bito*, *Muto Black* and *Café au Lait*, which are our core products. The Group also offered new proposals such as launching a new flavor of *Premium Boss Limited* in February, leading to a year-on-year increase in sales volume for the brand as a whole.
In the *Iyemon* brand, both the flavor and packaging were renewed in March to achieve, in a PET bottle green tea, the color, scent and taste of "high-quality tea from a pot" desired by consumers. Active marketing operations also bore fruit, and sales volume grew considerably over previous year.

The Company, with its leading position, drove the market of FOSHU drink products, which are attracting attention on the back of increasing health consciousness. The Company continued to focus its efforts on such products as *Iyemon Tokucha*, *Suntory Tokucha Caffeine Zero* and *Suntory Black Oolong Tea*, and the total sales volume of FOSHU drink products was at the same level as the previous year.

The Group also focused on its initiatives to improve profitability. As well as working to reduce production costs through such measures as reducing packaging material costs and manufacturing expenses, the Group conducted efficient investments in sales promotion and advertising costs.

In the vending machine business, the Group focused its efforts on sales to corporate customers. By launching products exclusive to vending machines and by proposing a variety of equipment such as cup coffee machines and tea servers, the Group strove to capture beverage demand in the office environment.

As a result of the above, the Japan segment reported year-on-year decrease in net sales but increase in segment profit, as shown below.

Japan segment net sales: ¥189.6 billion (down 1.0% year on year)
Japan segment profit: ¥8.7 billion (up 22.2% year on year)

< Overseas segment >
In Europe, aggressive marketing activities were conducted centering on core brands such as *Orangina*, *Oasis*, *Schweppes*, *Lucozade* and *Ribena*. In France, the Group focused on small-size format products and sales volume of *Orangina* and *Oasis* increased year on year. In the UK, sales of *Lucozade Sport* were particularly strong, and sales volume of *Lucozade* rose year on year. Also, the sales volume of *Ribena* continued to be steady. In Spain, the sales volume of *Schweppes* decreased year on year, due to slowdown in on-premise market. In Africa, the Group strove to reinforce the business foundation centered on Nigeria.
In Asia, in addition to reinforcing core brands, the Group worked to strengthen the sales and distribution structures in each country. In the health supplement business, sales of *BRAND'S Essence of Chicken* were strong in the core market Thailand, due to such factors as improved route-to-market capabilities achieved by changing our distribution structure. In the beverage business, in Vietnam, the Group carried out marketing activities that emphasized its high quality. In Indonesia the Group undertook initiatives to reinforce the sales and distribution structures, through measures such as improving our delivery capabilities focused on Java area.
In Oceania, the Group worked to expand sales by conducting aggressive marketing activities centering on its mainstay energy drink *V* and sports drink *Maximus*.
In the Americas, the Group strove to further support PepsiCo brand products in North Carolina, while focused on the growing non-carbonated beverage category.

In addition to activities to expand sales in each area, the Group strove to further improve quality and strengthen earning capacity by sharing the R&D technology and knowhow for the reduction of costs among all Group companies.

As a result of these activities, the overseas segment reported year-on-year increases in both net sales and segment profit, as shown below.

Overseas segment net sales: ¥120.9 billion (up 1.1% year on year)
Overseas segment profit: ¥14.6 billion (up 14.3% year on year)

(2) Financial position

Total assets as of March 31, 2017 stood at ¥1,341.0 billion, a decrease of ¥25.0 billion compared to December 31, 2016. The main factors were decreases in goodwill in overseas subsidiaries due to the effect of amortization and foreign currency translation, and other items.
Total liabilities stood at ¥753.2 billion, a decrease of ¥10.3 billion compared to December 31, 2016. This was due in part to a decrease in accrued income taxes.
Equity stood at ¥587.8 billion, a decrease of ¥14.6 billion compared to December 31, 2016, due in part to a decrease in foreign currency translation adjustments.

(3) 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, 2017, which were announced on February 13, 2017.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto (Unaudited)

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	84,127	80,853
Notes and accounts receivable-trade	161,037	153,461
Merchandise and finished goods	46,378	53,269
Work in process	4,406	5,347
Raw materials and supplies	23,953	24,823
Other	54,858	54,292
Allowance for doubtful accounts	(217)	(242)
Total current assets	374,544	371,806
Noncurrent assets		
Property, plant, and equipment		
Machinery, equipment, and other	132,599	134,285
Other	206,176	201,644
Total property, plant, and equipment	338,775	335,930
Intangible fixed assets		
Goodwill	407,283	394,699
Trademarks	150,827	147,736
Other	64,204	62,173
Total intangible fixed assets	622,316	604,609
Investments and other assets		
Investment securities	10,290	8,703
Other	20,553	20,454
Allowance for doubtful accounts	(582)	(560)
Total investments and other assets	30,261	28,597
Total noncurrent assets	991,353	969,136
Deferred assets	103	96
Total	1,366,000	1,341,039

(Millions of yen)

	As of December 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	116,081	116,934
Electronically recorded obligations-operating	12,742	14,007
Short-term borrowings	72,239	65,849
Lease obligations	7,074	7,375
Accrued income taxes	15,849	10,174
Provision for bonuses	8,002	8,996
Other	178,389	168,755
Total current liabilities	410,378	392,093
Long-term liabilities		
Bonds payable	40,000	40,000
Long-term debt	199,283	207,993
Lease obligations	11,670	11,708
Retirement allowances for directors and audit and supervisory board members	246	272
Net defined benefit liability	8,784	8,795
Other	93,188	92,351
Total long-term liabilities	353,174	361,120
Total liabilities	763,552	753,214
Equity		
Shareholders' equity		
Common stock	168,384	168,384
Capital surplus	183,628	183,828
Retained earnings	199,116	193,846
Total shareholders' equity	551,128	546,058
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	2,020	1,920
Deferred gain on derivatives under hedge accounting	130	32
Foreign currency translation adjustments	2,973	(6,265)
Remeasurements of defined benefit plans	(4,023)	(3,908)
Total accumulated other comprehensive income (loss)	1,100	(8,220)
Noncontrolling interests	50,218	49,987
Total equity	602,447	587,825
Total	1,366,000	1,341,039

(2) Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017
Net sales	311,126	310,484
Cost of sales	141,597	137,990
Gross profit	169,528	172,494
Selling, general, and administrative expenses	157,032	156,398
Operating income	12,496	16,095
Non-operating income		
Interest income	144	89
Dividend income	60	56
Equity in earnings of affiliates	215	228
Foreign currency exchange gain, net	117	–
Other	505	322
Total non-operating income	1,043	696
Non-operating expenses		
Interest expense	1,387	746
Foreign currency exchange loss, net	–	367
Other	332	162
Total non-operating expenses	1,720	1,276
Ordinary income	11,819	15,515
Extraordinary income		
Gain on sales of noncurrent assets	26	24
Gain on sales of investment securities	47	–
Gain on sales of shares of affiliates	–	149
Other	–	7
Total extraordinary income	73	180
Extraordinary loss		
Loss on disposal of noncurrent assets	629	615
Restructuring cost	372	266
Other	49	130
Total extraordinary losses	1,051	1,012
Income before income taxes	10,842	14,683
Income taxes	3,440	6,169
Net income	7,401	8,514
Net income attributable to noncontrolling interests	1,325	1,733
Net income attributable to owners of the parent	6,075	6,781

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017
Net income	7,401	8,514
Other comprehensive income (loss)		
Unrealized loss on available-for-sale securities	(66)	(101)
Deferred loss on derivatives under hedge accounting	(726)	(97)
Foreign currency translation adjustments	(27,729)	(10,645)
Remeasurements of defined benefit plans, net of tax	(16)	122
Share of other comprehensive loss in associates	(91)	(16)
Total other comprehensive loss	(28,628)	(10,738)
Total comprehensive loss	(21,227)	(2,223)
Total comprehensive income (loss) attributable to:		
Owners of the parent (the Company)	(20,444)	(2,539)
Noncontrolling interests	(783)	315

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report

(Segment information, etc.)

[Segment information]

I. Three months ended March 31, 2016

1. Information regarding amounts of sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment		Total	Reconciliations (Note 1)	Consolidated (Note 2)
	Japan	Overseas (Note 4)			
Sales					
Sales to external customers	191,602	119,523	311,126	–	311,126
Intersegment sales or transfers	1	560	562	(562)	–
Total	191,603	120,084	311,688	(562)	311,126
Segment profit (Note 3)	7,146	12,752	19,898	(7,402)	12,496

Notes 1. The reconciliations of segment profit represent amortization of goodwill unallocated to each reportable segment.

2. The segment profit is adjusted with operating income described on the quarterly consolidated statements of income.

3. The EBITDA for each reportable segment is as follows:

(Millions of yen)

	Japan	Overseas	Total
Segment profit	7,146	12,752	19,898
Depreciation and amortization	9,327	5,469	14,796
EBITDA	16,473	18,221	34,695

EBITDA is the sum of segment profit and depreciation and amortization.

4. The breakdown of sales, profit and EBITDA by overseas segment shown below has been categorized by the location of parent companies of local group companies.

(Millions of yen)

	Europe	Asia	Oceania	Americas	Total
Sales					
Sales to external customers	51,120	39,788	10,094	18,521	119,523
Intersegment sales or transfers	560	–	–	–	560
Total	51,680	39,788	10,094	18,521	120,084
Segment profit	5,771	4,486	910	1,584	12,752
Depreciation and amortization	2,339	1,950	366	812	5,469
EBITDA	8,110	6,436	1,277	2,397	18,221

2. Information regarding impairment loss on noncurrent assets, goodwill and negative goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)
No items to report

(Significant change in amount of goodwill)
No items to report

(Significant gain on negative goodwill)
No items to report

II. Three months ended March 31, 2017

1. Information regarding amounts of sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment		Total	Reconciliations (Note 1)	Consolidated (Note 2)
	Japan	Overseas (Note 4)			
Sales					
Sales to external customers	189,594	120,889	310,484	–	310,484
Intersegment sales or transfers	0	365	366	(366)	–
Total	189,595	121,254	310,850	(366)	310,484
Segment profit (Note 3)	8,734	14,574	23,309	(7,213)	16,095

Notes 1. The reconciliations of segment profit represent amortization of goodwill unallocated to each reportable segment.
2. The segment profit is adjusted with operating income described on the quarterly consolidated statements of income.
3. The EBITDA for each reportable segment is as follows:

(Millions of yen)

	Japan	Overseas	Total
Segment profit	8,734	14,574	23,309
Depreciation and amortization	9,029	5,730	14,759
EBITDA	17,763	20,305	38,068

EBITDA is the sum of segment profit and depreciation and amortization.

4. The breakdown of sales, profit and EBITDA by overseas segment shown below has been categorized by the location of parent companies of local group companies.

(Millions of yen)

	Europe	Asia	Oceania	Americas	Total
Sales					
Sales to external customers	49,498	42,328	10,505	18,556	120,889
Intersegment sales or transfers	231	134	–	–	365
Total	49,730	42,462	10,505	18,556	121,254
Segment profit	5,274	6,702	1,267	1,331	14,574
Depreciation and amortization	2,332	2,121	434	841	5,730
EBITDA	7,607	8,823	1,701	2,172	20,305

2. Information regarding impairment loss on noncurrent assets, goodwill and negative goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)
No items to report

(Significant change in amount of goodwill)
No items to report

(Significant gain on negative goodwill)
No items to report

(Notes on substantial changes in the amount of shareholders' equity)
No items to report