

Financial Results for Fiscal Year Ending December 31, 2017

February 15, 2018

Suntory Beverage & Food Limited



FY2017 Review
Long-term Strategy/
Medium-term Plan
FY 2018 Forecast

Saburo Kogo, President & CEO

FY2017 Review

Performance Highlights of FY2017 (IFRS)

Sales increased. Achieved profit growth at all levels.

(Billions of yen)

	FY2017	Change YoY %	Currency neutral
Revenue	1,234.0	+2.1%	+0.5%
Operating Income	118.0	+5.4%	+3.1%
Net Income*	78.1	+9.2%	+6.8%

* Profit attributable to owners of the Company

Long-term Strategy/ Medium-term Plan

Mega Trend for 2030



Accelerating health trend



Rising environment concerns



Global natural resources depletion



Dramatic evolution of drinking and shopping experiences



Evolving disruptive technologies



Rapid growth of RTD in emerging markets



Urbanization



**Shift of values;
toward the ones like Millennials**

- ◆ **Strong brand creation and nurture**
- ◆ **Natural & Healthy portfolio**
- ◆ **Technologies of MONOZUKURI (R&D, Production, SCM, QA)**
- ◆ **Historic and ongoing contribution to society**
(environment, community and culture)
- ◆ **Corporate culture (Yatte Minahare, Free & open-minded)**



[Promise]

Mizu to Ikiru

Water is the source of all the lives on the planet.

We promise and declare to society that we make our living with water.

We embrace nature, enrich our society and encourage our people to take on new challenges.



[Vision]

Enrich our drinking-experiences to be more natural, healthy, convenient, and fulfilling, by leading the next drinks revolution

[Aspiration]

2.5 Trillion yen sales by 2030

To Be the Third Force



Growth Strategy to realize the Vision

	Portfolio	Evolve portfolio by satisfying the needs of local consumers
	Availability	Enhance availability by exploiting changing trade channels and technologies
	MONO ZUKURI	Innovate MONOZUKURI to generate competitiveness
	Area Expansion	Expand areas by focusing on growth markets
	Next-generation Business model	Develop Beyond RTD Next-generation business model
	Sustainability	Accelerate sustainability management and contribution to local societies
	Organization, Talent, Culture	Strengthen unique global management system of Genba Heroes

- ‘Enjoyable wellness’ portfolio, strengthening ‘Natural & Healthy’ lineup
- Nurture unique and premium locally loved brands

Beverage market trend

- ◆ Category diversification
- ◆ RTD-fication
- ◆ Increasing health and wellness trend

Portfolio strategy

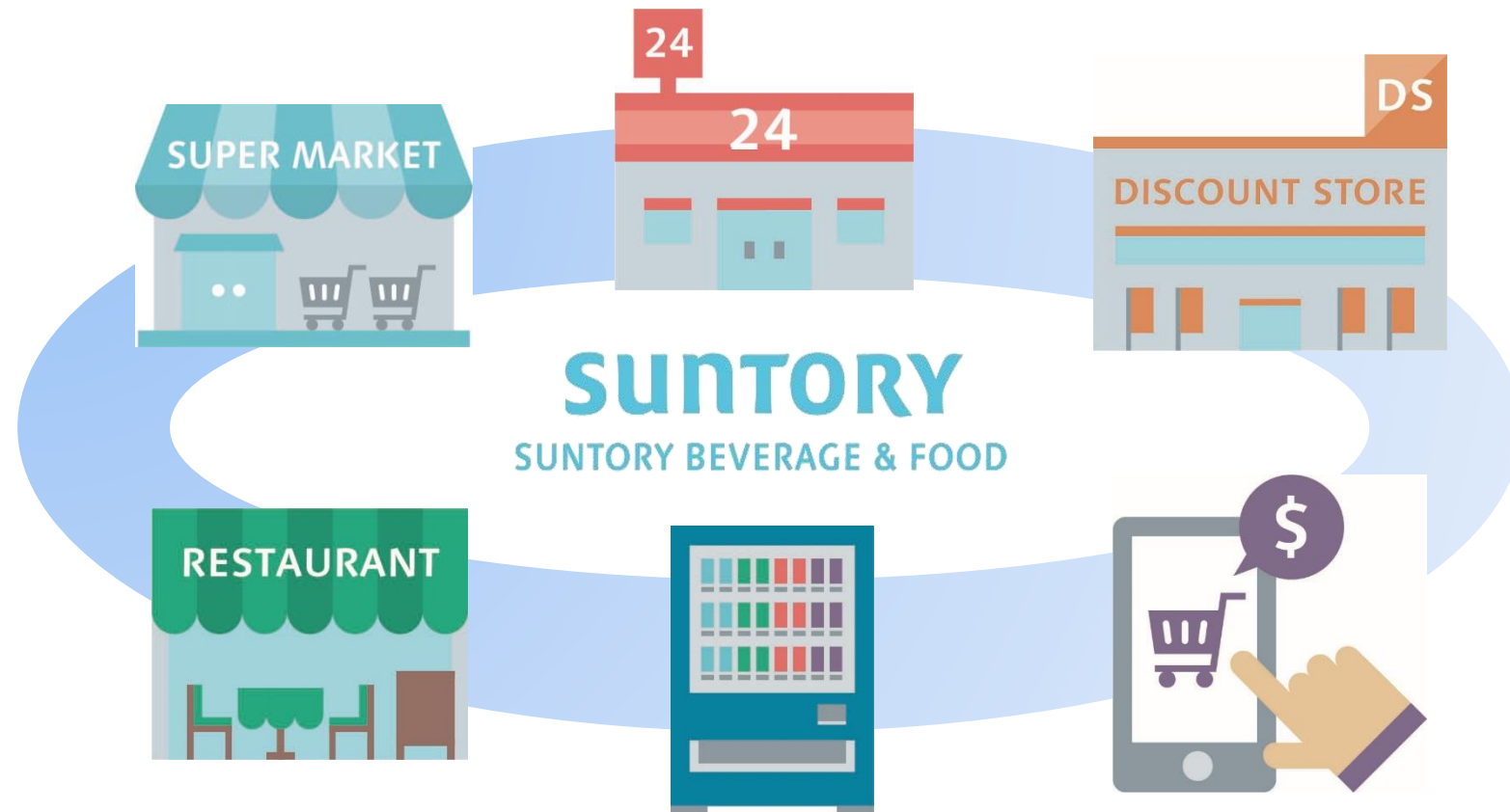
Focus on growth categories
Water/Tea/Coffee

Strengthen lineup of less-sugar
products

Develop more “Natural &
Healthy” products



- Increase consumer touch points (Consumption/Purchase)
- Create new drinking occasions



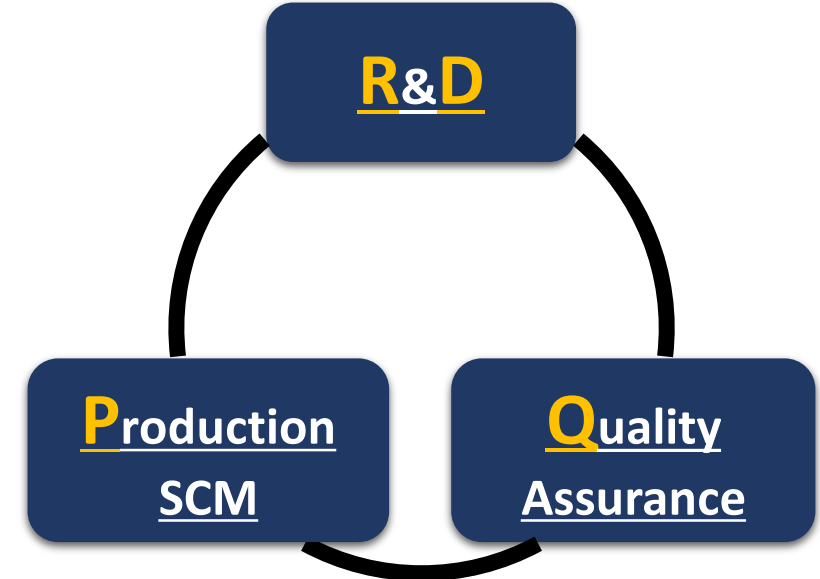
Innovate MONOZUKURI to generate competitiveness

- Consumer centric R&D, Production & SCM, Quality
- Accelerate MONOZUKURI innovation through R&D&P&Q integration and group synergy

- ◆ Create new value which exceeds consumers' expectations
(unique & premium, natural & healthy)
- ◆ Provide best quality in each market
(safe, reliable and high-quality products)
- ◆ Pursue cost efficiency in entire value chain and optimized production and Supply Chain



Drive “SUNTORY MONOZUKURI WAY”



Expand Areas by focusing on Growth Markets

■ Focus on Asia, Africa and USA

USA

Acquire new businesses

Asia

- Start JV business in Thailand
- Growth of sales and profits in the area

Africa

- Strengthen the business foundations
- Scale-up business

Develop Beyond RTD Next-generation Business Model

- Create and grow premium businesses
- Develop B to C business models

◆ Strengthen existing premium business

- Health Supplement Business
- Fresh Coffee Business



◆ Create new business models



Key words

- ◆ High added value
- ◆ Beyond RTD
- ◆ B to C
- ◆ Utilization of new technologies

- **Activities focused on water**
- **Promote environmental management in entire value chain**

<Cooperating with communities>

Activities focused on water

**Natural
Water
Sanctuary**



**Mizuiku
Education
Program**



**Bird
Conservation
Activities**



<In business>

Promote environmental management

**Reduce CO2 emissions
and water consumption
in entire value chain**



**Environmentally-
friendly containers
and packaging**



**Energy-saving
vending machines**



- Empowerment of Genba, local-oriented agile organization, diverse talent, and unique corporate culture
- Become employer of choice in each country





Yatte Minahare

< Sales >

Organic growth ahead of market and incremental growth through new investments.

< Profit >

Grow operating income at a CAGR (Compound Annual Growth Rate) mid single-digit or above

* in comparison to 2017 figures and on a currency-neutral basis

FY2018 Forecast

Continuous growth as the first year of Medium-term Plan

(Billions of yen)

	FY2018 Forecast	Change YoY %	Currency neutral
Revenue	1,293.0	+4.8%	+4.6%
Operating Income	127.0	+7.7%	+7.3%
Net Income*	80.0	+2.4%	+2.0%

* Profit attributable to owners of the Company

Supplementary Explanation

Haruhisa Inada, Managing Executive Officer

Impact of adopting IFRS

[Impact on FY2017 financial results] When converted from JGAAP

(Billions of yen)	Impact of adopting IFRS	Main factors
Revenue	-217.5	• Sales deductions including sales incentives in Japan
Operating income	+19.9	• Abolishment of amortization of goodwill (26.5) • Reclassification from non-operating income (loss) and extraordinary income (loss) etc.
Net Income*	+30.7	• Abolishment of amortization of goodwill, etc.

* Profit attributable to owners of the Company

FY2017 Review

Sales increased. Achieved profit growth at all levels.

(Billions of yen)

	FY2016	FY2017	Change YoY %	Currency neutral
Revenue	1,209.1	1,234.0	+2.1%	+0.5%
Operating Income	111.9	118.0	+5.4%	+3.1%
Net Income*	71.5	78.1	+9.2%	+6.8%

* Profit attributable to owners of the Company

Financial Results for FY2017 by Segment (IFRS)

(Billions of yen)

	Revenue	Change			Segment Profit	Change		
		YoY	% YoY	Currency neutral		YoY	% YoY	Currency neutral
Japan	689.2	+1.4	+0.2%	+0.2%	57.3	+2.8	+5.1%	+5.1%
Europe	238.9	+9.6	+4.2%	+0.9%	34.6	+1.0	+2.9%	-0.3%
Asia	177.1	+12.6	+7.6%	+3.5%	23.2	+5.9	+34.5%	+27.6%
Oceania	42.8	+1.6	+3.8%	-1.9%	5.0	+0.8	-13.8%	-18.1%
Americas	86.0	-0.2	-0.2%	-3.2%	9.3	-2.0	-17.9%	-20.4%

FY2018 Forecast

Continuous growth as the first year of Medium-term Plan

(Billions of yen)

	FY2017 Result	FY2018 Forecast	Change YoY %	Currency neutral
Revenue	1,234.0	1,293.0	+4.8%	+4.6%
Operating Income	118.0	127.0	+7.7%	+7.3%
Net Income*	78.1	80.0	+2.4%	+2.0%

* Profit attributable to owners of the Company

FY2018 Forecast by Segment (IFRS)

(Billions of yen)

	Revenue	Change			Segment Profit	Change		
		YoY	% YoY	Currency neutral		YoY	% YoY	Currency neutral
Japan	693.0	+3.8	+0.6%	+0.6%	58.5	+1.2	+2.1%	+2.1%
Europe	255.0	+16.1	+6.7%	+4.5%	34.0	-0.6	-1.7%	-3.5%
Asia	200.0	+36.5	+22.3%	+23.6%	31.0	+8.8	+39.8%	+40.4%
Oceania	58.0	+1.7	+3.0%	+2.6%	6.7	+0.7	+11.4%	+8.9%
Americas	87.0	+1.0	+1.1%	+3.1%	9.3	+0.0	+0.0%	+2.0%

FY2018 Forecast: Japan

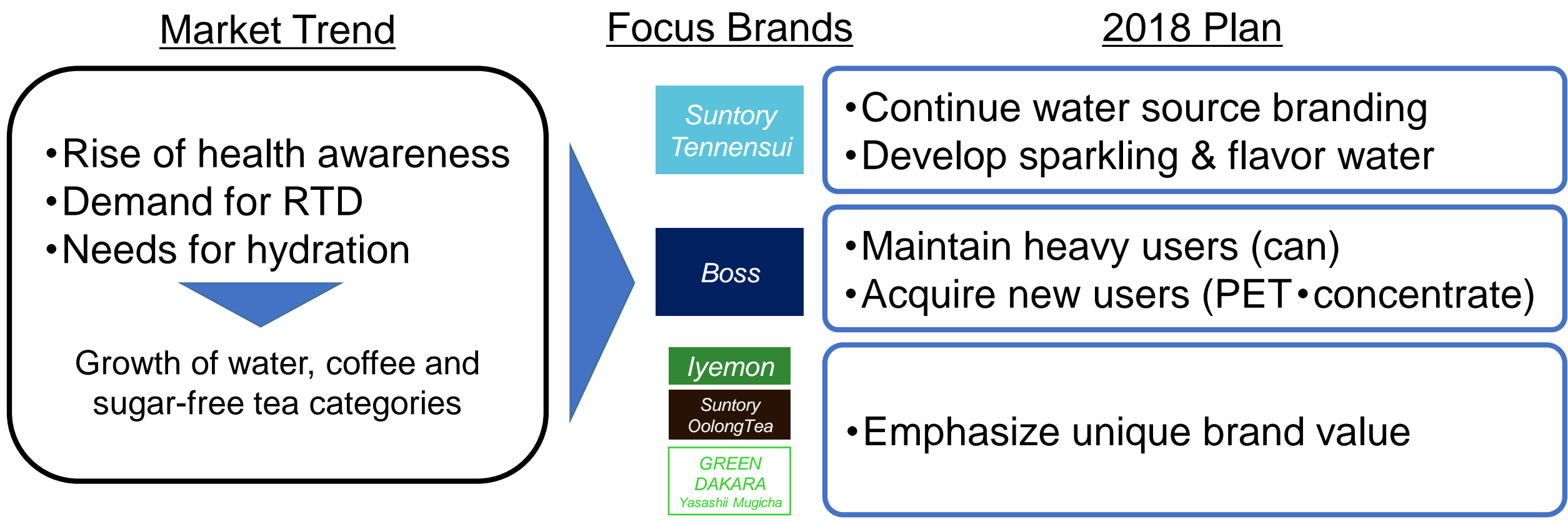
(Billions of yen)

Revenue	% YoY (Currency neutral)	Segment Profit	% YoY (Currency neutral)
693.0	+0.6%	58.5	+2.1%

- Reinforce all brands and create new demands
 - Focus on sugar-free tea categories such as *Suntory Tennensui*, *Boss*, and *Iyemon*
 - Continue to create new values
- Profit growth that exceeds revenue growth
 - Deepen current profit creation activity
 - Enforce measures for future profit growth

Japan: Brand Reinforcement and New Demand Creation

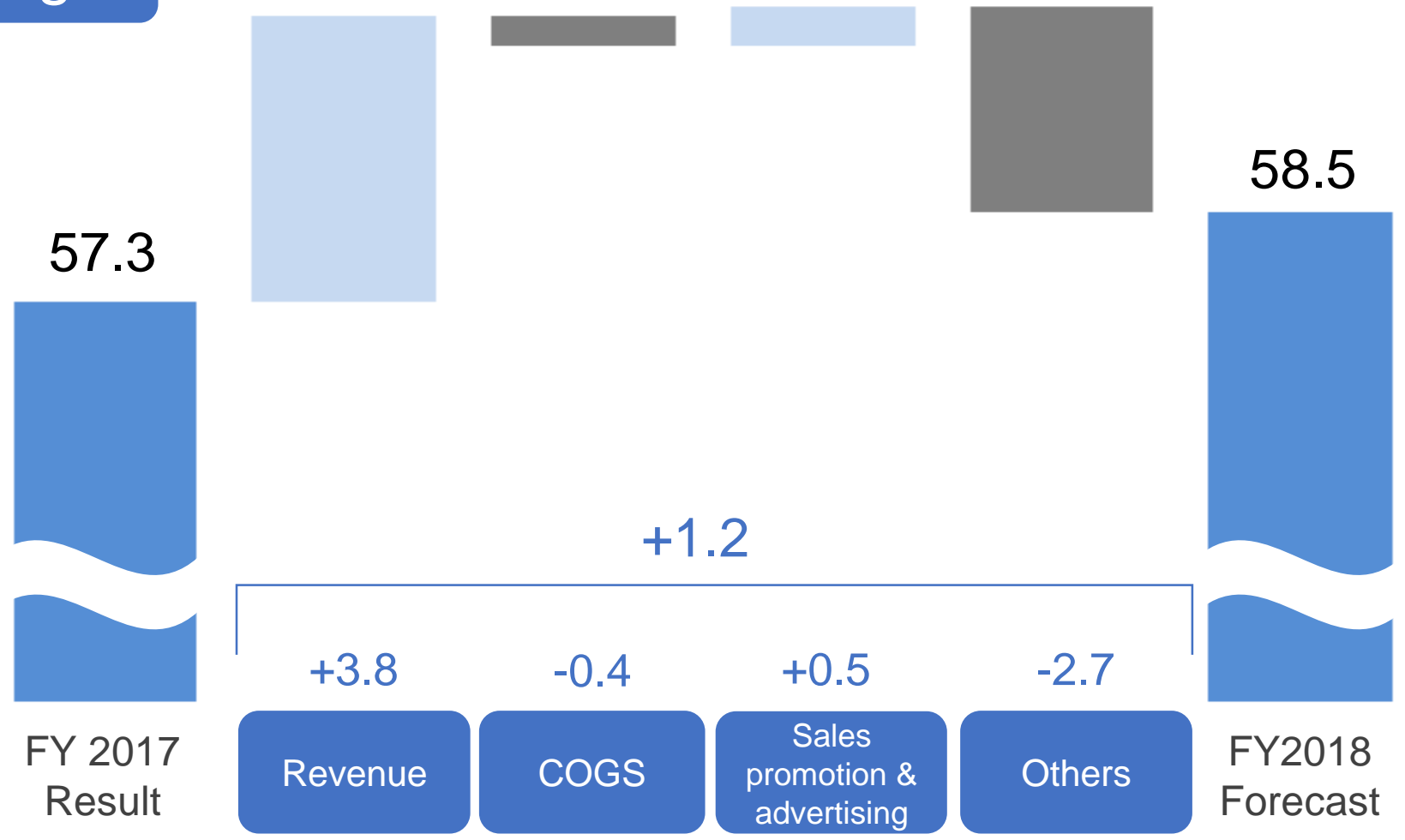
- Focus on growing categories such as water, coffee, and tea
- Continue creating new values



Japan: Aim for Profit Growth exceeding Revenue Growth

Profit Bridge

(Billions of yen)



FY2018 Forecast: Europe

(Billions of yen)

Revenue	% YoY (Currency neutral)	Segment Profit	% YoY (Currency neutral)
255.0	+4.5%	34.0	-3.5%

France

- Invest in both strong core brands and *MayTea*
- Strengthen supply chain management

UK

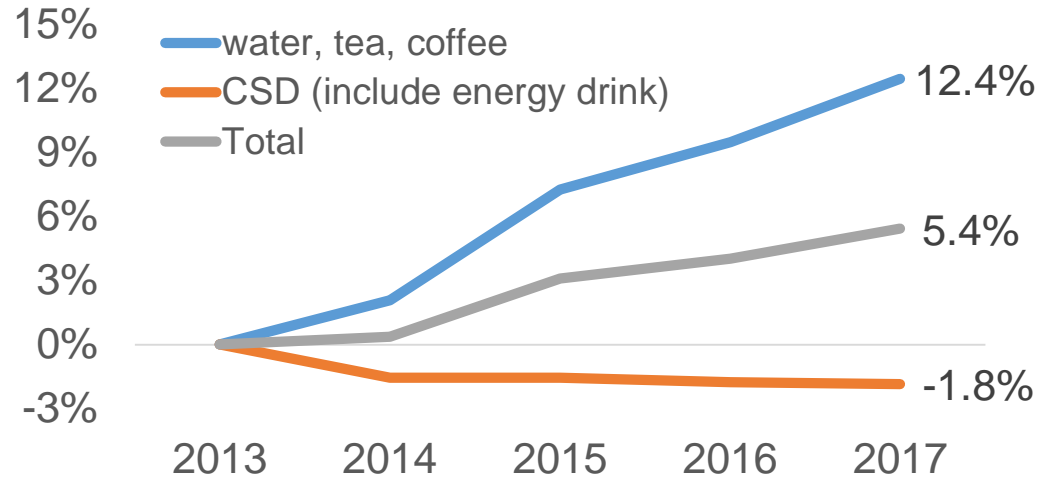
- Recover *Lucozade Energy*
- Launch of new *Ribena*

Spain

- Continue growth of *Schweppes* in on-premise channel
- Launch of *MayTea*

Europe: Product Portfolio Transformation

Demand for “Natural & Healthy” Beverage



Source: Euromonitor, growth of Europe Beverage Market (v,s, 2013, volume-base)

Spread of sugar/soda tax implementation



France: 2018 (reform)
UK: 2018
Spain (Catalonia): 2017
Portugal: 2017
Other 9 countries

Strengthen low sugar•low calorie products

- New *Lucozade Energy*
- New *Ribena*
- *Orangina Zero*
- *Schweppes Zero*



Expand product portfolio

- Strengthen *MayTea*
 - Push sales in France
 - Rollout to other countries



Europe: *MayTea*

The leading brand to fuel portfolio transformation

Overview

- Launched in France in May, 2016
- Low-sugar premium iced tea (4 flavors)
- A product that leveraged Japanese R&D technology
- Share No.2 already in France RTD Tea Market



《Reasons for Good Results》

- The low-sugar taste that matches the health trend
- Natural ingredients (No fragrance, no coloring)
- Trendy packaging

		(Billions of yen)	
Net Sales	% YoY (Currency neutral)	Segment Profit	% YoY (Currency neutral)
200.0	+23.6%	31.0	+40.4%

Healthy Supplements

- Strengthen marketing and continue expanding sales channel of *BRAND'S Essence of Chicken*
- Push sales in E-Commerce and emerging markets

Beverage

- Vietnam: Revitalize core brands. Strengthen sales activities in rural areas
- Thai (Beverage): JV with PepsiCo. Start of operation



Products

- Strengthen branding of *BRAND'S Essence of Chicken*
- Expanding demands including needs for daily use

Channel

- Further channel expansion due to last year's distributor change
- Strengthen B to C (E-Commerce, etc.) channels

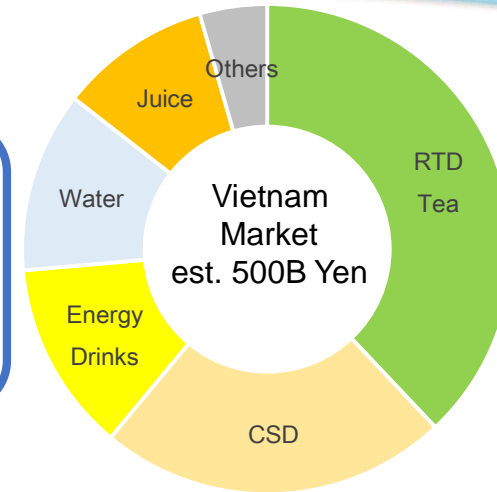
Area

- Develop scale of business in emerging markets such as Myanmar

Asia: Beverage Business

Vietnam

- Continue strengthen core brands including *Sting*, *TEA+*
- Develop sales in growth opportunity areas



Source: Euromonitor

Thai

- Start of JV Business with PepsiCo in March, 2018
- Aim for business expansion by utilizing the strengths of the two companies

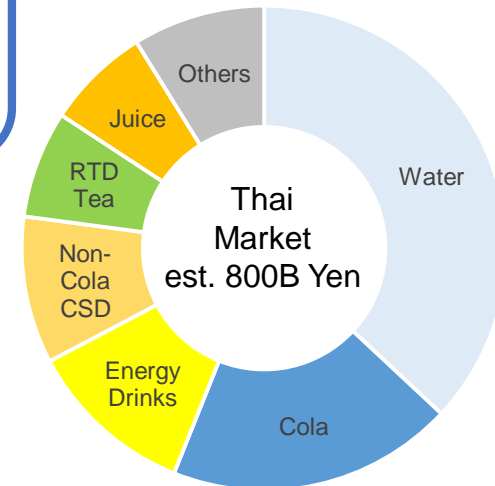
Features • Strength

- ✓ Growing market
- ✓ Strong brands
- ✓ Stable distribution



Opportunities

- ✓ Non-CSD product portfolio
- ✓ Experience from Vietnam
- ✓ Cost management



Source: Euromonitor

(Billions of yen)

Net Sales	% YoY (Currency neutral)	Segment Profit	% YoY (Currency neutral)
58.0	+2.6%	6.7	+8.9%

Frucor
Suntory

- Develop core brands centering V
- Strengthen healthy category portfolio

Fresh Coffee
Business

- Establish foundation as an independent business
- Accelerate growth with its business uniqueness

Oceania: Fresh Coffee Business

Main Brands

Main clients



Super
Premium
Class

Independent cafes,
etc.



Premium
Class

Supermarkets, etc.



Standard
Class

Fast food
chains, etc.

Business Characteristics

- Selection, roasting, distribution, retailing of coffee business in Australia and New Zealand
- A wide range of clients including independent cafes, supermarkets, fast food chains, convenient stores, etc.
- Possess a diverse brand map. High roasting expertise developed from making premium brands

(Billions of yen)

Net Sales	% YoY (Currency neutral)	Segment Profit	% YoY (Currency neutral)
87.0	+3.1%	9.3	+2.0%

PBV

- Revitalize core CSD categories (*Pepsi, Mountain Dew*)
- Accelerate Non-CSD categories

New Business

- Explore possibilities of new business in growing categories and new channels

SUNTORY

SUNTORY BEVERAGE & FOOD

Financial Results for FY2017 (JGAAP)

(Billions of yen)

	Sales	Change		Segment Profit	Change	
		% YoY	Currency neutral		% YoY	Currency neutral
Japan	907.2	+1.9%	+1.9%	60.5	+4.7%	+4.7%
Europe	238.9	+4.2%	+0.9%	39.0	-1.8%	-4.7%
Asia	177.2	+7.9%	+3.7%	21.7	+33.8%	+25.4%
Oceania	42.1	+3.2%	-2.5%	5.6	-7.9%	-12.6%
Americas	86.0	-0.2%	-3.2%	9.4	-10.0%	-12.8%
Reconciliations	-	-	-	-38.2	-	-
Total	1,451.5	+2.9%	+1.5%	98.0	+4.8%	+2.5%

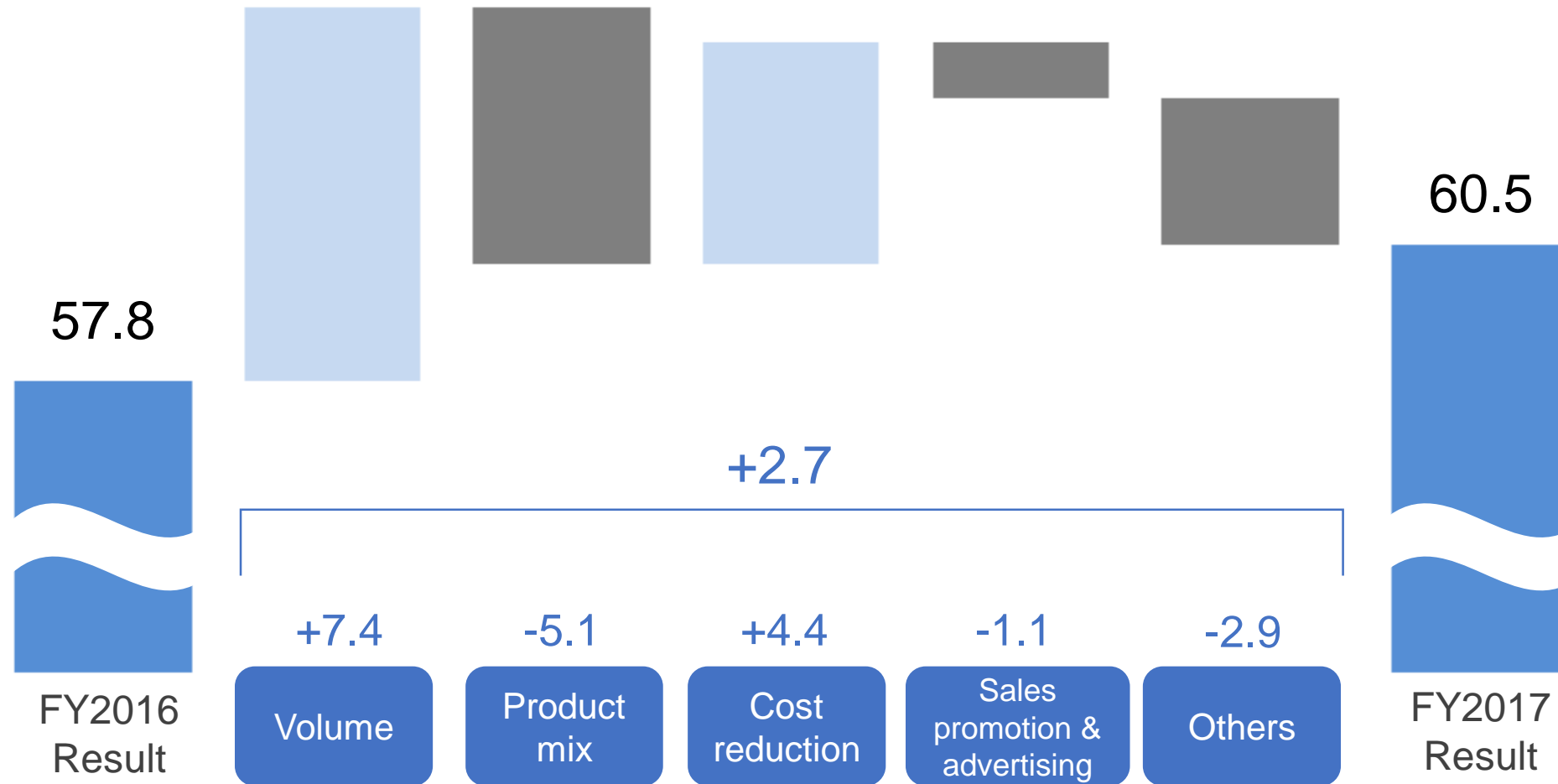
Financial Results for Q4, FY2017 (3 months) (JGAAP)

(Billions of yen)

	Sales	Change		Segment Profit	Change	
		% YoY	Currency neutral		% YoY	Currency neutral
Japan	218.7	+3.2%	+3.2%	12.7	+3.1%	+3.1%
Europe	53.3	+8.8%	-4.2%	8.2	+10.4%	-4.1%
Asia	47.9	+5.6%	+0.1%	5.9	+78.9%	+59.2%
Oceania	12.2	-0.9%	-4.8%	2.2	-11.2%	-16.9%
Americas	24.4	-7.3%	-10.2%	2.1	-24.4%	-26.8%
Reconciliations	-	-	-	-9.9	-	-
Total	356.5	+3.3%	+0.3%	21.2	+11.2%	+3.8%

Japan: Segment Profit Bridge for FY2017 (JGAAP)

(Billions of yen)



FY2017 Revenue in major Business Units (IFRS)

	Revenue	Change		
		YoY	% YoY	Currency Neutral
France	95.3	+7.0	+7.9%	+2.4%
UK	60.5	-3.8	-6.0%	-4.0%
Spain	56.8	+3.0	+5.6%	+0.2%
Health Supplements	55.5	+6.1	+12.3%	+5.5%
Vietnam	70.0	+3.7	+5.6%	+4.0%

Exchange Rates

(Yen, average exchange rate)

	FY 2016 Result	FY 2017 Result	FY 2018 Forecast
U.S.Dollar	108.8	112.2	110
Euro	120.2	126.7	131
British Pound	147.5	144.5	142
Singapore Dollar	78.7	81.3	81
Thai Baht	3.1	3.3	3.3
Vietnam Dong	0.0049	0.0049	0.0048
New Zealand Dollar	75.7	79.7	79
Australian Dollar	80.8	86.0	87

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