

Financial Results for Fiscal Year Ending December 31, 2017

February 15, 2018

Suntory Beverage & Food Limited



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(Note) The Company has applied the International Financial Reporting Standards (IFRS) beginning from the fiscal year under review. Please note that unless otherwise indicated, the figures for the financial results in this document will be based on IFRS.

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

Saburo Kogo, President & CEO

FY2017 Review

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This is Saburo Kogo.
I will explain the financial results of FY 2017.

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

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4

For 2017, revenue was 1,234.0 billion yen, operating income was 118.0 billion yen, and profit attributable to owners of the Company was 78.1 billion yen.

These figures of the financial results are all based on IFRS, but when converted to JGAAP, net sales was 1451.5 billion yen, and operating income was 98.0 billion yen. Overall the results were aligned with our forecast.

As for dividends, fiscal year-end dividend was 38 yen, and annual dividend was 75 yen, up 1 yen from the initial forecast.

The financial results of 2017 will be explained by Mr. Inada later, but I would like to provide my general review as well. Although there were variations by area and positive currency impacts, I am satisfied that we have been able to meet our forecast in both sales and profit, which we announced at the beginning of 2017.

However, there were also challenges.

The first challenge is the trouble in supply chain that we experienced in Japan and Europe. There was negative impact on sales and profit due to sales opportunity loss, customer out-of-stock charge, and recovery costs.

The second challenge is increasing price competition from competitors in each country. This has led to share decrease in some areas and business.

The third challenge is deceleration in growth momentum of existing businesses, which have been generating high profit.

We have already addressed the trouble in supply chain, but as for intensifying competition, we will need to urgently transform our portfolio that would prevent us from getting caught up in price competition. New initiatives are needed.

2018 is positioned as the first year for those new initiatives, and I will now explain about the new management policy.

Long-term Strategy/ Medium-term Plan

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Based on the state of the company as well as the changing business environment, we have developed a long term strategy targeting 2030, and a medium term plan targeting 2020.

I will go over the details.

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**

In contemplating the future of our company from a long term perspective, we organized our thoughts on how society will change in 2030.

As a result, we have come up with these eight trends that are relevant to our company. We believe that the soft drinks industry will experience significant changes as we approach 2030, impacted by these trends.

We will take on these changes as business opportunities, and continue to implement proactive management.

Our Strengths

- ◆ 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)



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7

Suntory Beverage & Food (SBF) has strengths in strong brand creation and nurture, based on our product development capability, as well as natural and healthy portfolio that leads the era.

Our strengths also lies in the foundation of MONOZUKURI, with technologies spanning from the basics to implementation.

In addition, the Suntory Group's founder's philosophy of giving back to society, the culture of free and open-mindedness, and willingness to take on new challenges, as represented by "Yatte Minahare" are areas where we hold our unique strengths.

We believe that maximizing on these strengths is extremely important in expanding business.

The long-term strategy which I will now explain, are based on these concepts.

Promise

[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.



As the core thinking of our long term strategy, we have set “Mizu to Ikiru” as our Promise to society, that we make our living with water.

The mission of SBF is to create products by adding value to “water,” that satisfies consumers and contributes to society.

We will promise to cherish water, make it sustainable, embrace nature, enrich our society, and to continue to take on new challenges.

Vision/Aspiration

[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

We have also created a new Vision based on this Promise.

Up until now, the values that people sought in soft drinks were “tasty,” “safe and reassuring,” “quality assurance,” and “convenient and affordable.”

However, in moving forward, there will be more demand for newly evolved values including “healthy,” “environmental,” “more enrichment,” and “more convenience.”

Based on these changes of the times, we have set a new vision, “Enrich our drinking-experiences to be more natural, healthy, convenient, and fulfilling by leading the next drinks revolution.”

With this new vision, our aspiration that we will strive for is To Be the Third Force in the global soft drinks industry, and to achieve 2.5 trillion yen sales by 2030 on IFRS basis. 2.5 trillion yen is 2 times higher than 2017.

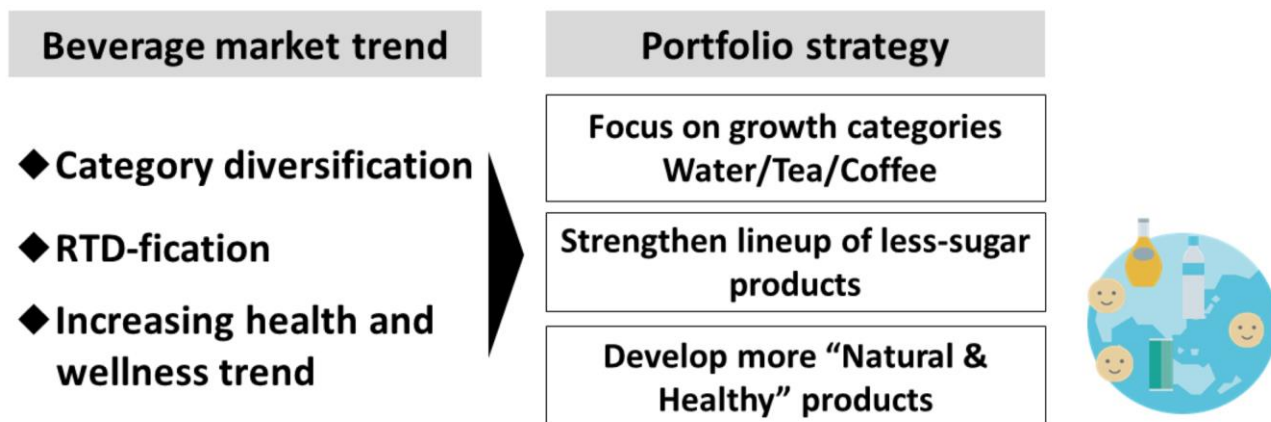
Growth Strategy to realize the Vision

	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

We have also set seven growth strategies in order to realize this new vision.

I will explain each in detail.

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



First, is a strategy regarding portfolio.
We will “evolve our portfolio by satisfying the needs of local consumers.”

I will first explain the global soft drinks market trend.
Today, the values that consumers seek in soft drinks are changing significantly.
In the past years, what satisfied consumer’s needs were carbonated drinks and drinks such as cola which include sugar and are carbonated. These are drinks that provide clear and refreshing taste.

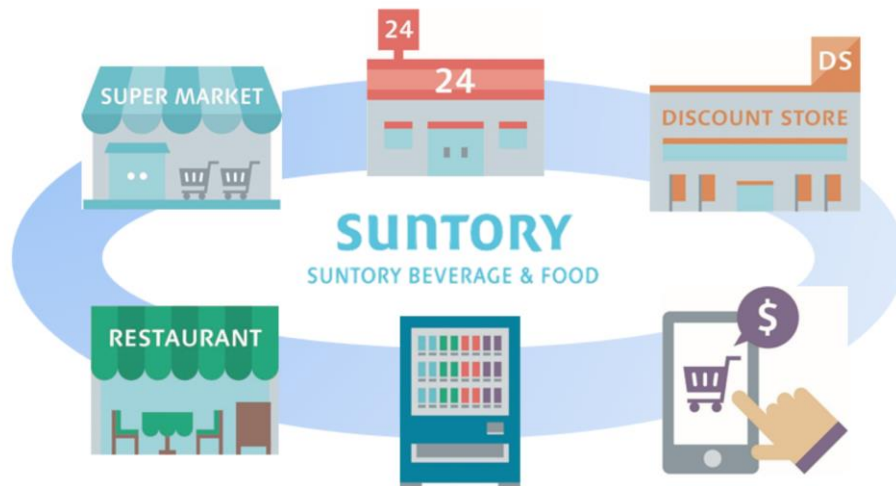
However, this trend has changed significantly in the recent years. Traditional categories such as carbonated drinks, cola, and juice are on a shrinking trend, while non-carbonated categories such as water, tea and coffee are growing.
This indicates that as the categories further diversify, people are seeking more natural and healthy products, and are on the path of reducing sugar intake.

Therefore, the trend in the beverage market can be expressed by the key words of “category diversification,” “RTD-fication, such as water and tea,” and “increasing health and wellness trend,” including reduction and avoidance of sugar intake and demand for healthier and more natural products.

Based on these trends, we will strengthen our “Enjoyable Wellness” portfolio and focus on nurturing brands that continue to be loved by our consumers in each region and country.

More specifically, we will work on “focus on growth categories of water/tea/coffee,” “strengthen lineup of less-sugar products,” and “develop more natural and healthy products.”

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



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12

Next is regarding availability.

We believe that an ideal environment is one in which consumers are able to enjoy the beverage that they want when they want it, anytime, anywhere.

In order to get closer to this ideal environment, we will capture changes in the industry, and expand availability by utilizing technical innovation.

We will continue to enhance our activities in each region and country in providing our products to even more consumers by utilizing our existing trade channels.

On the other hand, with the emergence of digital technology such as e-commerce, consumers' consumption and purchasing occasions are changing dramatically.

We will capture these changes appropriately and address them swiftly to increase consumer touch points and create new consumption and purchase opportunities.

Also, changes in consumers' lifestyles, including aging society, digitalization, and work style reform, will trigger the emergence of new needs.

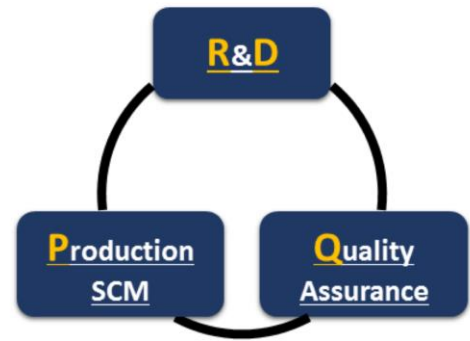
We will dig up these new needs, and combine them with SBF's technologies and ideas to create new consumption opportunities.

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"



Next is "MONOZUKURI."
SBF will "Innovate MONOZUKURI to generate competitiveness."

The essence of MONOZUKURI in the beverage business is in meeting the four areas of value, quality, cost, and supply.

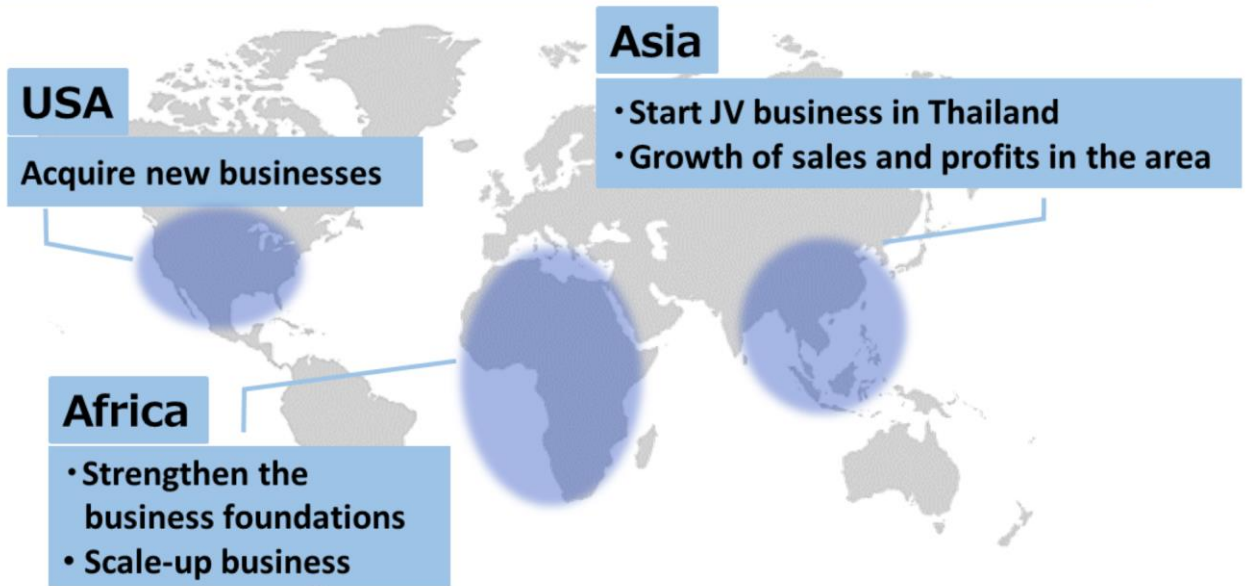
Also, the preference and needs for soft drinks by consumers differ depending on the region. That is why it is important to deliver MONOZUKURI based on a through consumer perspective.

We will further enhance each of our activities in our strong fields of R&D, quality assurance, and production SCM in each country and region.

In addition, we would like to create synergy by connecting the strength of each of the group companies that were developed in the field.

Expand Areas by focusing on Growth Markets

■ Focus on Asia, Africa and USA



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Regarding area, we will expand by focusing on growth markets.

Areas where the population is concentrated, with higher percentage of younger generations, and has high temperatures will be the focal points for expansion.

In addition to these factors, it is important to have good brand, sales channel, supply chain management, and personnel that have a good understanding of the local culture, preference, and societal structure.

Specifically, we will actively expand in targets such as Asia, Africa, and the U.S.

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

Next, is “developing Beyond RTD Next-generation business model.”

First, we will further enhance the Health Supplement business which the core market is Thailand, and the Fresh Coffee business in Oceania. These are premium businesses that are different from RTD.

We will also seek new businesses.

The keyword in seeking new businesses will be high added value, beyond RTD, B to C, and utilization of new technologies.

In this new business, SBF’s strength including technology and know-how are essential. We will also implement leading edge science technology such as AI and digital technology.

■ 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



Furthermore, we will promote sustainability management and enhance our contribution to the regional community.

As a company that has set “Mizu to Ikiru” as our “Promise,” we will promote activities that focus on water.

In Japan, we have promoted the activities of preserving and regenerating natural environment for many years through “Natural Water Sanctuary” and “Mizuiku Education Program.”

In moving forward, we will actively expand these activities to our overseas group companies to form stronger bonds locally.

We have already implemented “Mizuiku Education Program” in Vietnam from 2015, and since last year, we have started water resource conservation and supporting education programs in France partnering with a nature park near our manufacturing plant.

Suntory Beverage & Food with its global reach, will continue to promote these activities focused on water with the entire group.

As for business activities, we will continue to further promote reduction of CO₂ emissions and amount of water use in manufacturing plants, as well as making lighter containers, utilization of bottle-to-bottle recycling system, and introducing PET bottles that are made of plant-based materials.

As for vending machines, we are further installing energy saving vending machines that have a lower environmental load to promote environmentally focused management throughout the value chain and contribute to a sustainable global environment.

We are also making preparations to set new numerical targets for 2030 regarding CO₂ and water.

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



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17

Lastly, we will deepen our unique global management structure with Genba heroes at its center.

“Genba,” in other words, people on site, is able to sense changes in the market and consumers closer than anyone else. We promote initiatives so that each Genba can proactively take action based on the market changes in each country.

Also, we will realize an organization and culture where different ideas and innovations can be developed one after another by diverse characters and talents in a free and open-minded, Suntory unique environment.

We will strive to become the employer of choice in each country and region.



Yatte Minahare

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18

I have introduced all seven growth strategies, but in implementing them, Suntory Group's founder's philosophy of "Yatte Minahare" is at its foundation.

By spreading this culture to all of Suntory Beverage & Food Group, we believe that we will be able to create an organization with Genba at the center, with eagerness to take on new challenges.

In moving towards 2030, group employees will put "Yatte Minahare" into action all over the world. By doing so, we will be able to "Enrich our drinking-experiences to be more natural, healthy, convenient, and fulfilling by leading the next drinks revolution," as we have set in our Vision.

< 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

Along with long term strategy, we have also set a three year medium term plan for 2018-2020.

For sales, we plan to achieve organic growth ahead of market and incremental growth through new investments.

For profit, we will aim to grow operating income at a CAGR mid single-digit or above.

FY2018 Forecast

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Lastly, I will explain the performance forecast for FY2018.

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

As the first year of the medium-term plan, revenue is forecasted to be 1,293.0 billion yen, operating income 127.0 billion yen, and profit attributable to owners of the Company to be 80.0 billion yen.

The business environment surrounding us is expected to become even tougher. But in accordance with the long-term strategy, and as the first year of the medium-term plan, we will enhance our business base and strategies for further growth as we strive for continuous increase in both revenue and profit.

Annual dividend is forecasted to be 78 yen, up 3 yen.

That is all from me.

Supplementary Explanation

Haruhisa Inada, Managing Executive Officer

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This is Haruhisa Inada.

I will provide further explanation regarding the financial results of FY2017, as well as FY2018 forecasts.

[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

First, I will explain the differences that resulted from the change in accounting policy from JGAAP to IFRS.

Revenue will decrease 217.5 billion yen compared to JGAAP. This is because sales incentives in Japan are deducted in IFRS

Operating income will increase 19.9 billion yen compared to JGAAP.
26.5 billion yen has been added with the abolishment of amortization of goodwill.
Reclassification from non-operating income and extraordinary income at the operating income level also affected the number.

In addition, net income attributable to owners of the Company will increase 30.7 billion yen compared to JGAAP.
This is due to impacts from differences in the accounting standards in addition to the abolishment of amortization of goodwill.

FY2017 Review

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Now I will explain the financial result of FY2017.

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

As you can see, sales increased, and operating income as well as net income attributable to owners of the Company increased even on a currency neutral basis.

The operating income is set as the management index.

As Mr. Kogo mentioned, operating income in JGAAP was 98.0 billion yen, resulting increase in both sales and profit for five consecutive terms since our listing in JGAAP base.

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
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%

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26

Next I will explain the sales revenue and segment profit.

- In Japan, new products such as *Craft Boss* drove sales growth, which also resulted in profit growth.
- In Europe, core brands performed well in France, and resulted in increase in sales on a currency neutral basis.
On the other hand, increase in supply chain cost that occurred in France, and with the lower than expected sales of low sugar *Lucozade Energy* in the UK, segment profit decreased on a currency neutral basis.
- In Asia, in addition to the change of distributor in the Health Supplement Business, Vietnam recovered, which resulted in increase in sales and profit.
- In Oceania, sales decreased on a currency neutral basis, mainly due to increase in competition, resulting in a profit decrease.
- In the Americas, the core carbonated soft drink category struggled, resulting in decrease in sales and profit.

Several challenges and risks became evident during 2017.

We have already started addressing these challenges and risks, but we will further enhance our activities from 2018 onwards, to achieve growth in both sales and profit.

FY2018 Forecast

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Next, I will explain the performance forecast for FY2018.

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

As Mr. Kogo explained regarding FY2018, we are planning on further strengthening our management base and continue to achieve increase in sales and profit.

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
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%

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29

Next, I will explain the segment forecasts.

We will steadily implement the strategies based on the long-term strategy, to achieve medium term growth in each segment.

We are expecting a decrease in profit for Europe this term, as we are planning to make strategic investments in order to proactively reform our portfolio.

In Asia, we are forecasting high growth in both sales and profit. However, this includes temporary profit from selling and acquisition of business.

I will explain the details in the Asia business.

In order to lead this profit into future growth, we will make necessary investment in the medium-term such as portfolio transformation in each region.

We are forecasting increase in sales and profit for Oceania and the Americas as well.

		(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

Now, I will present additional information on a few points by area for 2018.

First, Japan.

We will continue to aim for increase in both sales and profit.

I will explain the details in the next page, but we will further enhance each brand and continue initiatives to create new demand, such as *Craft Boss* that we launched last year.

For profit, we will continue to aim for profit growth that exceeds sales growth. The market overall is not expected to grow significantly, and there has been a downturn in the raw materials market. In addition, human resources cost is going up. The environment surrounding us is becoming tougher, but we will continue to focus on profit growth that exceeds sales growth by streamlining marketing promotion costs, and enhancing cost reduction activities in supply chain management.

Also, we will systematically promote initiatives aimed at future profit growth, by expanding manufacturing lines in the Ujigawa plant which is planned to start operation in 2019, and also improve in-house manufacturing capabilities.

I will explain the brand strategies in detail in the next page.

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

Market Trend

Focus Brands

2018 Plan

- Rise of health awareness
- Demand for RTD
- Needs for hydration

Growth of water, coffee and sugar-free tea categories

Suntory
Tennensui

- Continue water source branding
- Develop sparkling & flavor water

Boss

- Maintain heavy users (can)
- Acquire new users (PET•concentrate)

Iyemon

Suntory
OolongTea

- Emphasize unique brand value

Green
DAKARA
Yasashii Mugicha

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31

The Japan beverage market has originally had a large share of natural and healthy products. The health conscious mindset of consumers is expected to become stronger in the future.

Also, as numbers of double-income families increase, there has been further RTD-fication due to increasing demands to save time.

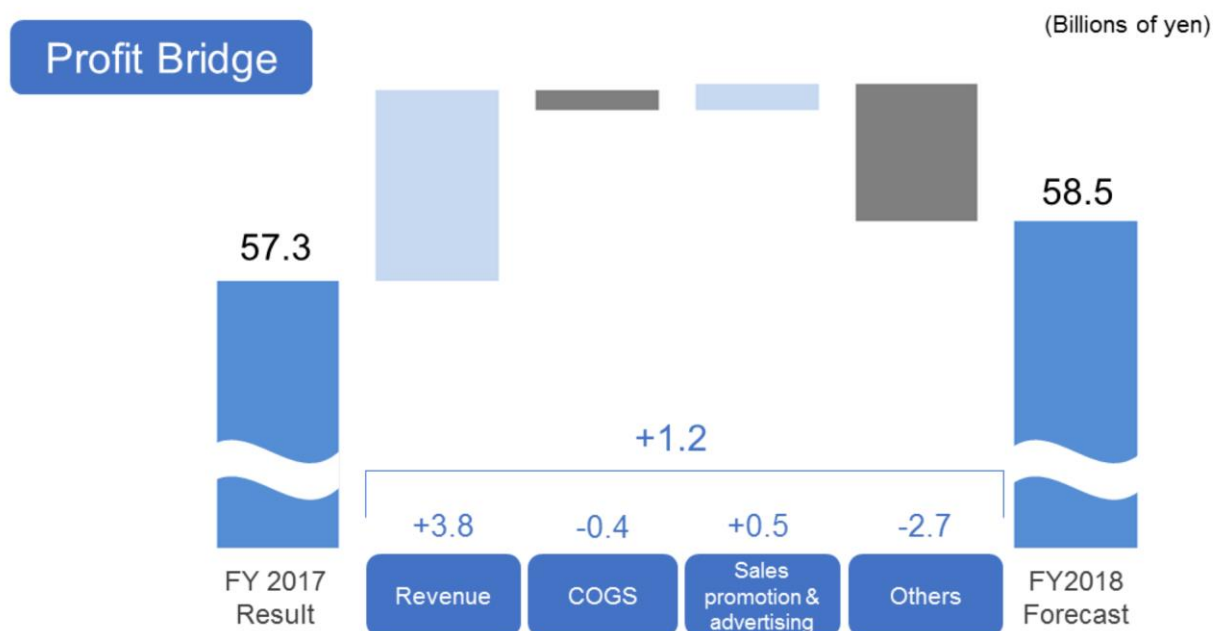
Also, higher awareness towards heat stroke prevention and an increase in the elderly population that require more fluid intake are leading to an increase in beverage consumption.

Based on these trends, we have positioned “water,” “coffee,” and “sugar free tea” as future growth categories and will continue to enhance our initiatives.

For *Suntory Tennensui*, we will continue our activities that focus on the water source, and further enhance brand value. At the same time, we will continue our initiatives to grow sparkling water and flavored water.

For *Boss*, we will further strengthen the 185g can that take up a large pie with many heavy users. We will also capture new customers through products such as *Craft Boss*, to achieve sales of over 100 million cases for the entire brand.

Furthermore, we will also renew *Iyemon*, *Tokucha*, and the rapidly growing *GREEN DAKARA Yasashii Mugicha*. We will also continue to focus on *Suntory Oolong Tea*, which continues to perform well, so that we can secure a strong position in the sugar free tea category.



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32

Next, I will explain the structure of the segment profit bridge for 2018.

In the past, we have used “volume,” “product mix,” and “cost reduction.” From now on, we will use increase and decrease in “revenue,” and increase and decrease in “COGS (cost of goods sold).”

With the introduction of IFRS, sales has been changed to revenue with deducted rebate.

Therefore, we felt that it would be easier to understand the profit situation based on increase and decrease in revenue and COGS.

In the new chart, product mix from differences in selling price, and increase and decrease in rebate are included in “revenue.” Also, impact of product mix due to differences in specification will be included in “COGS.”

Next, I will explain each item for 2018.

“Revenue” is net sales. In other words, increase or decrease in sales revenue compared to the previous year.

2018 will be impacted by slow down in FOSHU products and 185g cans, but we are forecasting an increase in sales of 3.8 billion yen by achieving sales growth mainly in core categories.

Next is “COGS.” We are forecasting negative impact of 0.4 billion yen to profit.

We will absorb setbacks in the product mix with sales growth, and take on initiatives of cost reduction activities in supply chain management.

For sales promotion and advertising cost, we will continue to make investments with focus on efficiency, and will aim to reduce the cost to 0.5 billion yen.

Lastly, for “Others,” we are forecasting a cost increase of 2.7 billion yen, due to increase in personnel expenditure and proactive investment in R&D for new product development.

As a result, 2018 segment profit is forecasted to increase 1.2 billion yen compared to the previous year.

Although we are in a tough environment, we will continue to focus on profit growth that exceeds sales growth.

		(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*

Next is Europe.

In Europe, we will strive for long term growth by strengthening our existing brand, and continue to make progress on portfolio reform based on the long term strategy. In particular, we will take on a big challenge in the growing RTD Tea category.

As a result, revenue is forecasted to increase by 4.5% compared to the previous year. On the other hand, segment profit is expected to decrease by 3.5% due to cost from strategic investments.

The business strategy in each country is based on this strategy for all of Europe.

In France, in addition to reinforcing well-performing core brands such as *Orangina*,

We will strengthen premium tea brand, *MayTea* at all levels.

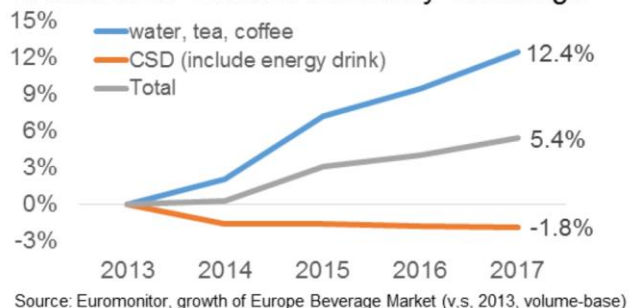
As for the increase in supply chain cost that occurred last year, we will thoroughly review the organization and process to prevent reoccurrence.

In the UK, a sugar tax will be implemented in April. We will reinforce marketing activities for not only *Lucozade Energy*, but also *Ribena*, which is planned to have a recipe change, intending for a turnaround.

More specifically, we will expand touch points with consumers through sampling, enhanced store-front activities, and maximized communication.

In Spain, we will aim for further sales expansion in on-premise channel for our core brand, *Schweppes*. Also, we will launch *MayTea* in grocery channel, and transform our portfolio.

Demand for "Natural & Healthy" Beverage



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



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34

I will explain the background of this big challenge.

With a stronger health trend and recognizing our social responsibility as a beverage company to meet those needs, our UK subsidiary, Lucozade Ribena Suntory, has announced a health statement in November, 2016.

In this statement, it has been announced that the sugar content in the product portfolio of Lucozade Ribena Suntory will be reduced by 50%.

Also, as Mr. Kogo mentioned about the global beverage market trend, there has been a notable shift to more natural and healthier beverages in Europe as well, such as tea and flavored water, which contain less sugar than carbonated products.

With increasing number of European countries implementing sugar and soda tax, we believe that this will also accelerate the "natural and healthy" consumption trend.

On top of the company strategy, SBF will transform product portfolio to address these changes in consumer needs.

First, we will enhance low sugar and low calorie products in the core brands.

In the UK, following the recipe change of *Lucozade Energy* last year, we will change the recipe for *Ribena* this year.

Also, "*MayTea*" will be launched in Spain following France, and we are also making efforts to realize new innovation in the water and coffee categories as well.

Next, I will explain additional information regarding *MayTea*, which is key to our portfolio transformation.

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

MayTea, is a low sugar premium iced tea which was launched in France in 2016. It was developed jointly by teams in France and Japan, by leveraging tea development technologies from Japan.

Last year, which was the second year since the launch, sales volume almost doubled, and it has approximately 10% share in RTD Tea market in France, ranking at no.2. We have received positive feedback from customers that *MayTea* has more natural taste than conventional RTD tea, and we are seeing high rate of repeat purchases.

We will aim for an increase in sales volume of more than 50 % by renewing the package to improve visibility.

In addition to France, *MayTea* will be launched in Spain and we plan to strengthen the presence of the product in all of Europe by expanding to even more countries in the future.

Generally, it is not easy for new products to take root in Europe. But we will conduct proactive marketing activities to nurture *MayTea* into a leading product for the newly transformed portfolio in Europe.

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

(Billions of yen)

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

Next is Asia.

We are forecasting growth in revenue and profit on a currency neutral basis.

These figures include the impact from the sale of the Food Business that was announced last year, in addition to the forecast of the joint venture with PepsiCo in Thailand, which will start operation in March.

As a result, we are forecasting positive impact of 25 to 30 billion yen on revenue, and a positive impact of 6 to 7 billion yen on profit.

I will explain each activity in detail from the next page.



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

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37

First is regarding the Health Supplement business.

We will strive for sales growth especially in Thailand, our core market, by continuously reinforcing our core brand, *BRAND'S Essence of Chicken* further.

Also, we will implement several kinds of marketing activities so that consumers who were previously not a part of our main users will drink our products, including younger generations.

In the retail channel, we have been able to expand distribution in modern trade (major retailers) and traditional trade (general stores) by utilizing a distributor with strong route-to-market capabilities starting from last year.

In addition to the retail channel, we will also further strengthen the sales in B to C channel that we have in Taiwan and Thailand.

Furthermore, we will accelerate market expansion in new countries such as Myanmar, in addition to our main market, Thailand.

Asia: Beverage Business

Vietnam

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



Source: Euromonitor

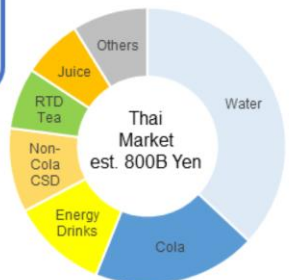
Thai

- 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

Next is the Beverage business.

I will explain about Vietnam and Thailand, which are countries with large businesses.

First, Vietnam.

The market has finally improved from the second half of last year. This has become a tailwind to allow continuous growth.

For this year, in addition to our main energy drink, *Sting*, we will enhance the popular *TEA+* product based on the rise of the health trend.

Also, we will strive for sales growth that outperforms the market by expanding distribution in Northern and central areas, in addition to the cities where we have a strong presence.

Next, I will explain about the Beverage business in Thailand which will start in March.

SBF has acquired 51% of the shares of PepsiCo's beverage business in Thailand, and will start a joint venture.

The Beverage business has been developing a strong foundation in a major consumer market, centering around Bangkok, and growing its share continuously in recent years.

We will aim to achieve further business growth with the foundation of PepsiCo's strong brands and distribution, combined with SBF's strength of non-carbonated product portfolio, cost improvement knowhow, and the success model that has been developed in Vietnam through the joint venture with PepsiCo.

With the existing Health Supplement business, and the new Beverage business in Thailand, we expect revenue to be at the scale of 100 billion yen, and will work to create synergy in the Thai market for the medium to long term.

		(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

Next is Oceania.

From this year, we have included a newly independent Fresh Coffee business in the financial forecast of the Oceania business, in addition to the existing Frucor Suntory beverage business.

First, Frucor Suntory.

Frucor Suntory will work to improve the portfolio in addition to strengthening core brands, including energy drink V.

There will continue to be proactive activities for V, such as the launch of new flavors. The juice category stagnated last year, but market shrinking is bottoming out. We will strengthen activities for revitalization.

Also, as part of the activities for portfolio transformation, we will strengthen existing brands including the functional drink, *Mizone*, and the energy drink *V Pure*, which is mainly made from natural ingredients.

In addition, we will improve portfolio by introducing products that meet the rising health trend.

Next, Fresh Coffee business.

From January, it has been operating as an independent business due to the sale of the Food Business.

In the past, Fresh Coffee business was included in the Food business in Asia. However, we have decided to manage it as part of the Oceania region, since the business has its core in Australia and New Zealand.

I will explain the Fresh Coffee business in a little bit more detail.

Oceania: Fresh Coffee Business

Main Brands

Main clients



Independent cafes, etc.



Supermarkets, etc.



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

The revenue size of the Fresh Coffee business makes up 25% of the Oceania business.

The overall business includes selection of coffee beans, roasting, wholesale distribution, and sales to retail channel.

We have advanced technical capabilities, particularly in roasting, which is a source of profit. Several popular coffee bean brands have been launched by leveraging these capabilities.

Toby's Estate, L'Affare, Mocopan that you see here, are representative brands.

We believe that *Toby's Estate* in particular can be expanded globally due to its brand and business model. We will continue to seek further opportunities.

(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

Last is the Americas.

Last year, sales of the core carbonated soft drink brands struggled. In 2018, we will enhance activities for core brands such as *Pepsi* and *Mountain Dew*, in order to re-strengthen the brands.

In January, a new major product, *Dew Ice*, was launched from *Mountain Dew*.

In the non-carbonated categories including water, which has been growing, and tea, as well as coffee, we will aim for sales growth by launching new flavors and enhancing marketing activities.

Also, in the U.S., the largest market, we are seeing changes in distribution structure and categories.

Therefore, we have established a new team on our own to have capabilities to seek new business opportunities in the U.S.

We will make effort to develop and acquire new businesses for the future.

That concludes my presentation.

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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%

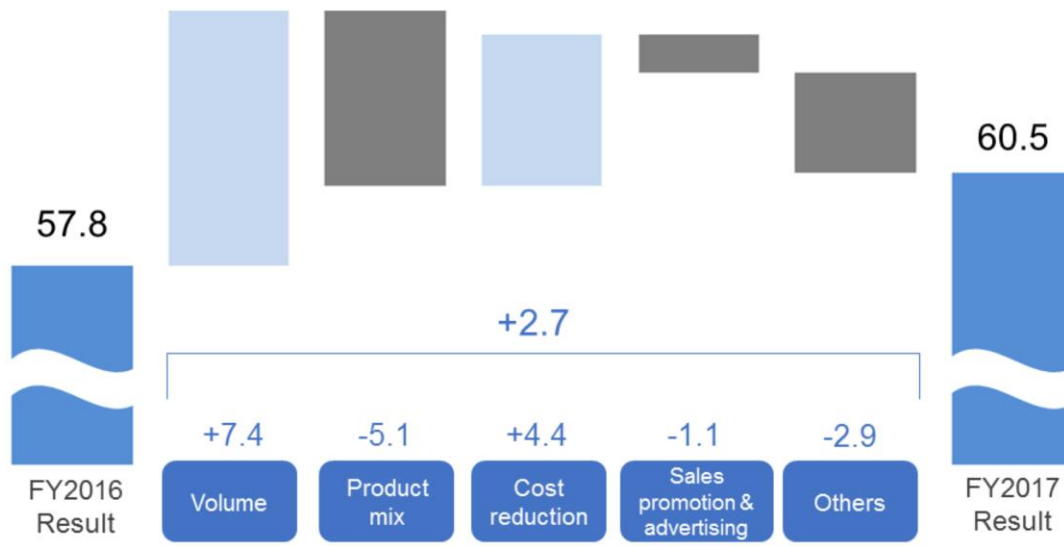
Financial Results for Q4, FY2017 (3 months) (JGAAP)

(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) SUNTORY SUNTORY BEVERAGE & FOOD

(Billions of yen)



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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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