

Financial Results for Q1 Year Ending December 31, 2018

May 9, 2018
Suntory Beverage & Food Limited



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This is Haruhisa Inada.

I will explain the financial results of the first quarter of FY 2018.

Revenue increased driven by Asia.

With gain on sale of food and instant coffee business, profit increased.

(Billions of yen)

	FY2017 Jan - Mar	FY2018 Jan - Mar	Change		
			YoY	% YoY	Currency Neutral
Revenue	268.3	277.1	8.8	+3.3%	+2.3%
Operating Income	20.9	26.6	5.7	+27.0%	+24.3%
Net Income*	13.1	20.5	7.4	+57.0%	+53.0%

* Profit for the period attributable to owners of the Company

Compared to the previous year, revenue was 277.1 billion yen, up 3.3%, operating income was 26.6 billion yen, up 27.0%, and profit for the period attributable to owners of the Company was 20.5 billion yen, up 57.0%.

Please note that the figures which are announced in these financial results are in IFRS.

In these three months, we faced challenges such as bad weather in Europe and in the Americas, but due to the gain on sale of the food and instant coffee business, we were able to achieve increases in both revenue and profit.

■ Financial Results for Q1, FY2018 (by Segment)

	Revenue	Change			Segment Profit	Change		
		YoY	% YoY	Currency Neutral		YoY	% YoY	Currency Neutral
Japan	150.5	+3.2	+2.1%	—	5.2	-3.0	-36.6%	—
Europe	51.8	+2.3	+4.6%	-3.1%	3.7	-1.2	-24.4%	-30.1%
Asia	44.3	+5.0	+12.7%	+13.5%	17.5	+10.1	+136.5%	+131.2%
Oceania	13.6	-0.1	-0.7%	+0.4%	1.5	+0.1	+7.6%	+5.4%
Americas	17.0	-1.5	-8.2%	-3.7%	1.5	+0.0	+0.2%	+5.1%
Reconciliation	—	—	—	—	-2.8	-0.4	—	—
Total	277.1	+8.8	+3.3%	+2.3%	26.6	+5.7	+27.0%	+24.3%

Next, I will explain revenue and profit by segment.

Both revenue and profit varied from segment to segment, but Asia became the main driver of the overall results.

Revenue increased due to core brands. Profit within expectation.

		(Billions of yen)	
Revenue	Change	Segment Profit	Change
150.5	+2.1%	5.2	-36.6%

- Volume increased by 3% due to focus on water, coffee, and sugar-free tea categories
- Product mix change, incurrence of costs for preparation of the peak season, etc. had negative effects on profit. But scale of profit decrease was within expectation.



First, I would explain about Japan.

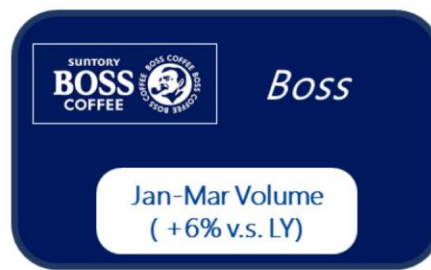
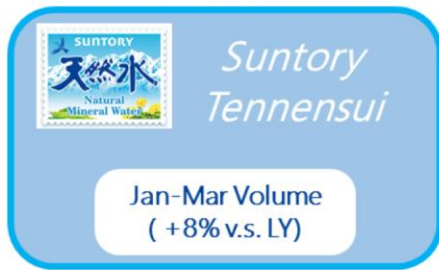
Revenue was 150.5 billion yen, up 2.1% year on year.

The market was forecasted to grow by 2% during January to March, but our sales volume increased by 3% as a result of our success in the strategy that we announced in the beginning of the year, which was to “focus on water, coffee, and sugar-free tea category.”

On the other hand, product mix was impacted due to sales decrease in FOSHU products. Also, costs incurred as a result of inventory building for preparation of the peak season. There was also cost increase from proactive marketing investment for future revenue growth.

As a result, profit was 5.2 billion yen, down 36.6% year on year.

However, the main factors that impacted the profit decrease were within our expectation, and the results were within the projected range based on our annual forecast.



New Products of Q2



Next, I will explain the status of the focused categories in Japan.

Regarding *Suntory Tennensui*, the core mineral water product performed well. In addition, the *Suntory Okudaisen Blueberry Yogurina & Tennensui* launched in March contributed to the category as well, leading the sales volume of the overall brand to increase 8% year on year.

For *BOSS*, in addition to proactive marketing activities targeting existing core users of canned coffee, *Craft Boss*, which was launched last year, is securing new coffee users and is performing well. This resulted the brand to increase its sales volume by 6% year on year.

For the sugar-free tea category, the contents and package of *Iyemon* were renewed in March, and *Green DAKARA Yasashii Mugicha* grew significantly within the expanding barley tea market. In addition to *Oolong Tea*, the sugar-free tea category as a whole grew 3% year on year.

As a result of these activities, the sales volume for the first quarter outperformed market growth.

We will continue to focus on "water, coffee, and sugar-free tea category" by activities such as launching new products during and after the second quarter.

Market deceleration due to cold weather and UK *Lucozade Energy's* soft performance caused both revenue and profit to decrease.

		(Billions of yen)	
Revenue	% YoY (Currency Neutral)	Segment Profit	% YoY (Currency Neutral)
51.8	-3.1%	3.7	-30.1%

	Revenue	% YoY (Currency Neutral)	
France (*1)	21.6	+0.1%	Market deceleration due to cold weather resulted some core brands decreased YoY, <i>MayTea</i> remained strong.
UK (*2)	13.6	-9.0%	In addition to cold weather, <i>Lucozade Energy</i> continued to decrease YoY.
Spain (*3)	10.2	-6.2%	Cold weather and competition caused revenue decrease.



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

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Next, Europe.

In Europe, market slowed down due to extremely cold weather from the end of February to beginning of March, which impacted our results.

In addition, *Lucozade Energy* in the UK, which was changed to a low sugar recipe, had a year on year decline. As a result the segment profit was 51.8 billion yen, down 3.1% year on year.

In France, the performance of some of the core brands had a year on year decline, but due to significant growth of *MayTea*, revenue resulted to be flat year on year.

In the UK, *Lucozade Energy* resulted in a decrease compared to the previous year.

In Spain, revenue decreased due to impacts from weather and increased competition.

MayTea

- Brand expanded smoothly as planned
- Along with introduction of new flavors in France, official launches in Belgium (Jan) and Spain (Mar)

*Lucozade Energy*

- UK Sugar tax implemented on Apr 6 as scheduled. Market trend remains uncertain after implementation.
- *Lucozade* will continue proactive promotions to enhance the brand by acquiring new users.



Next, I will explain our initiatives for the low sugar products in Europe.

First, regarding our low sugar premium iced tea *MayTea*, We have continued to implement proactive marketing activities for this brand, in order to grow it into a product that will lead our portfolio transformation. This quarter, with launch of new flavors in France, as well as the growth of the RTD market, the brand performed very well. Also, as part of our challenge in new markets, we launched *MayTea* in Belgium in January, and in Spain in March. We plan to also actively promote the brand in these countries in the future.

Next, about *Lucozade Energy* in the UK, Our UK subsidiary, "Lucozade Ribena Suntory," announced "Health and Wellbeing Plan" in 2016. According to this statement, our core product, *Lucozade Energy* was changed to a low sugar recipe. Since this change, the product continued to struggle into March this year, and *Lucozade's* index versus last year was 88% for January to March. The sugar tax was implemented in the UK on April 6th, but some of the brands increased inventory to the distributors prior to the tax increase, making the retail price remain uncertain at this point, and the trend of the market and the consumers are yet to be determined. We will conduct proactive marketing activities to recover our sales.

Revenue increased driven by Beverage Business.

Profit increased due to gain on sale of food and instant coffee business.

		(Billions of yen)	
Revenue	% YoY (Currency Neutral)	Segment Profit	% YoY (Currency Neutral)
44.3	+13.5%	17.5	+131.2%

	Revenue	% YoY (Currency Neutral)	
Beverage (Vietnam)	17.5	+11.2%	Increased due to strong sales in core CSD products
Health Supplement	13.8	-3.6%	Revenue impacted by temporary increase last year due to distributor change



Next, Asia.

In Asia, in addition to the strong performance of the existing beverage business, the start of our joint venture with PepsiCo in Thailand resulted in revenue of 44.3 billion yen, up 13.5% year on year.

Also, with the gain on sale of our food and instant coffee business, segment profit was 17.5 billion yen, up 131.2%, a significant growth.

In Vietnam, revenue grew significantly with the strong performance of our core carbonated drink products.

In the health supplement business, the temporary revenue increase of last year due to the change in distributor impacted the year on year sales decrease.

- The new joint venture in Thailand, Suntory PepsiCo Beverage (Thailand) Co., Ltd. started operation on Mar 5.
- JV with PepsiCo Inc. SBF holds 51% shares
- Utilize the know-hows acquired from Vietnam JV to strive for growth in revenue and profit



On March 5th, "Suntory PepsiCo Beverage (Thailand) Co., Ltd." began operations. This is a joint venture with PepsiCo, in which we own 51%. This news received much attention in Thailand and was reported by the local media.

We have another joint venture with PepsiCo in Vietnam as well. In Vietnam, we have steadily grown our business during the past five years since we started the joint venture. In Thailand, we will utilize the know how that we have accumulated in Vietnam, and aim to grow both revenue and profit based on strong distribution network of PepsiCo and by growing the non-carbonated business, which is Suntory's strength.

《Oceania》

Both Frucor Suntory and fresh coffee business recorded firm sales

	Revenue	% YoY (Currency Neutral)	Segment Profit	% YoY (Currency Neutral)	(Billions of yen)
	13.6	+0.4%	1.5	+5.4%	
Frucor Suntory	10.5	+0.2%	Energy drinks grew		
Fresh coffee business	3.1	+1.1%	Recorded firm sales		

《Americas》

Revenue decreased due to weather and competition, but able to achieve profit growth with cost management

	Revenue	% YoY (Currency Neutral)	Segment Profit	% YoY (Currency Neutral)	(Billions of yen)
	17.0	-3.7%	1.5	+5.1%	

Lastly, Oceania and the Americas.

In Oceania, Frucor Suntory has been recovering mainly around energy drinks. This has led revenue to surpass the previous year.

Also, the fresh coffee business, which was transferred to Oceania from the beginning of the year has been performing well, resulting in increase in revenue and profit for all of Oceania.

In the Americas, the market decelerated due to bad weather, and competition continued to be tough. Although revenue decreased compared to the previous year, we were able to achieve an increase in profit as a result of further cost management efforts.

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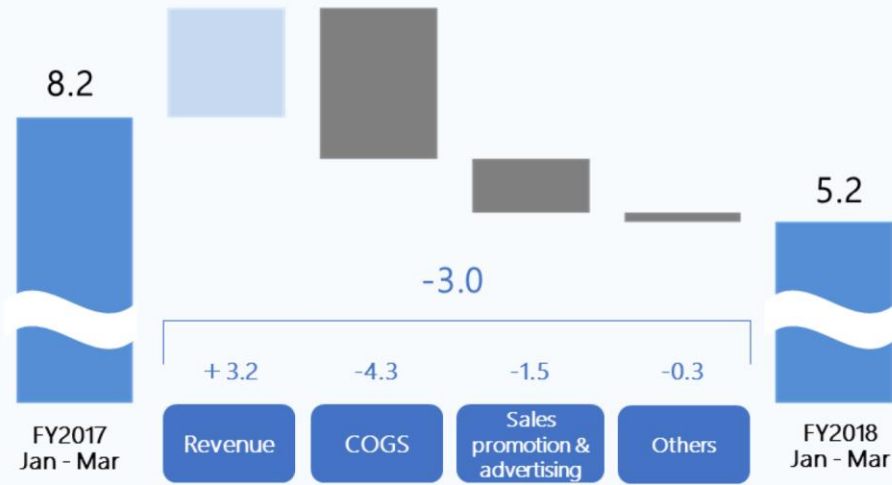
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This concludes my explanation of the financial results by each segment. As we enter our peak season, we will continue our activities based on the strategies that we announced in the beginning of the year, and swiftly respond to any situation in each area to achieve our annual forecast.

That is all from me.

Profit Bridge

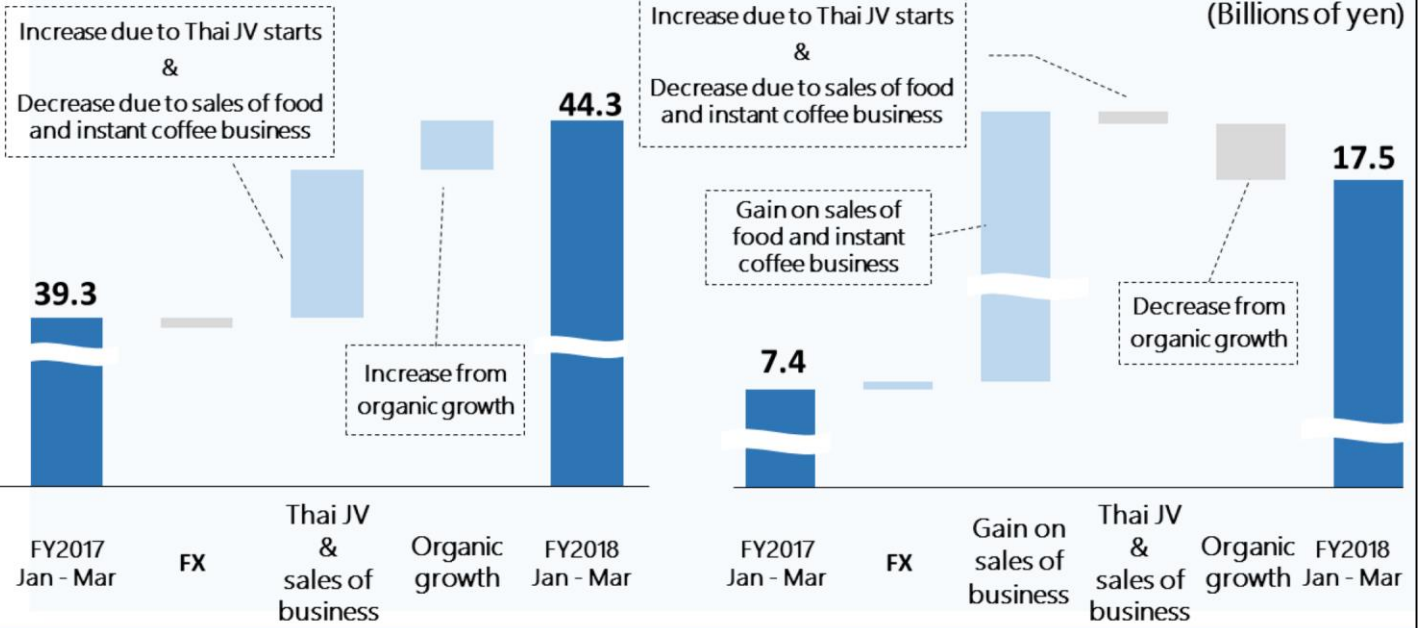
(Billions of yen)



Revenue

Segment Profit

(Billions of yen)



	(Billions of yen)				
	FY2017	FY2018 Forecast	Change		
			YoY	% YoY	Currency Neutral
Revenue	1,234.0	1,293.0	59.0	+4.8%	+4.6%
Operating Income	118.0	127.0	9.0	+7.7%	+7.3%
Net Income*	78.1	80.0	1.9	+2.4%	+2.0%

* Profit for the period attributable to owners of the Company

FY2018 Forecast (by Segment)

	Revenue	Change			Segment Profit	Change		
		YoY	% YoY	Currency Neutral		YoY	% YoY	Currency Neutral
Japan	693.0	+3.8	+0.6%	—	58.5	+1.2	+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%
Reconciliation	—	—	—	—	-12.5	-1.1	—	—
Total	1,293.0	+59.0	+4.8%	+4.6%	127.0	+9.0	+7.7%	+7.3%

	FY2017 Jan - Mar	FY 2018 Jan - Mar	FY 2018 Forecast
U. S. Dollar	113.6	108.2	110
Euro	121.0	133.1	131
British Pound	140.7	150.8	142
Singapore Dollar	80.2	82.1	81
Thai Baht	3.2	3.4	3.3
Vietnam Dong	0.0050	0.0048	0.0048
New Zealand Dollar	80.9	78.8	79
Australian Dollar	86.2	85.2	87

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