English Translation

SUNTORY
SUNTORY BEVERAGE & FOOD

May 9, 2018

Summary of Consolidated Financial Results for the First Three Months of the Year Ending December 31, 2018 <IFRS> (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
Inquiries:	Yuji Yamazaki, Senior Managing Executive Officer, Member of the Board, Division COO, Corporate Strategy Division TEL: +81-3-3275-7022 (from overseas)

Scheduled date to file quarterly securities report:	May 11, 2018
Scheduled date to commence dividend payments:	–
Attachment of supplementary material on quarterly financial results:	Yes
Holding of quarterly financial results briefing 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 year ending December 31, 2018 (from January 1, 2018 to March 31, 2018)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax for the period		Profit for the period	
Three months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
March 31, 2018	277,133	3.3	26,566	27.0	25,733	26.8	22,261	49.5
March 31, 2017	268,321	–	20,915	–	20,290	–	14,889	–

	Profit for the period attributable to owners of the Company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Three months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)	(Yen)
March 31, 2018	20,490	57.0	481	(75.2)	66.31	–
March 31, 2017	13,053	–	1,944	–	42.24	–

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
As at	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
March 31, 2018	1,540,113	761,805	679,805	44.1
December 31, 2017	1,522,029	746,201	690,437	45.4

2. Dividends

	Annual cash dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended December 31, 2017	–	37.00	–	38.00	75.00
Year ending December 31, 2018	–				
Year ending December 31, 2018 (Forecast)		39.00	–	39.00	78.00

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

3. Consolidated earnings forecast for the year ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax		Profit for the year		Profit for the year attributable to owners of the Company		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Year ending December 31, 2018	1,293,000	4.8	127,000	7.7	123,500	7.9	89,100	3.4	80,000	2.4	258.90

Note: Revisions to the earnings forecast most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly consolidated: 1 company (Name: Suntory PepsiCo Beverage (Thailand) Co., Ltd.)

(2) Changes in accounting policies and changes in accounting estimates

a.	Changes in accounting policies required by IFRS:	Yes
b.	Changes in accounting policies due to other reasons:	None
c.	Changes in accounting estimates:	None

(Note) For details, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto (Unaudited), (5) Notes to condensed quarterly consolidated financial statements, (Changes in accounting policies)” of the Attached Materials on page 10.

(3) Number of issued shares (ordinary shares)

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

As at March 31, 2018	309,000,000 shares
As at December 31, 2017	309,000,000 shares

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

As at March 31, 2018	– shares
As at December 31, 2017	– shares

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

Three months ended March 31, 2018	309,000,000 shares
Three months ended March 31, 2017	309,000,000 shares

*** Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

*** 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

Suntory Beverage & Food Limited Group (the Group), based on the philosophy of enriching consumers' lives by proposing premium and unique products that match the tastes and needs of consumers, put effort into brand reinforcement and new demand creation, strengthened earning capacity through cost reductions by utilizing the expertise of each group company, and worked to improve the quality of products throughout the group. Furthermore, to ensure sustainable future growth, the Group endeavored to fortify its business foundation in each area.

As a result of the above, for the operating results of the first three months of the year ending December 31, 2018, the Group reported consolidated revenue of ¥277.1 billion, up 3.3% year on year, consolidated operating income of ¥26.6 billion, up 27.0%, and profit for the period attributable to owners of the Company of ¥20.5 billion, up 57.0%. To present comparisons with the previous corresponding periods, the figures for the three months ended March 31, 2017, have been restated according to IFRS.

Results by segment are described below.

< Japan business >

In Japan, the Group worked on creating new demand by proposing products that bring new value and by strengthening core brands with a focus on the water, coffee, and sugar-free tea categories. As a result, sales volume increased year on year.

For the *Suntory Tennensui* brand, the Group continued to promote the brand's unique values of "clear & tasty" and "natural & healthy," and sales for the core mineral water product continued to be strong. In addition, *Suntory Okudaisen Blueberry Yogurina & Tennensui* was launched in March. As a result, sales volume for the brand as a whole considerably exceeded that of the same period of the previous year.

The *Boss* coffee brand celebrated the 25th anniversary of its launch with proactive marketing activities targeting core users, including launching the second-round of *Pride of Boss*, and carrying out intermittent marketing campaigns. *Craft Boss*, which was launched last year targeting new coffee users, continued to perform strongly, and sales volumes for the brand as a whole were higher than in the same period of the previous year.

In the sugar-free tea category, both the flavor and packaging of the *Iyemon* brand were renewed in March and the renewed product as well as its TV commercial was well received. While the *Suntory Oolong Tea* brand also continued to perform well from the previous year, *Green DAKARA Yasashii Mugicha* grew within the expanding barley tea market, and its sales volume increased significantly from the same period of the previous year.

In FOSHU drink products, the Group focused on marketing operations for *Tokucha*, but sales declined from the same period of the previous year.

In the vending machine business, the Group continued activities to enhance the attractiveness of the vending machine channel such as by carrying out marketing campaigns specifically for vending machines.

In efforts to improve profitability, the Group continued its initiatives to enhance production efficiency. Meanwhile, product mix change and the occurrence of costs in preparation for the peak season had negative effects on profits.

As a result of these activities, the Japan business reported revenue of ¥150.5 billion, up 2.1% year on year, and segment profit of ¥5.2 billion, down 36.6%.

< Europe business >
In Europe, while the market stalled due to the impact of extremely cold weather from late February to early March, marketing activities were conducted with a focus on core brands.
In France, although sales volumes of the carbonated fruit drink *Orangina* and the fruit juice *Oasis* declined year on year, sales of *MayTea* were brisk.
In the UK, sales volumes of *Lucozade* and *Ribena* decreased year on year, but the Group conducted marketing activities in preparation for April, when the sugar tax officially started.
In Spain, the Group focused on expanding consumer contact of *Schweppes*, mainly through the on-premise channel, and launched *MayTea* in March.
As a result of these activities, the Europe business reported revenue of ¥51.8 billion, up 4.6% year on year, and segment profit of ¥3.7 billion, down 24.4%.

< Asia business >
In Asia, the Group took steps to expand sales of core brands in key regions, and Suntory PepsiCo Beverage (Thailand) Co., Ltd., a joint venture with PepsiCo, Inc. in Thailand, started operations on March 5.
Regarding the beverage business, in Vietnam, sales increased year on year, assisted by proactive marketing activities for the energy drink *Sting* and the RTD tea *TEA+*, as well as growth in sales of carbonated drinks. In addition, strong sales for the cup jelly drink *Okky* were achieved in Indonesia.
BRAND'S SUNTORY, which is operating the health supplement business, enhanced marketing of *BRAND's Essence of Chicken*, mainly in the core Thailand market, and as well strengthened its initiatives in growth markets such as Myanmar.
The Group completed transferring the shares of its subsidiaries that operate the food and instant coffee business on March 9. The gain on sale for this transaction has been recorded in the first three months of the year ending December 31, 2018.
As a result of these activities, the Asia business reported revenue of ¥44.3 billion, up 12.7% year on year, and segment profit of ¥17.5 billion, up 136.5%.

< Oceania business >
In Oceania, the Group continued to strengthen its core brands. In addition, the fresh coffee business was transferred to the Oceania business from the beginning of the year ending December 31, 2018.
At FRUCOR SUNTORY, sales of energy drinks such as *V* were brisk, and the Group also newly launched *Amplify*, the fermented tea product (kombucha) .
In the fresh coffee business, the Group continued to work on strengthening its core brands such as *Toby's Estate*, *L'Affare*, and *Mocopan*.
As a result of these activities, the Oceania business reported revenue of ¥13.6 billion, down 0.7% year on year, and segment profit of ¥1.5 billion, up 7.6%.

< Americas business >
In the Americas, the Group strove to enhance sales of its core carbonated beverage brand products in North Carolina, as well as the growing non-carbonated beverage category, which included water and RTD coffee.
As a result of these activities, the Americas business reported revenue of ¥17.0 billion, down 8.2% year on year, and segment profit of ¥1.5 billion, up 0.2%.

(2) Financial position
Total assets as of March 31, 2018 stood at ¥1,540.1 billion, an increase of ¥18.1 billion compared to December 31, 2017. The main factors were increases in property, plant and equipment, trade and other receivables and other items.
Total liabilities stood at ¥778.3 billion, an increase of ¥2.5 billion compared to December 31, 2017. This was due in part to increases in interest-bearing debt and other items.
Total equity stood at ¥761.8 billion, an increase of ¥15.6 billion compared to December 31, 2017, due in part to increases in non-controlling interests and other items.

(3) Consolidated earnings forecast and other forward-looking statements

No changes have been made to the consolidated earnings forecast for the year ending December 31, 2018, which were announced on February 15, 2018.

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

(1) Condensed quarterly consolidated statement of financial position

	Millions of yen	
	As at December 31, 2017	As at March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	113,883	113,524
Trade and other receivables	176,653	186,817
Other financial assets	11,793	6,578
Inventories	81,015	87,145
Other current assets	25,487	28,540
Subtotal	408,832	422,605
Assets held for sale	22,081	19
Total current assets	430,914	422,625
Non-current assets:		
Property, plant and equipment	354,216	377,273
Goodwill	254,025	253,705
Intangible assets	432,814	438,495
Investments accounted for using the equity method	1,233	1,175
Other financial assets	20,460	18,944
Deferred tax assets	12,701	14,093
Other non-current assets	15,663	13,802
Total non-current assets	1,091,115	1,117,488
Total assets	1,522,029	1,540,113

	Millions of yen	
	As at December 31, 2017	As at March 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	95,654	139,111
Trade and other payables	289,521	289,587
Other financial liabilities	32,678	26,932
Accrued income taxes	18,773	11,110
Provisions	1,385	1,116
Other current liabilities	8,860	8,814
Subtotal	446,873	476,674
Liabilities directly associated with assets held for sale	6,215	–
Total current liabilities	453,088	476,674
Non-current liabilities:		
Bonds and borrowings	211,375	188,500
Other financial liabilities	25,306	25,141
Post-employment benefit liabilities	11,888	12,243
Provisions	2,913	2,784
Deferred tax liabilities	66,001	68,291
Other non-current liabilities	5,253	4,672
Total non-current liabilities	322,738	301,633
Total liabilities	775,827	778,308
Equity		
Share capital	168,384	168,384
Share premium	182,404	182,349
Retained earnings	364,274	373,023
Other components of equity	(24,625)	(43,951)
Total equity attributable to owners of the Company	690,437	679,805
Non-controlling interests	55,763	82,000
Total equity	746,201	761,805
Total liabilities and equity	1,522,029	1,540,113

(2) Condensed quarterly consolidated statement of profit or loss

	Millions of yen	
	Three months ended March 31, 2017	Three months ended March 31, 2018
Revenue	268,321	277,133
Cost of sales	(150,540)	(161,368)
Gross profit	117,780	115,764
Selling, general and administrative expenses	(96,121)	(100,091)
Gain on investments accounted for using the equity method	228	45
Other income	577	12,049
Other expenses	(1,549)	(1,201)
Operating income	20,915	26,566
Finance income	162	212
Finance costs	(788)	(1,044)
Profit before tax for the period	20,290	25,733
Income tax expense	(5,400)	(3,471)
Profit for the period	14,889	22,261
Attributable to:		
Owners of the Company	13,053	20,490
Non-controlling interests	1,836	1,771
Profit for the period	14,889	22,261
Earnings per share (Yen)	42.24	66.31

(3) Condensed quarterly consolidated statement of comprehensive income

	Millions of yen	
	Three months ended March 31, 2017	Three months ended March 31, 2018
Profit for the period	14,889	22,261
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets	(98)	(269)
Remeasurement of post-employment benefit plans	4	18
Total	(93)	(251)
Items that may be reclassified to profit or loss:		
Translation adjustments of foreign operations	(13,139)	(21,433)
Net gain (loss) on revaluation of cash flow hedges	304	(53)
Changes in comprehensive income of investments accounted for using the equity method	(16)	(42)
Total	(12,851)	(21,528)
Other comprehensive income for the period, net of tax	(12,945)	(21,779)
Comprehensive income for the period	1,944	481
Attributable to:		
Owners of the Company	1,657	1,164
Non-controlling interests	286	(682)
Comprehensive income for the period	1,944	481

(4) Condensed quarterly consolidated statement of changes in equity

Three months ended March 31, 2017

Millions of yen

	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Other compo-nents of equity	Total	Non-controlling interests	Total equity
Balance at December 31, 2016	168,384	182,326	309,582	(51,507)	608,784	54,030	662,815
Cumulative effect of adopting new accounting standards				(716)	(716)	(0)	(716)
Balance at January 1, 2017	168,384	182,326	309,582	(52,224)	608,068	54,030	662,098
Profit for the period			13,053		13,053	1,836	14,889
Other comprehensive income				(11,395)	(11,395)	(1,549)	(12,945)
Total comprehensive income for the period	–	–	13,053	(11,395)	1,657	286	1,944
Dividends			(12,051)		(12,051)	(707)	(12,758)
Transactions with non-controlling interests		199			199	143	343
Total transactions with owners of the Company	–	199	(12,051)	–	(11,851)	(563)	(12,415)
Balance at March 31, 2017	168,384	182,526	310,584	(63,619)	597,874	53,753	651,627

Three months ended March 31, 2018

Millions of yen

	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Other compo-nents of equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2018	168,384	182,404	364,274	(24,625)	690,437	55,763	746,201
Profit for the period			20,490		20,490	1,771	22,261
Other comprehensive income				(19,326)	(19,326)	(2,453)	(21,779)
Total comprehensive income for the period	–	–	20,490	(19,326)	1,164	(682)	481
Dividends			(11,742)		(11,742)	(71)	(11,813)
Increase due to business combinations					–	26,881	26,881
Transactions with non-controlling interests		(54)			(54)	108	54
Total transactions with owners of the Company	–	(54)	(11,742)	–	(11,796)	26,918	15,121
Balance at March 31, 2018	168,384	182,349	373,023	(43,951)	679,805	82,000	761,805

(5) Notes to condensed quarterly consolidated financial statements

(Going concern)

The condensed quarterly consolidated financial statements are prepared on going concern basis.

(Changes in accounting policies)

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (hereinafter, "IFRS 15" collectively), from the first quarter ended March 31, 2018. The Group recognizes revenue, except for interest and dividend revenue under IFRS 9, by considering the following five steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group is engaged in sale of soft drinks and foods. With regard to the sale of these goods, customers usually obtain control of the goods and the Group's performance obligation is satisfied at the time when the goods are delivered; therefore, the above criteria to recognize revenue are met at this point in time. Previously, it was required to recognize revenue when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing involvement nor effective control over the goods, it is probable the economic benefits associated with the transaction will flow to the Group and the economic benefits and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Therefore, the Group has always recognized revenue at the time of delivery of goods, and consequently, the timing of revenue recognition has not been changed upon the application of IFRS 15.
In addition, revenue has been measured at the amount after deduction of trade discounts, rebates, taxes collected on behalf of third parties such as consumption taxes or value added tax, sales incentives, and returned goods from consideration promised under the contracts with customers, and there has also been no change to the previous method in this regard.

In the application of IFRS 15, the Group has adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application, which is allowed as the transition approach, without making retrospective adjustments for each reporting period in the past. However, as stated above, there has been no change to recognition and measurement of revenue, resulting in no effect.