

**Supplementary Material on Consolidated Financial Results for the First
Six Months of the Year Ending December 31, 2018**

<Results for the First Six Months of the Year Ending December 31, 2018>

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Suntory Beverage & Food Limited

August 6, 2018

<Results for the First Six Months of the Year Ending December 31, 2018>

1. Summary of Consolidated Statement of Profit or Loss, Indices, etc.

(1) Summary of Consolidated Statement of Profit or Loss

(Billions of yen with fractional amounts rounded off)

	Six months ended June 30, 2017		Six months ended June 30, 2018		Increase (decrease)	
		Ratio to revenue		Ratio to revenue		
Revenue	590.8	100.0%	613.9	100.0%	23.1	3.9%
Gross profit	260.5	44.1%	256.8	41.8%	(3.7)	(1.4%)
Selling, general and administrative expenses	204.2	34.6%	211.3	34.4%	7.1	3.5%
Gain on investments accounted for using the equity method	0.4	0.1%	0.0	0.0%	(0.3)	(88.9%)
Other income	1.0	0.2%	13.3	2.2%	12.3	1,200.0%
Other expenses	3.3	0.6%	2.5	0.4%	(0.8)	(24.1%)
Operating income	54.5	9.2%	56.4	9.2%	1.9	3.5%
Finance income	0.3	0.0%	0.6	0.1%	0.4	127.7%
Finance costs	2.2	0.4%	1.3	0.2%	(0.9)	(40.7%)
Profit before tax for the period	52.6	8.9%	55.7	9.1%	3.1	6.0%
Income tax expense	14.3	2.4%	10.2	1.7%	(4.1)	(28.6%)
Profit for the period	38.2	6.5%	45.5	7.4%	7.3	19.0%
Profit for the period attributable to non-controlling interests	3.8	0.7%	4.2	0.7%	0.3	9.0%
Profit for the period attributable to owners of the Company	34.4	5.8%	41.3	6.7%	6.9	20.1%

(2) Other Indices

(Billions of yen)

		Six months ended June 30, 2017		Six months ended June 30, 2018		Increase (decrease)	
Depreciation		31.4		31.3		(0.0)	(0.1%)
Operating income	Operating margin	54.5	9.2%	56.4	9.2%	1.9	3.5%
EBITDA *1	EBITDA margin	88.1	14.9%	76.9	12.5%	(11.2)	(12.8%)

*1 EBITDA is calculated as operating income - Other income + Other expenses + Depreciation.

(Billions of yen)

		As at December 31, 2017		As at June 30, 2018		Increase (decrease)	
Total assets		1,522.0		1,563.2		41.2	2.7%
Total equity		746.2		778.3		32.1	4.3%
D/E ratio (Times) *2		0.2		0.2			

*2 D/E ratio is calculated as (Interest-bearing debt - Cash and deposits ± Valuation difference from adopting hedge accounting, etc.) / Total equity

(3) Exchange Rates for the Consolidation of Profit or Loss of the Major Overseas Companies

(Yen, average exchange rate)

	Six months ended June 30, 2017	Six months ended June 30, 2018
USD	112.3	108.7
EUR	121.7	131.6
GBP	141.4	149.6
SGD	80.0	81.9
THB	3.2	3.4
VND	0.0049	0.0048
NZD	79.6	77.8
AUD	84.8	83.9

2. Revenue Details

(Billions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Increase (decrease)		Increase (decrease) currency neutral	Reference
Japan	327.2	333.8	6.6	2.0%	2.0%	
Europe	118.6	123.5	4.9	4.1%	(2.7%)	
Asia	78.4	92.9	14.6	18.6%	19.0%	
Oceania	26.8	26.3	(0.5)	(2.0%)	(0.6%)	
Americas	39.8	37.3	(2.5)	(6.2%)	(3.0%)	
Reconciliations	–	–	–	–	–	
Consolidation total	590.8	613.9	23.1	3.9%	2.8%	

Following the organizational changes, the fresh coffee business, which was previously included in “Asia business,” was reclassified from “Asia business” into “Oceania business” starting in 2018. Accordingly, the reportable segments after the reclassification are provided for “Six months ended June 30, 2017.”

3. Profit Details

(1) EBITDA

(Billions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Increase (decrease)		Increase (decrease) currency neutral	Reference
Japan	44.3	37.3	(7.0)	(15.8%)	(15.8%)	
Europe	22.7	19.4	(3.2)	(14.2%)	(19.7%)	
Asia	15.3	15.1	(0.2)	(1.2%)	(2.1%)	
Oceania	3.9	4.1	0.1	2.7%	2.0%	
Americas	5.9	5.1	(0.8)	(13.4%)	(10.5%)	
Reconciliations	(4.0)	(4.2)	(0.1)	–	–	*1
Consolidation total	88.1	76.9	(11.2)	(12.8%)	(14.2%)	

*1 The reconciliations of EBITDA represent corporate expenses unallocated to each reportable segment.

Following the organizational changes, the fresh coffee business, which was previously included in “Asia business,” was reclassified from “Asia business” into “Oceania business” starting in 2018. Accordingly, the reportable segments after the reclassification are provided for “Six months ended June 30, 2017.”

(2) Segment Profit

(Billions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Increase (decrease)		Increase (decrease) currency neutral	Reference
Japan	24.8	18.9	(5.9)	(23.7%)	(23.7%)	
Europe	16.6	14.2	(2.4)	(14.6%)	(20.4%)	
Asia	11.4	22.2	10.8	95.2%	92.6%	
Oceania	2.8	2.9	0.1	3.3%	1.8%	
Americas	4.2	3.8	(0.4)	(10.3%)	(7.3%)	
Reconciliations	(5.4)	(5.6)	(0.3)	–	–	*2
Consolidation total	54.5	56.4	1.9	3.5%	1.3%	

*2 The reconciliations of segment profit represent corporate expenses unallocated to each reportable segment.

Following the organizational changes, the fresh coffee business, which was previously included in “Asia business,” was reclassified from “Asia business” into “Oceania business” starting in 2018. Accordingly, the reportable segments after the reclassification are provided for “Six months ended June 30, 2017.”

(3) Breakdown of Increase (Decrease) in Segment Profit for Japan Business Segment

(Billions of yen)

Segment profit for the six months ended June 30, 2017	24.8
Increase in revenue	6.6
Increase in cost of goods sold	(9.4)
Increase in sales promotion and advertising costs	(1.9)
Increase in other expenses	(1.2)
Segment profit for the six months ended June 30, 2018	18.9

4. Summary of Consolidated Statement of Financial Position

(Billions of yen)

	As at December 31, 2017	As at June 30, 2018	Increase (decrease)	Reference
Cash and cash equivalents	113.9	101.4	(12.5)	
Trade and other receivables	176.7	227.5	50.9	
Other financial assets	11.8	0.7	(11.1)	
Inventories	81.0	97.5	16.5	
Other current assets	25.5	29.1	3.6	
Subtotal	408.8	456.1	47.3	
Assets held for sale	22.1	0.0	(22.1)	*3
Current assets	430.9	456.2	25.3	
Property, plant and equipment	354.2	374.3	20.1	*4
Goodwill	254.0	251.1	(2.9)	
Intangible assets	432.8	430.0	(2.9)	
Investments accounted for using the equity method	1.2	1.1	(0.1)	
Other financial assets	20.5	21.2	0.7	
Deferred tax assets	12.7	14.4	1.7	
Other non-current assets	15.7	14.9	(0.7)	
Non-current assets	1,091.1	1,107.1	16.0	
Total assets	1,522.0	1,563.2	41.2	
Bonds and borrowings	95.7	120.3	24.6	*5
Trade and other payables	289.5	335.9	46.4	
Other financial liabilities	32.7	26.9	(5.7)	
Accrued income taxes	18.8	15.1	(3.7)	
Provisions	1.4	0.9	(0.5)	
Other current liabilities	8.9	10.0	1.1	
Subtotal	446.9	509.1	62.2	
Liabilities directly associated with assets held for sale	6.2	–	(6.2)	*3
Current liabilities	453.1	509.1	56.0	
Bonds and borrowings	211.4	165.9	(45.5)	*6
Other financial liabilities	25.3	21.3	(4.0)	
Post-employment benefit liabilities	11.9	12.5	0.6	
Provisions	2.9	2.6	(0.3)	
Deferred tax liabilities	66.0	67.5	1.5	
Other non-current liabilities	5.3	6.1	0.8	
Non-current liabilities	322.7	275.8	(46.9)	
Total liabilities	775.8	784.9	9.1	
Total equity attributable to owners of the Company	690.4	693.5	3.0	
Non-controlling interests	55.8	84.9	29.1	*4
Total equity	746.2	778.3	32.1	
Total liabilities and equity	1,522.0	1,563.2	41.2	

*3 The decrease is mainly due to the impact of sales of shares of subsidiaries.

*4 The increase is mainly due to the impact of business combination.

*5 The increase is mainly due to an increase in short-term borrowings provided from external parties and the transfer from non-current liabilities (long-term borrowings) to current liabilities (short-term borrowings).

*6 The decrease is mainly due to the transfer from non-current liabilities (long-term borrowings) to current liabilities (short-term borrowings).

5. Other Information

<Sales Volume of Major Brands in Japan Business> * On the basis of shipment volumes

(Million cases)

	Six months ended June 30, 2017		Six months ended June 30, 2018	
	Actual	Increase (decrease)	Actual	Increase (decrease)
<i>Suntory Tennensui</i>	49.6	5%	54.2	9%
<i>Boss</i>	47.2	4%	51.4	9%
<i>Iyemon</i>	27.2	9%	25.6	(6%)
<i>Suntory Oolong Tea</i>	12.1	1%	12.5	4%
<i>Pepsi</i>	10.6	(12%)	9.6	(9%)
<i>Orangina</i>	4.2	(37%)	2.9	(31%)
<i>Green DAKARA</i>	12.7	19%	14.8	16%
FOSHU drinks and Foods with Function Claims	12.9	1%	11.4	(12%)
Total	207.0	2%	214.5	4%

* The portions of the sales volume by Japan Beverage Holdings Inc., etc. that were supplied from other soft drink manufacturers are not included in the above figures.

<Sales Volume of Major Brands in Europe Business>

(Million liters)

	Six months ended June 30, 2017		Six months ended June 30, 2018	
	Actual	Increase (decrease)	Actual	Increase (decrease)
<i>Orangina</i> (France)	85	13%	86	1%
<i>Oasis</i> (France)	140	3%	148	6%
<i>Schweppes</i> (Spain, Portugal)	64	3%	60	(7%)
<i>Lucozade</i> (UK, Ireland)	198	(1%)	184	(7%)
<i>Ribena</i> (UK, Ireland)	54	(2%)	52	(3%)

(Additional information) *Updated on Aug 10, 2018

Along with the filing of quarterly securities report (for the first six months of the year ending December 31, 2018) to director-general of Kanto Local Finance Bureau on Aug 10, 2018, the Supplementary Material was updated with following information included in the filed quarterly security report.

- **(Appendix 1) Condensed quarterly consolidated statement of cash flows**
- **(Appendix 2) Information relating to Business Combinations and Acquisition of Non-controlling Interests**

(Appendix 1) Condensed quarterly consolidated statement of cash flows

	Millions of yen	
	Six months ended June 30, 2017	Six months ended June 30, 2018
Cash flows from operating activities		
Profit before tax for the period	52,573	55,721
Depreciation and amortization	31,353	31,307
Impairment losses (reversal of impairment losses)	15	(201)
Interest and dividends income	276	(426)
Interest expense	1,396	1,236
Gain on investments accounted for using the equity method	(386)	(42)
Loss (gain) on sales of shares of subsidiaries	—	(12,038)
(Increase) decrease in inventories	(16,826)	(16,366)
(Increase) decrease in trade and other receivables	(32,224)	(47,489)
Increase (decrease) in trade and other payables	35,353	41,804
Other	7,546	1,185
Subtotal	78,525	54,688
Interest and dividends received	275	433
Interest paid	(1,420)	(1,149)
Income tax paid	(15,789)	(13,484)
Net cash inflow from operating activities	61,590	40,487
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(26,382)	(26,665)
Proceeds on sale of property, plant and equipment and intangible assets	356	666
Payments for purchase of shares of subsidiaries	—	(25,207)
Proceeds from sales of shares of subsidiaries	—	23,621
Other	779	167
Net cash (outflow) from investing activities	(25,246)	(27,418)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	28,122	23,351
Proceeds from long-term borrowings	26,642	9,500
Repayments of long-term borrowings	(51,533)	(43,923)
Payments of finance lease liabilities	(4,265)	(3,729)
Dividends paid to owners of the Company	(12,050)	(11,742)
Dividends paid to non-controlling interests	(1,136)	(678)
Other	341	54
Net cash (outflow) from financing activities	(13,880)	(27,168)
Net increase (decrease) in cash and cash equivalents	22,463	(14,099)
Cash and cash equivalents at the beginning of the year (Opening balance on the condensed quarterly consolidated statement of financial position)	84,096	113,883
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	—	3,439
Cash and cash equivalents at beginning of period	84,096	117,322
Effect of exchange rate changes on cash and cash equivalents	(124)	(1,806)
Cash and cash equivalents at end of period	106,435	101,417

(Appendix 2) Information relating to Business Combinations and Acquisition of Non-controlling Interests

Six months ended June 30, 2018

(Acquisition of beverage business in Thailand)

As at March 5, 2018, Suntory Beverage & Food Asia Pte. Ltd., a subsidiary of Suntory Beverage & Food Limited, acquired 51% shares of International Refreshment (Thailand) Co., Ltd., a soft drink operation of PepsiCo, Inc. in Thailand from Pepsi-Cola (Thai) Trading Co., Ltd., a subsidiary of PepsiCo Inc., aiming to expand the soft drink business in Thailand. The company's name after the acquisition is Suntory PepsiCo Beverage (Thailand) Co., Ltd.

The price paid in cash on the date of acquisition was ¥32,039 million (US \$302 million). The acquisition price is subject for adjustment reflecting price adjustments required by the share purchase agreement. The price adjustment process is uncompleted as at the end of the six month period, June 30, 2018 and planned to be finalized during the third quarter of the year in accordance with the share purchase agreement.

Goodwill of ¥4,061 million was recorded in association with this transaction. The goodwill reflects the synergies expected to be created through future business expansion. Non-controlling interests of ¥26,881 million were recorded, measured as to reflect the ownership of non-controlling shareholders over the fair value of identifiable net assets of the acquired company.

As the process of allocating acquisition costs is still in process, the above amounts were provisionally calculated based on all available information as at the end of the six month period, June 30, 2018.

The acquisition related costs for this business combination were ¥784 million, which was recorded in "Other expenses." Acquisition costs of ¥108 million were accounted for in the six months ended June 30, 2018, and ¥675 million were accounted for in the year ended December 31, 2017.

Revenue and operating profit of the acquired company after the date of acquisition that was recognized in the condensed quarterly consolidated statement of profit or loss for the reporting period was ¥17,814 million and ¥1,206 million, respectively.

Had this business consolidation taken effect from the beginning of the period, the Group's revenues and operating profit for the six months ended June 30, 2018 would have been ¥625,850 million and ¥57,484 million, respectively. Since these amounts do not reflect actual result of the operation, the amounts are not audited by the independent auditor.

(Disposal of the food and instant coffee business)

Cerebos Pacific Limited ("CPL"), a subsidiary of Suntory Beverage & Food Asia Pte. Ltd., (a subsidiary of Suntory Beverage & Food Limited.) completed the transfer of all of the shares of its three subsidiaries operating food and instant coffee business to The Kraft Heinz Company as at March 9, 2018. As a result, the balances recorded in assets held for sale and liabilities directly associated with assets held for sale in the fiscal year ended December 31, 2017 were reduced.

The consideration received by cash at the time of the transfer date was ¥26,285 million (AUD \$313 million), and a gain on transfer of ¥12,038 million was recorded in "Other income" in the six months ended June 30, 2018. The transaction has been translated into the reporting currency using the exchange rate as at the date transaction was carried out.