English Translation

SUNTORY
SUNTORY BEVERAGE & FOOD

August 6, 2018

Summary of Consolidated Financial Results for the First Six 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:	https://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:	August 10, 2018
Scheduled date to commence dividend payments:	September 3, 2018
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 six months of the year ending December 31, 2018 (from January 1, 2018 to June 30, 2018)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax for the period		Profit for the period	
Six months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
June 30, 2018	613,863	3.9	56,391	3.5	55,721	6.0	45,491	19.0
June 30, 2017	590,798	–	54,489	–	52,573	–	38,236	–

	Profit for the period attributable to owners of the Company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Six months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)	(Yen)
June 30, 2018	41,300	20.1	17,589	(61.5)	133.66	–
June 30, 2017	34,391	–	45,632	–	111.30	–

(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)	(%)
June 30, 2018	1,563,235	778,305	693,453	44.4
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	–	39.00			
Year ending December 31, 2018 (Forecast)			–	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 9.

(3) Number of issued shares (ordinary shares)

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

As at June 30, 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 June 30, 2018	– shares
As at December 31, 2017	– shares

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

Six months ended June 30, 2018	309,000,000 shares
Six months ended June 30, 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 Six 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, 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 six months of the year ending December 31, 2018, the Group reported consolidated revenue of ¥613.9 billion, up 3.9% year on year, consolidated operating income of ¥56.4 billion, up 3.5%, and profit for the period attributable to owners of the Company of ¥41.3 billion, up 20.1%. To present comparisons with the previous corresponding periods, the figures for the six months ended June 30, 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 remained strong. In addition, the newly launched *Suntory Minami-Alps Tennensui Sparkling* series was well received, and sales volume for the brand as a whole considerably exceeded that of the same period of the previous year.

For the *BOSS* brand, the Group continued to proactively expand marketing activities targeting core users of canned coffee. Moreover, for the *Craft BOSS*, which was launched last year targeting new coffee users, *Black* and *Latte*, along with the newly launched *Brown* variation in June, were well received by customers. As a result of these activities, sales volumes for the *Boss* brand as a whole were considerably 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. In addition, the *Suntory Oolong Tea* brand continued to perform well. Furthermore, *Green DAKARA Yasashii Mugicha* also 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 category of foods with function claims, the Group launched *Ruru-cha—For Better Digestive Health* in April.

In the vending machine business, the Group promoted activities to enhance the attractiveness of the vending machine channel such as by actively introducing vending-machine-exclusive products.

In terms of profit, factors such as product mix change and the occurrence of costs in preparation for the peak season continued to have negative effects to the profit.

As a result of these activities, the Japan business reported revenue of ¥333.8 billion, up 2.0% year on year, and segment profit of ¥18.9 billion, down 23.7%.

< Europe business >

In Europe, marketing activities with a focus on core brands were conducted.

In France, in addition to year-on-year increase in sales volumes for the carbonated fruit drink *Orangina* and the fruit juice *Oasis*, sales of *MayTea* also significantly increased.

In the UK, while sales volumes for *Lucozade* and *Ribena* decreased year on year, due in part to the impact of bad weather, the Group actively expanded promotional activities aimed at reviving the sales trend for *Lucozade* after the sugar tax implementation in April.

In Spain, the Group focused on expanding consumer contact of *Schweppes*, mainly through the on-premise channel, but sales volumes for the brand decreased year on year, affected by the bad weather.
As a result of these activities, the Europe business reported revenue of ¥123.5 billion, up 4.1% year on year, and segment profit of ¥14.2 billion, down 14.6%.

< 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, the cup jelly drink *Okky* was well-received 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 also 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 six months of the year ending December 31, 2018.
As a result of these activities, the Asia business reported revenue of ¥92.9 billion, up 18.6% year on year, and segment profit of ¥22.2 billion, up 95.2%.

< 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* remained strong, 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 ¥26.3 billion, down 2.0% year on year, and segment profit of ¥2.9 billion, up 3.3%.

< 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 ¥37.3 billion, down 6.2% year on year, and segment profit of ¥3.8 billion, down 10.3%.

(2) Financial position

Total assets as of June 30, 2018 stood at ¥1,563.2 billion, an increase of ¥41.2 billion compared to December 31, 2017. The main factors were increases in trade and other receivables, property, plant and equipment and other items.
Total liabilities stood at ¥784.9 billion, an increase of ¥9.1 billion compared to December 31, 2017. This was due in part to increases in trade and other payables and other items.
Total equity stood at ¥778.3 billion, an increase of ¥32.1 billion compared to December 31, 2017, due in part to increases in retained earnings resulting from the recording of profit for the period attributable to owners of the Company, 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 was 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 June 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	113,883	101,417
Trade and other receivables	176,653	227,511
Other financial assets	11,793	676
Inventories	81,015	97,490
Other current assets	25,487	29,053
Subtotal	408,832	456,149
Assets held for sale	22,081	20
Total current assets	430,914	456,169
Non-current assets:		
Property, plant and equipment	354,216	374,319
Goodwill	254,025	251,119
Intangible assets	432,814	429,961
Investments accounted for using the equity method	1,233	1,132
Other financial assets	20,460	21,205
Deferred tax assets	12,701	14,414
Other non-current assets	15,663	14,914
Total non-current assets	1,091,115	1,107,066
Total assets	1,522,029	1,563,235

	Millions of yen	
	As at December 31, 2017	As at June 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	95,654	120,272
Trade and other payables	289,521	335,944
Other financial liabilities	32,678	26,941
Accrued income taxes	18,773	15,058
Provisions	1,385	923
Other current liabilities	8,860	9,963
Subtotal	446,873	509,103
Liabilities directly associated with assets held for sale	6,215	–
Total current liabilities	453,088	509,103
Non-current liabilities:		
Bonds and borrowings	211,375	165,921
Other financial liabilities	25,306	21,314
Post-employment benefit liabilities	11,888	12,464
Provisions	2,913	2,607
Deferred tax liabilities	66,001	67,462
Other non-current liabilities	5,253	6,055
Total non-current liabilities	322,738	275,826
Total liabilities	775,827	784,930
Equity		
Share capital	168,384	168,384
Share premium	182,404	182,349
Retained earnings	364,274	393,832
Other components of equity	(24,625)	(51,111)
Total equity attributable to owners of the Company	690,437	693,453
Non-controlling interests	55,763	84,852
Total equity	746,201	778,305
Total liabilities and equity	1,522,029	1,563,235

(2) Condensed quarterly consolidated statement of profit or loss

	Millions of yen	
	Six months ended June 30, 2017	Six months ended June 30, 2018
Revenue	590,798	613,863
Cost of sales	(330,270)	(357,049)
Gross profit	260,527	256,813
Selling, general and administrative expenses	(204,155)	(211,300)
Gain on investments accounted for using the equity method	386	42
Other income	1,025	13,335
Other expenses	(3,294)	(2,500)
Operating income	54,489	56,391
Finance income	276	629
Finance costs	(2,192)	(1,300)
Profit before tax for the period	52,573	55,721
Income tax expense	(14,337)	(10,229)
Profit for the period	38,236	45,491
Attributable to:		
Owners of the Company	34,391	41,300
Non-controlling interests	3,844	4,190
Profit for the period	38,236	45,491
Earnings per share (Yen)	111.30	133.66

(3) Condensed quarterly consolidated statement of comprehensive income

	Millions of yen	
	Six months ended June 30, 2017	Six months ended June 30, 2018
Profit for the period	38,236	45,491
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets	162	(192)
Remeasurement of post-employment benefit plans	(9)	20
Total	152	(172)
Items that may be reclassified to profit or loss:		
Translation adjustments of foreign operations	7,016	(28,316)
Net gain (loss) on revaluation of cash flow hedges	218	632
Changes in comprehensive income of investments accounted for using the equity method	8	(44)
Total	7,243	(27,728)
Other comprehensive income for the period, net of tax	7,396	(27,901)
Comprehensive income for the period	45,632	17,589
Attributable to:		
Owners of the Company	43,436	14,812
Non-controlling interests	2,196	2,776
Comprehensive income for the period	45,632	17,589

(4) Condensed quarterly consolidated statement of changes in equity

Six months ended June 30, 2017

Millions of yen

	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Other components 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			34,391		34,391	3,844	38,236
Other comprehensive income				9,044	9,044	(1,647)	7,396
Total comprehensive income for the period	–	–	34,391	9,044	43,436	2,196	45,632
Dividends			(12,051)		(12,051)	(1,136)	(13,187)
Transactions with non-controlling interests		199			199	143	343
Total transactions with owners of the Company	–	199	(12,051)	–	(11,851)	(992)	(12,843)
Balance at June 30, 2017	168,384	182,526	331,922	(43,180)	639,652	55,233	694,886

Six months ended June 30, 2018

Millions of yen

	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Other components 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			41,300		41,300	4,190	45,491
Other comprehensive income				(26,487)	(26,487)	(1,413)	(27,901)
Total comprehensive income for the period	–	–	41,300	(26,487)	14,812	2,776	17,589
Dividends			(11,742)		(11,742)	(678)	(12,420)
Increase due to business combinations					–	26,881	26,881
Transactions with non-controlling interests		(54)			(54)	108	54
Reclassification to retained earnings			(1)	1	–		–
Total transactions with owners of the Company	–	(54)	(11,743)	1	(11,796)	26,311	14,514
Balance at June 30, 2018	168,384	182,349	393,832	(51,111)	693,453	84,852	778,305

(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 future 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.