English Translation

SUNTORY
SUNTORY BEVERAGE & FOOD

November 5, 2018

Summary of Consolidated Financial Results for the First Nine 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, Director, Senior Managing Executive Officer, Division COO, Corporate Strategy Division TEL: +81-3-3275-7022 (from overseas)

Scheduled date to file quarterly securities report:	November 12, 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 nine months of the year ending December 31, 2018 (from January 1, 2018 to September 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	
Nine months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
September 30, 2018	972,058	4.5	94,352	1.4	93,057	3.6	72,389	11.4
September 30, 2017	930,220	–	93,080	–	89,789	–	64,989	–

	Profit for the period attributable to owners of the Company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Nine months ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)	(Yen)
September 30, 2018	65,815	11.5	62,008	(28.4)	213.00	–
September 30, 2017	59,019	–	86,638	–	191.00	–

(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)	(%)
September 30, 2018	1,595,995	807,310	721,501	45.2
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	118,000	0.0	116,000	1.4	89,000	3.3	80,000	2.4	258.90

Note: Revisions to the earnings forecast most recently announced: Yes

* 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 September 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 September 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)

Nine months ended September 30, 2018	309,000,000 shares
Nine months ended September 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 of the Interim Financial Statement for the First Nine 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 nine months of the year ending December 31, 2018, the Group reported consolidated revenue of ¥972.1 billion, up 4.5% year on year, consolidated operating income of ¥94.4 billion, up 1.4%, and profit for the period attributable to owners of the Company of ¥65.8 billion, up 11.5%. To present comparisons with the previous corresponding periods, the figures for the nine months ended September 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 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, sales of the *Suntory Minami-Alps Tennensui Sparkling* series grew strongly, and sales volume for the brand as a whole considerably exceeded that of the same period of the previous year. Furthermore, in September, Suntory Beverage & Food Limited signed a plant location agreement with Omachi, Nagano Prefecture to secure a "new water source" that will ensure stable supply into the future. The new plant is scheduled to begin operations at the end of 2020.
For the *BOSS* brand, the Group continued proactive marketing activities for canned coffee, such as launching *BOSS THE CANCOFFEE*, which was developed for core users of canned coffee. In addition, the *Craft BOSS*, which was launched last year targeting new coffee users, has continued to be well received by consumers, and sales volume for the *BOSS* brand as a whole were considerably higher than in the same period of the previous year. Moreover, the Ebina Plant of Suntory Coffee Roastery Ltd., which is a group company of Suntory Holdings Limited, began full-scale production in July. Going forward, the Group will use high-performance roasting equipment installed in the Plant to craft a variety of aromas and flavors.
In the sugar-free tea category, sales volume for the *Iyemon* brand as a whole decreased year on year due to the decline in *Tokucha*. The *Suntory Oolong Tea* brand continued to perform steadily. Sales volume for *Green DAKARA Yasashii Mugicha* grew significantly within the expanding barley tea market.
In FOSHU drink products, sales volume considerably declined surrounding *Tokucha* from the same period of the previous year. Going forward, the Group will strengthen marketing activities through campaigns such as the lifestyle support service "Tokucha Program Start" that began in September.
In terms of profit, natural disasters and extreme hot weather had an impact on logistics, resulting in unexpected costs. Furthermore, the deterioration of product mix caused by the sales declines in, for example, FOSHU drink products, and the Group's lack of in-house production capacity for aseptic products, continued to have a negative effect to the profit.
As a result of these activities, the Japan business reported revenue of ¥536.8 billion, up 2.6% year on year, and segment profit of ¥39.9 billion, down 12.5%.

< 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. On the other hand, with the shortage of trucks continuing and turmoil in the logistics network caused by hot weather, supply chain costs increased.
In the UK, sales volume for *Lucozade*, which used to face difficult conditions, returned to flat year on year. Sales volume for *Ribena* decreased year on year. In terms of profit, the Group actively expanded promotional activities aiming for reviving the trend of *Lucozade* sales, which caused an increase in costs.
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 partly by the bad weather at the beginning of the year, which led to a slump in the on-premise market. Furthermore, intensifying competition also resulted in increase of rebates and sales promotion costs, which had a negative effect on revenue and profits.
As a result of these activities, the Europe business reported revenue of ¥193.6 billion, up 4.3% year on year, and segment profit of ¥25.2 billion, down 12.6%.

< 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*, as well as growth in sales of the RTD tea *TEA+*, the bottled water *Aquafina* and carbonated drinks. In addition, the cup jelly drink *Okky* was well-received in Indonesia.
BRAND'S Suntory, which is operating the health supplement business, worked to enhance marketing of *BRAND'S Essence of Chicken*, mainly in the core Thailand market, in order to revive the trend, but sales decreased year on year.
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 nine months of the year ending December 31, 2018.
As a result of these activities, the Asia business reported revenue of ¥143.3 billion, up 20.0% year on year, and segment profit of ¥27.7 billion, up 78.7%.

< 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 addition, there was also an impact from higher price of raw materials.
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 ¥38.8 billion, down 3.7% year on year, and segment profit of ¥3.5 billion, down 10.3%.

< Americas business >
In the Americas, the Group strove to enhance sales of the growing non-carbonated beverage category in North Carolina, which included water and RTD coffee, but its core carbonated beverage brand products struggled, and sales decreased year on year. In addition to the decline in sales, increase in costs due to the higher price of raw materials had a negative impact on profits.
As a result of these activities, the Americas business reported revenue of ¥59.5 billion, down 3.5% year on year, and segment profit of ¥6.5 billion, down 10.3%.

(2) Financial position

Total assets as of September 30, 2018 stood at ¥1,596.0 billion, an increase of ¥74.0 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 ¥788.7 billion, an increase of ¥12.9 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 ¥807.3 billion, an increase of ¥61.1 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

Looking ahead, in Japan, in addition to the unexpected costs incurred as a result of natural disasters and extreme hot weather, the Group is also experiencing a deteriorated product mix and higher-than-anticipated supply chain costs; outside of Japan, we see rising supply chain costs due to turmoil in the logistics network in France and decreased revenues as a result of the impact of a weak market in Spain. As a result, the Group forecasted that the consolidated operating income for the year ending December 31, 2018 will be less than the initial forecast.

In light of its results for the first nine months and other developments, the Group has revised the consolidated earnings forecasts for the year ending December 31, 2018, which were announced on February 15, 2018, as follows.

	Revenue	Operating income	Profit before tax	Profit for the period	Profit for the period 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)
Previous forecast (A)	1,293,000	127,000	123,500	89,100	80,000	258.90
Revised forecast (B)	1,293,000	118,000	116,000	89,000	80,000	258.90
Change in amount (B–A)	–	(9,000)	(7,500)	(100)	–	–
Change (%)	–	(7.1)	(6.1)	(0.1)	–	–
(Reference) Actual results for the year ended December 31, 2017	1,234,008	117,955	114,442	86,175	78,112	252.79

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 September 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	113,883	121,665
Trade and other receivables	176,653	229,502
Other financial assets	11,793	905
Inventories	81,015	90,828
Other current assets	25,487	27,201
Subtotal	408,832	470,102
Assets held for sale	22,081	15
Total current assets	430,914	470,117
Non-current assets:		
Property, plant and equipment	354,216	376,787
Goodwill	254,025	256,208
Intangible assets	432,814	440,772
Investments accounted for using the equity method	1,233	1,130
Other financial assets	20,460	21,571
Deferred tax assets	12,701	13,750
Other non-current assets	15,663	15,657
Total non-current assets	1,091,115	1,125,877
Total assets	1,522,029	1,595,995

	Millions of yen	
	As at December 31, 2017	As at September 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	95,654	92,019
Trade and other payables	289,521	335,468
Other financial liabilities	32,678	26,248
Accrued income taxes	18,773	11,620
Provisions	1,385	902
Other current liabilities	8,860	10,789
Subtotal	446,873	477,049
Liabilities directly associated with assets held for sale	6,215	–
Total current liabilities	453,088	477,049
Non-current liabilities:		
Bonds and borrowings	211,375	197,629
Other financial liabilities	25,306	21,148
Post-employment benefit liabilities	11,888	12,791
Provisions	2,913	2,639
Deferred tax liabilities	66,001	71,233
Other non-current liabilities	5,253	6,193
Total non-current liabilities	322,738	311,636
Total liabilities	775,827	788,685
Equity		
Share capital	168,384	168,384
Share premium	182,404	182,349
Retained earnings	364,274	406,338
Other components of equity	(24,625)	(35,570)
Total equity attributable to owners of the Company	690,437	721,501
Non-controlling interests	55,763	85,808
Total equity	746,201	807,310
Total liabilities and equity	1,522,029	1,595,995

(2) Condensed quarterly consolidated statement of profit or loss

Millions of yen

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Revenue	930,220	972,058
Cost of sales	(521,672)	(566,487)
Gross profit	408,548	405,570
Selling, general and administrative expenses	(311,013)	(320,633)
Gain on investments accounted for using the equity method	464	58
Other income	1,483	13,834
Other expenses	(6,402)	(4,477)
Operating income	93,080	94,352
Finance income	387	732
Finance costs	(3,678)	(2,027)
Profit before tax for the period	89,789	93,057
Income tax expense	(24,800)	(20,667)
Profit for the period	64,989	72,389
Attributable to:		
Owners of the Company	59,019	65,815
Non-controlling interests	5,969	6,573
Profit for the period	64,989	72,389
Earnings per share (Yen)	191.00	213.00

(3) Condensed quarterly consolidated statement of comprehensive income

	Millions of yen	
	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Profit for the period	64,989	72,389
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets	204	0
Remeasurement of post-employment benefit plans	14	(74)
Total	219	(73)
Items that may be reclassified to profit or loss:		
Translation adjustments of foreign operations	21,394	(11,140)
Net gain (loss) on revaluation of cash flow hedges	(30)	836
Changes in comprehensive income of investments accounted for using the equity method	66	(2)
Total	21,430	(10,307)
Other comprehensive income for the period, net of tax	21,649	(10,381)
Comprehensive income for the period	86,638	62,008
Attributable to:		
Owners of the Company	81,928	54,912
Non-controlling interests	4,710	7,096
Comprehensive income for the period	86,638	62,008

(4) Condensed quarterly consolidated statement of changes in equity

Nine months ended September 30, 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			59,019		59,019	5,969	64,989
Other comprehensive income				22,909	22,909	(1,259)	21,649
Total comprehensive income for the period	–	–	59,019	22,909	81,928	4,710	86,638
Dividends			(23,484)		(23,484)	(3,228)	(26,712)
Transactions with non-controlling interests		199			199	143	343
Reclassification to retained earnings			2	(2)	–		–
Total transactions with owners of the Company	–	199	(23,481)	(2)	(23,284)	(3,084)	(26,369)
Balance at September 30, 2017	168,384	182,526	345,119	(29,317)	666,712	55,655	722,368

Nine months ended September 30, 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			65,815		65,815	6,573	72,389
Other comprehensive income				(10,903)	(10,903)	522	(10,381)
Total comprehensive income for the period	–	–	65,815	(10,903)	54,912	7,096	62,008
Dividends			(23,793)		(23,793)	(4,042)	(27,835)
Increase due to business combinations					–	26,881	26,881
Transactions with non-controlling interests		(54)			(54)	108	54
Reclassification to retained earnings			41	(41)	–		–
Total transactions with owners of the Company	–	(54)	(23,751)	(41)	(23,847)	22,947	(900)
Balance at September 30, 2018	168,384	182,349	406,338	(35,570)	721,501	85,808	807,310

(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.