English Translation

SUNTORY
SUNTORY BEVERAGE & FOOD

February 13, 2020

Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 <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:	Kazuhiro Saito, Chief Executive Officer
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Scheduled date of ordinary general meeting of shareholders:	March 27, 2020
Scheduled date to file securities report:	March 30, 2020
Scheduled date to commence dividend payments:	March 30, 2020
Preparation of supplementary material on financial results:	Yes
Holding of financial results presentation meeting (for institutional investors and analysts):	Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax		Profit for the year	
Fiscal year ended	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
December 31, 2019	1,299,385	0.4	113,948	0.3	112,186	0.3	80,080	(9.9)
December 31, 2018	1,294,256	4.9	113,557	(3.7)	111,813	(2.3)	88,833	3.1

	Profit for the year attributable to owners of the Company		Comprehensive income for the year	
Fiscal year ended	(Millions of yen)	(%)	(Millions of yen)	(%)
December 31, 2019	68,888	(13.9)	78,599	40.0
December 31, 2018	80,024	2.4	56,128	(50.2)

	Basic earnings per share	Diluted earnings per share	Ratio of profit for the year to equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating income to revenue
Fiscal year ended	(Yen)	(Yen)	(%)	(%)	(%)
December 31, 2019	222.94	–	9.4	7.2	8.8
December 31, 2018	258.98	–	11.4	7.3	8.8

Reference: Gain on investments accounted for using the equity method
For the fiscal year ended December 31, 2019: ¥5 million
For the fiscal year ended December 31, 2018: ¥137 million

(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	Equity attributable to owners of the Company per share
As of	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(Yen)
December 31, 2019	1,567,299	837,565	756,568	48.3	2,448.44
December 31, 2018	1,539,416	798,877	714,823	46.4	2,313.34

(3) Consolidated cash flows

	Net cash inflow (outflow) from operating activities	Net cash inflow (outflow) from investing activities	Net cash inflow (outflow) from financing activities	Cash and cash equivalents at the end of the year
Fiscal year ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
December 31, 2019	170,596	(59,382)	(115,156)	143,564
December 31, 2018	146,354	(58,543)	(56,868)	146,535

2. Dividends

	Annual cash dividends					Total cash dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the Company (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
Fiscal year ended December 31, 2018	–	39.00	–	39.00	78.00	24,102	30.1	3.4
Fiscal year ended December 31, 2019	–	39.00	–	39.00	78.00	24,101	35.0	3.3
Fiscal year ending December 31, 2020 (Forecast)	–	39.00	–	39.00	78.00		34.4	

3. Consolidated earnings forecast for the fiscal year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

(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)
Fiscal year ending December 31, 2020	1,338,000	3.0	117,000	2.7	115,500	3.0	83,000	3.6	70,000	1.6	226.54

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(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 "5. Consolidated Financial Statements and Significant Notes Thereto (Unaudited), (6) Notes to consolidated financial statements, (Changes in accounting policies)" of the Attached Materials on page 15.

(3) Number of issued shares (ordinary shares)

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

As at December 31, 2019	309,000,000 shares
As at December 31, 2018	309,000,000 shares

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

As at December 31, 2019	3 shares
As at December 31, 2018	– shares

c. Average number of outstanding shares during the period

Fiscal year ended December 31, 2019	308,999,998 shares
Fiscal year ended December 31, 2018	309,000,000 shares

*** Financial results reports are not required to be audited 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. Overview of Operating Results

(1) Overview of operating results for the fiscal year under review

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. 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 fiscal year under review, the Group reported consolidated revenue of ¥1,299.4 billion, up 0.4% year on year. Consolidated operating income was ¥113.9 billion, which was up 0.3% year on year regardless of the impact of a gain on sale of business of ¥12.0 billion recorded in the previous year. Profit for the year attributable to owners of the Company was ¥68.9 billion, down 13.9% year on year.

Results by segment are described below.

< Japan business >

The Group worked on strengthening core brands with a focus on water, coffee, and sugar-free tea categories in the fiscal year under review. While sales volume in the beverage market decreased year on year due in part to the impact of the late end to the rainy season, the Company's sales volume also decreased year on year, however, our volume outperformed the market. Sales of the *Suntory Tennensui* brand decreased year on year due to the impact of the bad weather in July. For the *BOSS* brand, in addition to carrying out proactive marketing activities for canned coffee, the *Craft BOSS* series grew, and sales volume for the *BOSS* brand as a whole was higher than that of the previous year. In the sugar-free tea category, sales volume for *Green DAKARA Yasashii Mugicha* grew significantly, although sales of the *Iyemon* brand declined year on year. Furthermore, the Group actively developed marketing activities, for *Tokucha* in the FOSHU drink category and *Iyemon Plus for Cholesterol Control* in the functional beverages, and promoted initiatives toward increasing revenue, such as raising the product shipment price and the recommended retail price for certain products in May.

In terms of profit, the Group worked on improving profitability through mid-term structural reform by establishing a high added-value and profitable business model, promoting SCM structural innovation and reforming the vending machine business structure. The reforms of the vending machine business will need time to achieve results on par with initial projections, but efforts to establish a high added-value and profitable business model, as well as to realize SCM structural innovation have steadily achieved results. In addition to continuous initiatives to reduce cost, there was also a reduction in sales promotion and advertising costs compared to the previous fiscal year.

As a result of these activities, the Japan business reported revenue of ¥704.3 billion, down 0.6% year on year, and segment profit of ¥53.5 billion, up 1.5% year on year.

< Europe business >

In France, the core brand *Oasis* was affected by the stagnant market conditions, resulting in sales volume falling slightly year on year, but sales volume for *Orangina* was nearly flat year on year. In the UK, with the ongoing recovery in the sales trend of *Lucozade*, sales volume for the brand exceeded that of the previous year. In Spain, sales volume for the core *Schweppes* brand was higher than that of the previous year driven by the off-premise channel, but overall sales in Spain declined year on year as a result of difficulties in the on-premise channel, which carries premium pricing.

In terms of profit, UK sales growth made a positive contribution. The cost of production in France was reduced through initiatives such as the progression of SCM activities, and marketing expenses were optimized, which contributed to profit.

As a result of these activities, the Europe business reported revenue of ¥222.5 billion, down 6.9% year on year, and segment profit of ¥33.0 billion, up 13.4% year on year.

< Asia business >

In the beverage business, the energy drink *Sting* and the RTD tea *TEA+*, among others in Vietnam as well as the core product *Pepsi* in Thailand all sold strongly, resulting in their sales being significantly higher year on year. The flavoured water *goodmood*, which had been well-received by consumers in Indonesia, was launched in Thailand and Vietnam.
Regarding the health supplement business, the Group focused on strengthening marketing for such products as *BRAND'S Essence of Chicken*, mainly in the core Thailand market, and worked to review distribution policy.
As a result of these activities, the Asia business reported revenue of ¥231.7 billion, up 11.7% year on year. Segment profit was ¥25.2 billion, down 13.7% year on year due to the impact of a gain on sale of business of ¥12.0 billion recorded in the same period of the previous year.

< Oceania business >

Regarding the beverage business, in addition to focusing efforts on strengthening marketing for energy drinks such as *V*, the Group worked on strengthening its core brands such as *Toby's Estate, L'Affare*, and *Mocopan* in the fresh coffee business.
As a result of these activities, the Oceania business reported revenue of ¥53.2 billion, down 1.8% year on year, and segment profit of ¥6.1 billion, down 3.7% year on year.

< Americas business >

In addition to further strengthening sales of the core carbonated beverage brand products, the Group also focused on the growing non-carbonated beverage category, which included water and RTD coffee.
As a result of these activities, the Americas business reported revenue of ¥87.8 billion, up 3.2% year on year, and segment profit of ¥8.2 billion, down 2.9% year on year.

(2) Overview of financial position for the fiscal year under review

Total assets as of December 31, 2019 stood at ¥1,567.3 billion, an increase of ¥27.9 billion compared to December 31, 2018. The main factor was an increase in right-of-use assets, etc. due to the application of IFRS 16 “Leases”.

Total liabilities stood at ¥729.7 billion, a decrease of ¥10.8 billion compared to December 31, 2018. The main factor was a decrease in long-term borrowings, despite increases in other financial liabilities (non-current) and other items due to the application of IFRS 16 “Leases”.

Total equity stood at ¥837.6 billion, an increase of ¥38.7 billion compared to December 31, 2018 due in part to an increase in retained earnings.

As a result of the above, ratio of equity attributable to owners of the Company to total assets was 48.3% and equity attributable to owners of the Company per share was ¥2,448.44.

(3) Overview of cash flows for the fiscal year under review

Cash flow positions in the fiscal year under review are as follows.

Cash and cash equivalents as of December 31, 2019 amounted to ¥143.6 billion, a decrease of ¥3.0 billion compared to December 31, 2018.

Net cash inflow from operating activities was ¥170.6 billion, an increase of ¥24.2 billion compared to the previous fiscal year. This was mainly the result of profit before tax of ¥112.2 billion, an increase in trade and other payables of ¥9.0 billion, and depreciation and amortization of ¥71.0 billion.

Net cash outflow from investing activities was ¥59.4 billion, an increase of ¥0.8 billion compared to the previous fiscal year. This was mainly the result of the payments for property, plant and equipment and intangible assets of ¥58.8 billion.

Net cash outflow from financing activities was ¥115.2 billion, an increase of ¥58.3 billion compared to December 31, 2018. This was mainly the result of the repayments of long-term borrowings of ¥28.0 billion and redemption of bonds of ¥25.0 billion.

(4) Future outlook

Based on the medium-term strategy, the Group will work on further improvement of profitability and business foundation.

Please see 3. Management Policies for further details on the medium-term strategy and initiatives for 2020. In the 2020 fiscal year, the Group expects consolidated revenue of ¥1,338.0 billion, up 3.0% year on year, consolidated operating income of ¥117.0 billion, up 2.7% year on year.

The main foreign exchange rates underlying the outlook for the next fiscal year are ¥122.0 against the euro and ¥109.0 against the U.S. dollar.

(5) Basic policy on profit distribution and dividends for the 2019 and 2020 fiscal years

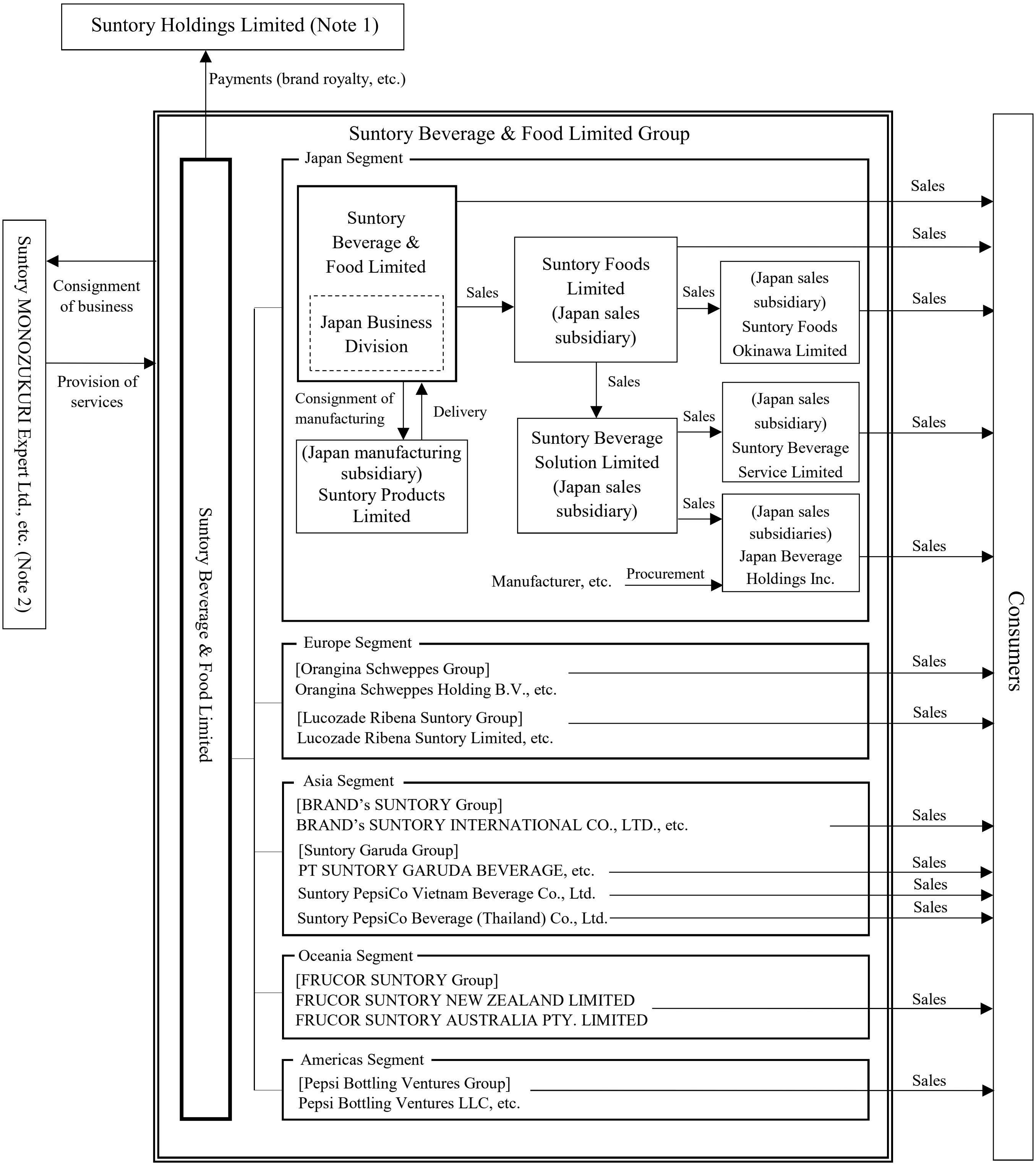
The Company believes its prioritization of strategic investments as well as capital expenditures for sustainable revenue growth and increasing the value of its business will benefit its shareholders. In addition, the Company views an appropriate shareholder return as one of its core management principles. While giving due consideration to providing a stable return and maintaining robust internal reserves for the future, the Company intends to pursue a shareholder return policy that takes its business results and future funding needs into account comprehensively. Specifically, the Company aims to stably increase dividends on the basis of profit growth with a targeted consolidated payout ratio of 30% or more of profit for the year attributable to owners of the Company. Looking to the medium- and long-term, the Company will also consider increasing the payout ratio depending on such factors as its need for funds and progress in profit growth.

For the fiscal year under review, in accordance with the basic policy described above and a consideration of business results and environment, the Company plans to pay a fiscal year-end dividend of ¥39 per share. As a result, the planned annual dividend for the fiscal year under review is ¥78 per share, together with an interim dividend of ¥39 already paid. For the fiscal year ending December 31, 2020, the Company plans to pay an annual dividend of ¥78 per share, comprised of an interim dividend of ¥39 and a fiscal year-end dividend of ¥39.

2. State of the Group

The Suntory Beverage & Food Limited Group is comprised of the Company, 93 subsidiaries and 8 affiliates.
The major companies are mentioned below.

The following shows a business schematic diagram of the Group.



Notes:
1. Suntory Holdings Limited is the parent company.
2. Suntory MONOZUKURI Expert Ltd., etc. are sister companies.

3. Management Strategy

(1) Corporate vision and promise

We promise and declare to society that we make our living with water, which we call *Mizu to Ikiru*. We embrace nature, enrich our society and encourage our people to take on new challenges.
In addition, in the light of recent changes in the business environment, such as shifts in social conditions and rising health-focus among consumer needs, we have set our vision to "Enrich our drinking-experiences to be more natural, healthy, convenient, and fulfilling, by leading the next drinks revolution."

(2) Medium-term strategy

Establish a unique position moving one step ahead of consumer trends, in the global beverages industry
Our aspiration is ¥2.5 trillion sales by 2030 to be achieved organically by outperforming the market as well as through incremental growth from new investments.
Aim for profit growth which outpaces revenue growth.

In order to achieve these, the Group will proactively develop business in line with the following key strategic pillars.
<Key strategic pillars >
<u>First mover</u>
- Double down on core brands through innovation
- Innovate future categories

<u>Game Changer</u>
- Go beyond RTD (Ready To Drink)
- Expand into new markets

<Way of working>
- "Gemba" centric
- Break down silos, build One Team

In addition to above, the Group will contribute to local societies through accelerating sustainability management.

(3) Issues to address

In the 2020 fiscal year, the Group will work to strengthen business foundations and structural reform in each reportable segment, and aim for growth of revenue and profits.

< Japan business >
While the business environment continues to be challenging due to increases in various costs and so on, the Group will further promote structural reform in order to improve profitability. With regard to establishing a high added-value and profitable business model, the Group will strengthen our initiatives for recovering and expanding positive sales trends in high-profitability products, including *Tokucha* FOSHU drink category and functional beverages, such as *Iyemon Plus for Cholesterol Control*. As for "SCM structural innovation," as well as strengthening production capacity, the Group will work to make further use of technologies such as AI. The Group assumes that reforms of the vending machine business structure will take time to bear fruit, but we will move forward with measures focused on revenue growth and cost reductions in this fiscal year.
The Group will continue marketing activities this year around *Suntory Tennensui*, *BOSS*, *Iyemon* and *Green DAKARA*. With the *Suntory Tennensui* brand, the Group will continue to appeal to consumers using its unique "clear & tasty" brand value. In the *BOSS* brand, in addition to focusing on marketing activities aimed at existing core users of canned coffee, the Group will further strengthen initiatives for *Craft BOSS*. In addition to planning the first major renewal of the *Iyemon* brand since its launch, the Group will continue to bolster educational activities aimed at positioning the *Green DAKARA*

brand as a way of helping prevent heatstroke, while further strengthening marketing activities aimed at maintaining the positive momentum of the *Green DAKARA Yasashii Mugicha*.
Moreover, on top of the activities that the entire Suntory Group has engaged in over many years, such as initiatives to contribute to the environment and society, the Group will put effort into activities in order to leave a sustainable society for the next generation, such as by reinforcing effective use of used PET bottles.

< Europe business >

In the major countries, in addition to working to revitalize core brands, the Group will tackle structural reform such as strengthening sales and supply chain management. In France, the Group will further strengthen core brands such as *Orangina*, *Oasis* and the low-sugar product *MayTea*, and work to improve supply chain costs and the cost of production. In the UK, the Group will further strengthen sales with a focus on the core brands *Lucozade* and *Ribena*. In Spain, the Group will bolster marketing activities in order to put the brakes on sales decline in *Schweppes* in the on-premise channel.

< Asia business >

For the beverage business, in Vietnam, the Group will strive to accelerate growth of core brands such as the energy drink *Sting* and the RTD tea *TEA+*, and continue sales activities in the rural areas as well as in urban areas. In Thailand, the Group will strengthen the *Pepsi* brand and work to achieve further improvements in productivity, and work to reinforce low-sugar products in order to capture demand driven by the rising health consciousness of consumers. The Group will continue to work to expand sales of the cup jelly drink *Okky* in Indonesia. In the health supplement business, the Group will focus on reviving the trend through active marketing activities for core product *BRAND'S Essence of Chicken*. The Group will also strengthen initiatives for growing markets such as Myanmar and bolster the direct-sales business.

< Oceania business >

In the beverage business, the Group will focus on core brands such as the energy drink *V* and the sports drink *Maximus*. In the fresh coffee business, the Group will work on strengthening its core brands such as *Toby's Estate*, *L'Affare*, and also *Mocopan*.

< Americas business >

The Group will enhance the core carbonated beverage category, while also working to further expand the growing non-carbonated beverage category. The Group will also continue its efforts to reduce costs.

4. Basic Concept Regarding Selection of Accounting Standard

Considering the ongoing globalization of the business activities of the Group, the Group has applied the International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2017, to improve the quality of the Group's business management through unified accounting standards and to increase international comparability of its financial information in the capital markets.

5. Consolidated Financial Statements and Significant Notes Thereto (Unaudited)

(1) Consolidated statement of financial position

	Millions of yen	
	As at December 31, 2018	As at December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	146,535	143,564
Trade and other receivables	184,900	191,240
Other financial assets	984	6,200
Inventories	85,766	84,916
Other current assets	25,149	20,287
Subtotal	443,336	446,210
Assets held for sale	27	104
Total current assets	443,363	446,314
Non-current assets:		
Property, plant and equipment	375,382	372,036
Right-of-use assets	–	47,446
Goodwill	250,685	247,851
Intangible assets	418,562	411,374
Investments accounted for using the equity method	1,216	1,107
Other financial assets	20,955	17,162
Deferred tax assets	14,291	14,428
Other non-current assets	14,959	9,575
Total non-current assets	1,096,052	1,120,984
Total assets	1,539,416	1,567,299

	Millions of yen	
	As at December 31, 2018	As at December 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	75,437	74,652
Trade and other payables	303,783	322,455
Other financial liabilities	30,736	38,444
Accrued income taxes	18,445	18,815
Provisions	2,074	1,511
Other current liabilities	8,639	6,026
Total current liabilities	439,117	461,905
Non-current liabilities:		
Bonds and borrowings	195,436	132,716
Other financial liabilities	20,150	45,752
Post-employment benefit liabilities	13,258	15,405
Provisions	2,702	2,557
Deferred tax liabilities	63,494	65,835
Other non-current liabilities	6,377	5,561
Total non-current liabilities	301,421	267,828
Total liabilities	740,538	729,733
Equity		
Share capital	168,384	168,384
Share premium	182,349	182,349
Retained earnings	420,638	464,705
Treasury shares	–	(0)
Other components of equity	(56,548)	(58,870)
Total equity attributable to owners of the Company	714,823	756,568
Non-controlling interests	84,054	80,997
Total equity	798,877	837,565
Total liabilities and equity	1,539,416	1,567,299

(2) Consolidated statement of profit or loss

	Millions of yen	
	Year ended December 31, 2018	Year ended December 31, 2019
Revenue	1,294,256	1,299,385
Cost of sales	(758,724)	(763,291)
Gross profit	535,532	536,094
Selling, general and administrative expenses	(424,897)	(414,794)
Gain on investments accounted for using the equity method	137	5
Other income	14,591	1,681
Other expenses	(11,806)	(9,039)
Operating income	113,557	113,948
Finance income	1,032	1,427
Finance costs	(2,777)	(3,188)
Profit before tax	111,813	112,186
Income tax expense	(22,979)	(32,106)
Profit for the year	88,833	80,080
Attributable to:		
Owners of the Company	80,024	68,888
Non-controlling interests	8,808	11,191
Profit for the year	88,833	80,080
Earnings per share (Yen)	258.98	222.94

(3) Consolidated statement of comprehensive income

	Millions of yen	
	Year ended December 31, 2018	Year ended December 31, 2019
Profit for the year	88,833	80,080
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets	(614)	945
Remeasurement of post-employment benefit plans	(205)	(1,151)
Total	(820)	(205)
Items that may be reclassified to profit or loss:		
Translation adjustments of foreign operations	(32,635)	(996)
Net gain (loss) on revaluation of cash flow hedges	806	(263)
Changes in comprehensive income of investments accounted for using the equity method	(56)	(14)
Total	(31,885)	(1,274)
Other comprehensive income for the year, net of tax	(32,705)	(1,480)
Comprehensive income for the year	56,128	78,599
Attributable to:		
Owners of the Company	48,233	66,558
Non-controlling interests	7,895	12,041
Comprehensive income for the year	56,128	78,599

(4) Consolidated statement of changes in equity

Millions of yen

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other compo-nents of equity	Total		
Balance at December 31, 2017	168,384	182,404	364,274	–	(24,625)	690,437	55,763	746,201
Profit for the year			80,024			80,024	8,808	88,833
Other comprehensive income					(31,791)	(31,791)	(913)	(32,705)
Total comprehensive income for the year	–	–	80,024	–	(31,791)	48,233	7,895	56,128
Dividends			(23,793)			(23,793)	(6,516)	(30,309)
Increase due to business combinations						–	26,881	26,881
Transactions with non-controlling interests		(54)				(54)	30	(24)
Reclassification to retained earnings			131		(131)	–		–
Total transactions with owners of the Company	–	(54)	(23,661)	–	(131)	(23,847)	20,394	(3,453)
Balance at December 31, 2018	168,384	182,349	420,638	–	(56,548)	714,823	84,054	798,877
Cumulative effect of adopting new accounting standards			(710)			(710)	(165)	(876)
Balance at January 1, 2019	168,384	182,349	419,927	–	(56,548)	714,112	83,888	798,000
Profit for the year			68,888			68,888	11,191	80,080
Other comprehensive income					(2,329)	(2,329)	849	(1,480)
Total comprehensive income for the year	–	–	68,888	–	(2,329)	66,558	12,041	78,599
Purchase of treasury shares				(0)		(0)		(0)
Dividends			(24,101)			(24,101)	(14,315)	(38,417)
Transactions with non-controlling interests							(618)	(618)
Reclassification to retained earnings			(7)		7	–		–
Total transactions with owners of the Company	–	–	(24,109)	(0)	7	(24,102)	(14,933)	(39,035)
Balance at December 31, 2019	168,384	182,349	464,705	(0)	(58,870)	756,568	80,997	837,565

(5) Consolidated statement of cash flows

	Millions of yen	
	Year ended December 31, 2018	Year ended December 31, 2019
Cash flows from operating activities		
Profit before tax	111,813	112,186
Depreciation and amortization	63,319	71,035
Impairment losses (reversal of impairment losses)	4,177	2,008
Interest and dividends income	(893)	(1,422)
Interest expense	2,365	2,824
Loss (gain) on investments accounted for using the equity method	(137)	(5)
Loss (gain) on sales of shares of subsidiaries	(12,038)	–
Decrease (increase) in inventories	(4,855)	439
Decrease (increase) in trade and other receivables	(4,946)	(7,019)
Increase (decrease) in trade and other payables	7,933	8,943
Other	7,211	11,820
Subtotal	173,949	200,811
Interest and dividends received	850	1,345
Interest paid	(2,405)	(2,776)
Income tax paid	(26,040)	(28,783)
Net cash inflow (outflow) from operating activities	146,354	170,596
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(56,929)	(58,815)
Proceeds on sale of property, plant and equipment and intangible assets	715	332
Payments for purchase of shares of subsidiaries	(26,719)	(900)
Proceeds from sales of shares of subsidiaries	24,216	–
Other	173	1
Net cash inflow (outflow) from investing activities	(58,543)	(59,382)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	4,073	(9,458)
Proceeds from long-term borrowings	9,500	–
Repayments of long-term borrowings	(63,027)	(27,979)
Proceeds from issuance of bonds	29,883	–
Redemption of bonds	–	(25,000)
Payments of lease liabilities	(6,998)	(14,842)
Dividends paid to owners of the Company	(23,793)	(24,101)
Dividends paid to non-controlling interests	(6,516)	(13,639)
Payments for shares of subsidiaries	(44)	–
Other	54	(134)
Net cash inflow (outflow) from financing activities	(56,868)	(115,156)

	Millions of yen	
	Year ended December 31, 2018	Year ended December 31, 2019
Net increase (decrease) in cash and cash equivalents	30,941	(3,942)
Cash and cash equivalents at the beginning of the year (Opening balance on the consolidated statement of financial position)	113,883	146,535
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	3,439	–
Cash and cash equivalents at the beginning of the year	117,322	146,535
Effects of exchange rate changes on cash and cash equivalents	(1,728)	971
Cash and cash equivalents at the end of the year	146,535	143,564

(6) Notes to consolidated financial statements

(Going concern)

The consolidated financial statements are prepared on going concern basis.

(Changes in accounting policies)

The Group has adopted IFRS 16 “Leases” (hereinafter, “IFRS 16”) from the year ended December 31, 2019. With regard to a lessee of lease transactions, IFRS 16, which makes amendments to the previous IAS 17, eliminates the classification as operating or finance leases and provides that assets and liabilities related to all significant lease transactions are recorded under a single model. In the application of IFRS 16, 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 transitional measure, without making retrospective adjustments for each reporting period. In addition, the Group adopts the following practical expedients on a regional or business basis in light of practical burdens.

- Not to reassess whether a contract is, or contains, a lease at the date of initial application
- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- To exclude initial direct costs from the measurement of the right-of-use asset arising from leases previously classified as operating leases at the date of initial application
- To measure the right-of-use asset arising from leases previously classified as operating leases at the same value as the lease liabilities
- To account in the same way as short-term leases for leases with a lease term of 12 months or less from the date of initial application
- To use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease

At the commencement date of a lease, the right-of-use assets are measured at cost and the lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date. If ownership of the underlying asset is transferred to the Group by the end of the lease term, or if the cost of the right-of-use asset reflects the exercise of a purchase option, the right-of-use assets are depreciated on a straight-line basis over their useful lives. Otherwise, right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful lives or the end of the lease terms. Lease payments are allocated to finance costs and the repayment of the lease liabilities, using the effective interest rate method, and finance costs are recognized in the consolidated statement of profit or loss.

The lease term is determined after adjustment for periods covered by an extension and termination option that the Group is reasonably certain to exercise in the non-cancellable period under the lease contract. In the measurement of the present value, the interest rate implicit in the lease or the incremental borrowing rate is used.

For short-term leases for which the lease term ends within 12 months and leases in which the underlying asset is of low value, total lease payments are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

Reconciliation of operating lease commitments disclosed under IAS 17 and lease liabilities recognized on the consolidated statement of financial position as at the adoption date is as follows:

	Amount
	Millions of yen
Operating lease commitments disclosed on December 31, 2018	30,092
Discounted operating lease commitments disclosed on December 31, 2018	26,710
Finance lease liabilities recognized on December 31, 2018	12,144
Additionally recognized lease liabilities due to reassessment of lease term	20,130
Others	(10,132)
Lease liabilities on January 1, 2019	48,852

“Others” includes short-term leases and low-value leases which are principally lease of pallets used for transport of products and are exempted from the scope of recognition. Current and non-current lease liabilities are included in other financial liabilities, respectively.

Assets newly recognized on the consolidated statement of financial position as at the adoption date of IFRS 16 are as follows:

	Millions of yen					
	Reportable segment					Segment total
	Japan	Europe	Asia	Oceania	Americas	
Carrying amount of right-of-use assets						
Land, buildings and structures	18,760	5,100	2,469	2,832	3,006	32,169
Machinery and vehicles	–	2,116	387	402	97	3,003
Tools, fixtures and equipment	–	–	6	–	–	6
Others	–	546	20	–	–	567
Total right-of-use assets	18,760	7,763	2,884	3,234	3,103	35,747
Weighted average of incremental borrowing rate	1.0%	2.3%	4.8%	3.1%	3.7%	1.7%

For land, buildings and structures recorded as right-of-use assets, lease contracts have been entered into principally to use these assets as the head office, other offices, and manufacturing sites as well as warehouses. The Group estimates the lease terms by evaluating the reasonable certainty of exercising options to extend or terminate leases, making reference to its business plans and considering all relevant facts and circumstances that create an economic incentive for the Group to exercise such options. Other than those above, right-of-use assets recorded on the consolidated statement of financial position include balances transferred from property, plant and equipment, intangible assets, and other non-current assets at ¥11,936 million, ¥18 million, and ¥2,306 million, respectively.

(Segment information)

The reportable segments are components of the Group for which separate financial information is available and regularly reviewed by management to make decisions about the allocation of resources and to assess segment performance.

The Group manufactures and distributes soft drinks and foods, including mineral water, coffee drinks, tea drinks, carbonated drinks, sports drinks and food for specified health uses (FOSHU). The Company, together with its manufacturing and sales subsidiaries, operates in the domestic market, and its regional subsidiaries operate in overseas markets. Therefore, the Group comprises of five reportable segments: "Japan business," "Europe business," "Asia business," "Oceania business" and "Americas business." The intersegment transactions are considered on an arm's length basis.

The Group operates a single business, the manufacturing and distribution of soft drinks and foods; therefore, financial information by product and service is not prepared.

Due to the organizational changes, some of the entities in Africa and Middle East, which were previously reported in "Europe business," have been reclassified to "Asia business" from "Europe business," starting from the second quarter of the year ended December 31, 2019. Accordingly, the same reclassification has been made for the accompanying segment information for the year ended December 31, 2018.

Profit or loss for each reportable segment of the Group is as follows.

Year ended December 31, 2018

Millions of yen

	Reportable segment					Segment		
	Japan	Europe	Asia	Oceania	Americas	total	Reconciliations	Consolidated
Revenue:								
External customers	708,725	238,934	207,385	54,185	85,025	1,294,256	–	1,294,256
Intersegment	5	1,211	1,052	9	–	2,279	(2,279)	–
Total revenue	708,730	240,146	208,437	54,195	85,025	1,296,535	(2,279)	1,294,256
Segment profit	52,681	29,127	29,170	6,371	8,488	125,839	(12,281)	113,557
(Depreciation and amortization)	34,970	9,873	10,426	1,899	3,111	60,282	3,037	63,319

Year ended December 31, 2019

Millions of yen

	Reportable segment					Segment		
	Japan	Europe	Asia	Oceania	Americas	total	Reconciliations	Consolidated
Revenue:								
External customers	704,254	222,457	231,694	53,228	87,750	1,299,385	–	1,299,385
Intersegment	4	942	1,044	5	–	1,996	(1,996)	–
Total revenue	704,259	223,400	232,738	53,233	87,750	1,301,382	(1,996)	1,299,385
Segment profit	53,464	33,020	25,173	6,137	8,239	126,036	(12,088)	113,948
(Depreciation and amortization)	37,375	11,864	12,126	2,760	3,579	67,706	3,328	71,035

"Reconciliations" to segment profit represents overhead costs incurred by the Company to manage the Group's operations and is not allocated to each reportable segment. Segment profit agrees with operating income presented in the consolidated statement of profit or loss.

Geographical areas are comprised of the following countries.

Japan business:	Japan
Europe business:	France, UK, Spain, and others
Asia business:	Vietnam, Thailand, Indonesia, and others
Oceania business:	New Zealand, Australia, and others
Americas business:	United States of America

Revenue from external customers is as follows:

	Millions of yen					
	Japan	Europe	Asia	Oceania	Americas	Total
Year ended December 31, 2018	708,725	245,276	197,966	57,262	85,025	1,294,256
Year ended December 31, 2019	704,254	228,637	225,540	53,202	87,750	1,299,385

Revenue is allocated to countries or areas based on the customers' location for the analysis above.

Non-current assets by reportable segment is as follows:

	Millions of yen					
	Japan	Europe	Asia	Oceania	Americas	Total
As at December 31, 2018	332,570	492,463	121,406	36,999	61,188	1,044,629
As at December 31, 2019	358,876	486,958	125,996	41,044	65,833	1,078,709

Non-current assets (property, plant and equipment, right-of-use assets, intangible assets and goodwill) is allocated to each reportable segment based on their locations for the above analysis.

There is no customer to which sales exceeds 10% of the Group's total revenue.

(Per share information)

The basis for calculating earnings per share is as follows. There is no diluted share issued.

	Millions of yen	
	Year ended December 31, 2018	Year ended December 31, 2019
Profit for the year attributable to owners of the Company	80,024	68,888
Profit for the year not attributable to ordinary shareholders of the Company	–	–
Profit for the year used in the calculation of earnings per share	80,024	68,888
Weighted-average number of ordinary shares (Shares)	309,000,000	308,999,998
Earnings per share (Yen)	258.98	222.94

(Acquisition or disposal of businesses and acquisition of non-controlling interests)

(Acquisition of beverage business in Thailand)

As at March 5, 2018, the Group acquired 51% shares of International Refreshment (Thailand) Co., Ltd., a soft drink operation in Thailand from Pepsi-Cola (Thai) Trading Co., Ltd., a subsidiary of PepsiCo Inc., aiming to expand the beverage 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 ¥33,551 million (US $315 million).

Assets acquired and liabilities assumed as at the day of business combinations were as follows.

	Fair value
	Millions of yen
Assets	
Cash and cash equivalents	6,832
Trade and other receivables	5,265
Other current assets	5,275
Total current assets	17,373
Property, plant and equipment	33,049
Intangible assets	19,537
Other non-current assets	359
Total non-current assets	52,945
Total assets	70,319
Liabilities	
Trade and other payables	10,512
Other current liabilities	347
Total current liabilities	10,859
Total non-current liabilities	4,600
Total liabilities	15,459
Net assets	54,859

Intangible assets were recognized by assessing the fair value of "Exclusive Bottling Appointment," concluded with PepsiCo, Inc. and others. Since the contractual relationship is expected to continue as long as the group continues the business, these intangible assets were deemed to have indefinite useful life. Goodwill of ¥5,573 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.

Cash flow analysis of the share acquisition

	Amount
	Millions of yen
The amount paid in cash and cash equivalents	33,551
Cash and cash equivalents held by the acquired company	(6,832)
Payments for purchase of shares of subsidiaries	26,719

The transaction is translated at the rate on the transaction date.
The acquisition related costs for this business combination were ¥784 million, which was recorded in "Other expenses." Acquisition related costs of ¥108 million were accounted for in the year ended December 31, 2018.
Revenue and operating profit of the acquired company after the date of acquisition that was recognized in the consolidated statement of profit or loss for the reporting period was ¥44,859 million and ¥2,300 million, respectively.

(Disposal of the food and instant coffee business)

The Group 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, 2018 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."

Assets and liabilities held by the Group, as well as the reconciliation of considerations received and proceeds from sales of shares over which control was lost were as follows.

	Amount
	Millions of yen
Assets	
Current assets	9,044
Non-current assets	9,345
Liabilities	
Current liabilities	4,275
Non-current liabilities	29

Cash flow analysis of the sales of shares

	Amount
	Millions of yen
The consideration received in cash	26,285
Cash and cash equivalents held in the subsidiary as at the transaction date	(2,068)
Proceeds from sales of shares of subsidiaries	24,216

The transaction is translated at the rate on the transaction date.

(Subsequent events)

There were no subsequent events.