SUNTORY
SUNTORY BEVERAGE & FOOD

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

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

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Suntory Beverage & Food Limited

November 5, 2018

<Results for the First Nine 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)

	Nine months ended September 30, 2017		Nine months ended September 30, 2018		Increase (decrease)	
		Ratio to revenue		Ratio to revenue		
Revenue	930.2	100.0%	972.1	100.0%	41.8	4.5%
Gross profit	408.5	43.9%	405.6	41.7%	(3.0)	(0.7%)
Selling, general and administrative expenses	311.0	33.4%	320.6	33.0%	9.6	3.1%
Gain on investments accounted for using the equity method	0.5	0.0%	0.1	0.0%	(0.4)	(87.4%)
Other income	1.5	0.2%	13.8	1.4%	12.4	832.5%
Other expenses	6.4	0.7%	4.5	0.5%	(1.9)	(30.1%)
Operating income	93.1	10.0%	94.4	9.7%	1.3	1.4%
Finance income	0.4	0.0%	0.7	0.1%	0.3	88.9%
Finance costs	3.7	0.4%	2.0	0.2%	(1.7)	(44.9%)
Profit before tax for the period	89.8	9.7%	93.1	9.6%	3.3	3.6%
Income tax expense	24.8	2.7%	20.7	2.1%	(4.1)	(16.7%)
Profit for the period	65.0	7.0%	72.4	7.4%	7.4	11.4%
Profit for the period attributable to non-controlling interests	6.0	0.6%	6.6	0.7%	0.6	10.1%
Profit for the period attributable to owners of the Company	59.0	6.3%	65.8	6.8%	6.8	11.5%

(2) Other Indices

(Billions of yen)

		Nine months ended September 30, 2017		Nine months ended September 30, 2018		Increase (decrease)	
Depreciation			47.3		46.8	(0.5)	(1.0%)
Operating income	Operating margin	93.1	10.0%	94.4	9.7%	1.3	1.4%
EBITDA *1	EBITDA margin	145.3	15.6%	131.8	13.6%	(13.5)	(9.3%)

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

(Billions of yen)

	As at December 31, 2017	As at September 30, 2018	Increase (decrease)	
Total assets	1,522.0	1,596.0	74.0	4.9%
Total equity	746.2	807.3	61.1	8.2%
D/E ratio (Times) *2	0.2	0.2		

*2 D/E ratio is calculated as (Interest-bearing debt - Cash and cash equivalents ± 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)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
USD	111.9	109.6
EUR	124.6	130.9
GBP	142.6	148.1
SGD	80.5	81.8
THB	3.3	3.4
VND	0.0049	0.0048
NZD	80.1	76.7
AUD	85.7	83.1

2. Revenue Details

(Billions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Increase (decrease)		Increase (decrease) currency neutral	Reference
Japan	523.2	536.8	13.6	2.6%	–	
Europe	185.6	193.6	8.0	4.3%	(0.1%)	
Asia	119.4	143.3	23.9	20.0%	21.6%	
Oceania	40.3	38.8	(1.5)	(3.7%)	(0.2%)	
Americas	61.6	59.5	(2.2)	(3.5%)	(1.5%)	
Reconciliations	–	–	–	–	–	
Consolidation total	930.2	972.1	41.8	4.5%	4.1%	

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 “Nine months ended September 30, 2017.”

3. Profit Details

(1) EBITDA

(Billions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Increase (decrease)		Increase (decrease) currency neutral	Reference
Japan	75.9	67.6	(8.3)	(10.9%)	–	
Europe	37.8	33.4	(4.4)	(11.7%)	(15.4%)	
Asia	21.9	23.1	1.1	5.2%	4.8%	
Oceania	5.8	5.4	(0.4)	(6.6%)	(5.2%)	
Americas	9.7	8.5	(1.2)	(12.6%)	(10.8%)	
Reconciliations	(5.9)	(6.2)	(0.3)	–	–	*1
Consolidation total	145.3	131.8	(13.5)	(9.3%)	(10.2%)	

*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 “Nine months ended September 30, 2017.”

(2) Segment Profit

(Billions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Increase (decrease)		Increase (decrease) currency neutral	Reference
Japan	45.6	39.9	(5.7)	(12.5%)	–	
Europe	28.8	25.2	(3.6)	(12.6%)	(16.6%)	
Asia	15.5	27.7	12.2	78.7%	77.4%	
Oceania	3.9	3.5	(0.4)	(10.3%)	(11.5%)	
Americas	7.2	6.5	(0.7)	(10.3%)	(8.5%)	
Reconciliations	(8.0)	(8.4)	(0.5)	–	–	*2
Consolidation total	93.1	94.4	1.3	1.4%	(0.0%)	

*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 “Nine months ended September 30, 2017.”

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

(Billions of yen)

Segment profit for the nine months ended September 30, 2017	45.6
Increase in revenue	13.6
Increase in cost of goods sold	(15.9)
Increase in sales promotion and advertising costs	(2.1)
Increase in other expenses	(1.4)
Segment profit for the nine months ended September 30, 2018	39.9

4. Summary of Consolidated Statement of Financial Position

(Billions of yen)

	As at December 31, 2017	As at September 30, 2018	Increase (decrease)	Reference
Cash and cash equivalents	113.9	121.7	7.8	
Trade and other receivables	176.7	229.5	52.8	*3
Other financial assets	11.8	0.9	(10.9)	
Inventories	81.0	90.8	9.8	
Other current assets	25.5	27.2	1.7	
Subtotal	408.8	470.1	61.3	
Assets held for sale	22.1	0.0	(22.1)	*4
Current assets	430.9	470.1	39.2	
Property, plant and equipment	354.2	376.8	22.6	*5
Goodwill	254.0	256.2	2.2	
Intangible assets	432.8	440.8	8.0	
Investments accounted for using the equity method	1.2	1.1	(0.1)	
Other financial assets	20.5	21.6	1.1	
Deferred tax assets	12.7	13.8	1.0	
Other non-current assets	15.7	15.7	(0.0)	
Non-current assets	1,091.1	1,125.9	34.8	
Total assets	1,522.0	1,596.0	74.0	
Bonds and borrowings	95.7	92.0	(3.6)	
Trade and other payables	289.5	335.5	45.9	*3
Other financial liabilities	32.7	26.2	(6.4)	
Accrued income taxes	18.8	11.6	(7.2)	
Provisions	1.4	0.9	(0.5)	
Other current liabilities	8.9	10.8	1.9	
Subtotal	446.9	477.0	30.2	
Liabilities directly associated with assets held for sale	6.2	–	(6.2)	*4
Current liabilities	453.1	477.0	24.0	
Bonds and borrowings	211.4	197.6	(13.7)	*6
Other financial liabilities	25.3	21.1	(4.2)	
Post-employment benefit liabilities	11.9	12.8	0.9	
Provisions	2.9	2.6	(0.3)	
Deferred tax liabilities	66.0	71.2	5.2	
Other non-current liabilities	5.3	6.2	0.9	
Non-current liabilities	322.7	311.6	(11.1)	
Total liabilities	775.8	788.7	12.9	
Total equity attributable to owners of the Company	690.4	721.5	31.1	
Non-controlling interests	55.8	85.8	30.0	*5
Total equity	746.2	807.3	61.1	
Total liabilities and equity	1,522.0	1,596.0	74.0	

*3 The increase is mainly due to seasonal fluctuations on December 31 and September 30.

*4 The decrease is mainly due to the impact of transfer of share of subsidiaries.

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

*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)

	Nine months ended September 30, 2017		Nine months ended September 30, 2018	
	Actual	Increase (decrease)	Actual	Increase (decrease)
Suntory Tennensui	83.9	8%	92.1	10%
Boss	71.3	3%	77.9	9%
Iyemon	42.9	4%	40.8	(5%)
Suntory Oolong Tea	20.0	2%	20.2	1%
Pepsi	17.1	(12%)	15.4	(10%)
Orangina	6.4	(29%)	4.4	(31%)
Green DAKARA	25.3	19%	30.9	22%
FOSHU drinks and Foods with Function Claims	20.0	(5%)	17.5	(13%)
Total	337.9	3%	353.0	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)

	Nine months ended September 30, 2017		Nine months ended September 30, 2018	
	Actual	Increase (decrease)	Actual	Increase (decrease)
Orangina (France)	126	5%	131	4%
Oasis (France)	215	2%	225	5%
Schweppes (Spain, Portugal)	107	2%	102	(5%)
Lucozade (UK, Ireland)	291	(5%)	290	(0%)
Ribena (UK, Ireland)	81	(4%)	79	(2%)

<Earnings Forecast for 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)

	Year ended December 31, 2017, Actual		Year ending December 31, 2018, Revised forecast		Changes from previous forecast (February 15)	Increase (decrease)	
		Ratio to revenue		Ratio to revenue			
Revenue	1,234.0	100.0%	1,293.0	100.0%	–	59.0	4.8%
Gross profit	536.2	43.5%	540.0	41.8%	(18.0)	3.8	0.7%
Selling, general and administrative expenses	412.4	33.4%	430.2	33.3%	(3.7)	17.8	4.3%
Gain on investments accounted for using the equity method	0.4	0.0%	0.1	0.0%	0.1	(0.3)	(77.6%)
Other income	5.9	0.5%	13.9	1.1%	3.5	8.0	137.1%
Other expenses	12.1	1.0%	5.7	0.4%	(1.8)	(6.4)	(53.0%)
Operating income	118.0	9.6%	118.0	9.1%	(9.0)	0.0	0.0%
Finance income	0.9	0.1%	1.3	0.1%	1.0	0.4	49.1%
Finance costs	4.4	0.4%	3.3	0.3%	(0.5)	(1.1)	(24.7%)
Profit before tax	114.4	9.3%	116.0	9.0%	(7.5)	1.6	1.4%
Income tax expense	28.3	2.3%	27.0	2.1%	(7.4)	(1.3)	(4.5%)
Profit for the year	86.2	7.0%	89.0	6.9%	(0.1)	2.8	3.3%
Profit for the year attributable to non-controlling interests	8.1	0.7%	9.0	0.7%	(0.1)	0.9	11.6%
Profit for the year attributable to owners of the Company	78.1	6.3%	80.0	6.2%	–	1.9	2.4%

(2) Other Indices

(Billions of yen)

		Year ended December 31, 2017, Actual		Year ending December 31, 2018, Revised forecast		Changes from previous forecast (February 15)	Increase (decrease)	
Depreciation			63.9		64.9	–	0.9	1.4%
Operating income			118.0		118.0	(9.0)	0.0	0.0%
Profit for the year attributable to owners of the Company			78.1		80.0	–	1.9	2.4%
EBITDA *1	EBITDA margin	188.2	15.2%	174.7	13.5%	(14.3)	(13.4)	(7.1%)

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

EPS (Yen)	252.79	258.90	–	6.11	2.4%
Operating margin	9.6%	9.1%			
ROE	12.0%	11.1%			
Dividend payout ratio *2	29.7%	30.1%			

*2 Dividend payout ratio for each year is calculated by dividing the total cash dividends of that year by profit for the year attributable to owners of the Company of that year.

(Billions of yen)

	As at December 31, 2017 Actual	As at December 31, 2018 Revised forecast	Changes from previous forecast (February 15)	Increase (decrease)	
Total assets	1,522.0	1,550.0	–	28.0	1.8%
Total equity	746.2	820.0	–	73.8	9.9%
Capital expenditures	59.1	61.0	–	1.9	3.3%
D/E ratio (Times) *3	0.2	0.2	–		

*3 D/E ratio is calculated as (Interest-bearing debt - Cash and cash equivalents ± 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)

	Year ended December 31, 2017, Actual	Year ending December 31, 2018, Revised forecast	Previous forecast (February 15)
USD	112.2	111.0	110.0
EUR	126.7	131.0	131.0
GBP	144.5	148.0	142.0
SGD	81.3	82.0	81.0
THB	3.3	3.4	3.3
VND	0.0049	0.0048	0.0048
NZD	79.7	76.0	79.0
AUD	86.0	83.0	87.0

2. Revenue Details

(Billions of yen)

	Year ended December 31, 2017, Actual	Year ending December 31, 2018, Forecast	Changes from previous forecast (February 15)	Increase (decrease)		Increase (decrease) currency neutral	Reference
Japan	689.2	704.5	11.5	15.3	2.2%	–	
Europe	238.9	248.5	(6.5)	9.6	4.0%	0.9%	
Asia	163.5	200.0	–	36.5	22.3%	24.0%	
Oceania	56.3	55.0	(3.0)	(1.4)	(2.4%)	1.6%	
Americas	86.0	85.0	(2.0)	(1.0)	(1.2%)	0.2%	
Reconciliations	–	–	–	–	–	–	
Consolidation total	1,234.0	1,293.0	–	59.0	4.8%	4.6%	

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 “Year ended December 31, 2017, Actual.”

3. Profit Details

(1) EBITDA

(Billions of yen)

	Year ended December 31, 2017, Actual	Year ending December 31, 2018, Forecast	Changes from previous forecast (February 15)	Increase (decrease)		Increase (decrease) currency neutral	Reference
Japan	96.8	89.1	(7.9)	(7.7)	(7.9%)	–	
Europe	48.2	42.8	(5.2)	(5.4)	(11.2%)	(13.8%)	
Asia	29.7	31.6	0.6	1.9	6.4%	6.4%	
Oceania	9.0	8.7	(0.8)	(0.3)	(3.1%)	(1.6%)	
Americas	13.0	11.7	(1.3)	(1.3)	(10.1%)	(8.8%)	
Reconciliations	(8.6)	(9.3)	0.2	(0.7)	–	–	*1
Consolidation total	188.2	174.7	(14.3)	(13.4)	(7.1%)	(7.7%)	

*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 “Year ended December 31, 2017, Actual.”

(2) Segment Profit

(Billions of yen)

	Year ended December 31, 2017, Actual	Year ending December 31, 2018, Forecast	Changes from previous forecast (February 15)	Increase (decrease)		Increase (decrease) currency neutral	Reference
Japan	57.3	52.0	(6.5)	(5.3)	(9.2%)	–	
Europe	34.6	31.0	(3.0)	(3.6)	(10.4%)	(13.4%)	
Asia	22.2	33.0	2.0	10.8	48.7%	48.9%	
Oceania	6.0	6.0	(0.7)	(0.0)	(0.0%)	(0.5%)	
Americas	9.3	8.0	(1.3)	(1.3)	(14.1%)	(12.9%)	
Reconciliations	(11.4)	(12.0)	0.5	(0.6)	–	–	*2
Consolidation total	118.0	118.0	(9.0)	0.0	0.0%	(0.8%)	

*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 “Year ended December 31, 2017, Actual.”

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

(Billions of yen)

		Changes from previous forecast (February 15)
Segment profit for the year ended December 31, 2017, Actual	57.3	–
Increase in revenue	15.3	11.5
Increase in cost of goods sold	(16.6)	(16.2)
Increase in sales promotion and advertising costs	(1.4)	(1.9)
Increase in other expenses	(2.6)	0.1
Segment profit for the year ending December 31, 2018, Forecast	52.0	(6.5)

4. Other Information

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

(Million cases)

	Year ended December 31, 2017		Year ending December 31, 2018		Changes from previous forecast (February 15)
	Actual	Increase (decrease)	Forecast	Increase (decrease)	
Suntory Tennensui	108.0	7%	117.5	9%	5.0
Boss	99.0	6%	105.4	6%	5.0
Iyemon	56.4	2%	53.8	(5%)	(2.9)
Suntory Oolong Tea	26.2	2%	26.3	0%	(0.2)
Pepsi	21.9	(13%)	19.8	(9%)	(2.1)
Orangina	8.0	(29%)	5.6	(30%)	(2.4)
Green DAKARA	30.5	19%	36.5	20%	3.1
FOSHU drinks and Foods with Function Claims	26.0	(7%)	22.6	(13%)	(0.9)
Total	442.9	3%	458.0	3%	10.9

* 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.