English Translation

SUNTORY
SUNTORY BEVERAGE & FOOD

February 14, 2019

Summary of Consolidated Financial Results for the Fiscal Year Ended 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 of ordinary general meeting of shareholders:	March 28, 2019
Scheduled date to file securities report:	March 29, 2019
Scheduled date to commence dividend payments:	March 29, 2019
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, 2018 (from January 1, 2018 to December 31, 2018)

(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, 2018	1,294,256	4.9	113,557	(3.7)	111,813	(2.3)	88,833	3.1
December 31, 2017	1,234,008	2.1	117,955	5.4	114,442	6.2	86,175	9.7

	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, 2018	80,024	2.4	56,128	(50.2)
December 31, 2017	78,112	9.2	112,812	313.1

	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, 2018	258.98	–	11.4	7.3	8.8
December 31, 2017	252.79	–	12.0	7.8	9.6

Reference: Gain on investments accounted for using the equity method

For the fiscal year ended December 31, 2018: ¥137 million
For the fiscal year ended December 31, 2017: ¥447 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, 2018	1,539,416	798,877	714,823	46.4	2,313.34
December 31, 2017	1,522,029	746,201	690,437	45.4	2,234.43

(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, 2018	146,354	(58,543)	(56,868)	146,535
December 31, 2017	149,513	(52,958)	(63,593)	113,883

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, 2017	–	37.00	–	38.00	75.00	23,175	29.7	3.6
Fiscal year ended December 31, 2018	–	39.00	–	39.00	78.00	24,102	30.1	3.4
Fiscal year ending December 31, 2019 (Forecast)	–	39.00	–	39.00	78.00		36.2	

3. Consolidated earnings forecast for the fiscal year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

(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, 2019	1,313,000	1.4	110,000	(3.1)	108,000	(3.4)	76,500	(13.9)	66,500	(16.9)	215.21

* 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 "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 16.

(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, 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 December 31, 2018	– shares
As at December 31, 2017	– shares

c. Average number of outstanding shares during the period

Fiscal year ended December 31, 2018	309,000,000 shares
Fiscal year ended December 31, 2017	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

Index

1. Overview of Operating Results 2
   (1) Overview of operating results for the fiscal year under review 2
   (2) Overview of financial position for the fiscal year under review 4
   (3) Overview of cash flows for the fiscal year under review 4
   (4) Future outlook 4
   (5) Basic policy on profit distribution and dividends for the 2018 and 2019 fiscal years 4
2. State of the Group 6
3. Management Policies 7
   (1) Basic corporate management policy 7
   (2) Long-term strategy and medium-term plan 7
   (3) Issues to address 7
4. Basic Concept Regarding Selection of Accounting Standard 8
5. Consolidated Financial Statements and Significant Notes Thereto (Unaudited) 9
   (1) Consolidated statement of financial position 9
   (2) Consolidated statement of profit or loss 11
   (3) Consolidated statement of comprehensive income 12
   (4) Consolidated statement of changes in equity 13
   (5) Consolidated statement of cash flows 14
   (6) Notes to consolidated financial statements 16
   (Going concern) 16
   (Changes in accounting policies) 16
   (Segment information) 17
   (Per share information) 18
   (Business combinations and acquisition of non-controlling interests) 19
   (Subsequent events) 20

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 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 fiscal year under review, the Group reported consolidated revenue of ¥1,294.3 billion, up 4.9% year on year, consolidated operating income of ¥113.6 billion, down 3.7% year on year and profit for the year attributable to owners of the Company of ¥80.0 billion, up 2.4% year on year.

Results by segment are described below.

< Japan business >

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. On the other hand, profits decreased year on year due to increased supply chain costs and the deterioration of product mix.

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 significantly, and sales volume for the brand as a whole considerably exceeded that of the previous year. As a result, the brand was ranked No.1 in the domestic beverage market by annual sales volume in 2018*.

Furthermore, 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 in 2017 targeting new coffee users, has continued to be well received by consumers. As a result, annual sales volume for the *BOSS* brand as a whole were considerably higher than previous year and exceeded 100 million cases. Additionally, 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*, however, sales volume for *Green DAKARA Yasashii Mugicha* grew significantly within the expanding barley tea market. In addition, sales volume for the *Suntory Oolong Tea* brand increased year on year.

FOSHU drink products' sales volume declined from the previous year mainly due to certain products such as *Tokucha*. The Group has started the campaign, the lifestyle support service "Tokucha Program Start" since September as part of proactive marketing activities for trend recovery.

In terms of profit, natural disasters and extreme hot weather had an impact on logistics of the whole industry, resulting in unexpected costs. Furthermore, the deterioration of product mix caused by the sales declines in products such as 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 ¥708.7 billion, up 2.8% year on year, and segment profit of ¥52.7 billion, down 8.1% year on year.

*Based on survey results by Inryou Soken

< Europe business >
Marketing investments with a focus on core brands and the premium low-sugar iced tea *MayTea*, 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 for *Lucozade Energy*, which had been declining, showed an upward trend, and sales volume for *Lucozade* brand increased year on year. Sales volume for *Ribena* decreased year on year. The Group conducted investments in marketing aiming for reviving the trend of *Lucozade Energy* sales.
In Spain, the Group focused on expanding consumer contact of *Schweppes* mainly through the on-premise channel, but sales volume for the brand decreased year on year, affected partly by the bad weather and downtrend in the on-premise market. Furthermore, intensifying competition resulted in increase of rebates and sales promotion costs, which had a negative effect on revenue and profit.
In addition, a total of about ¥4.0 billion impairment loss was recorded in relation to goodwill, etc. for certain brands in Spain, and some business in Africa.
As a result of these activities, the Europe business reported revenue of ¥245.2 billion, up 2.6% year on year, and segment profit of ¥25.0 billion, down 27.8% year on year.

< Asia business >
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 steady performance of the energy drink *Sting*, as well as growth in sales of the RTD tea+, the bottled water *Aquafina* and carbonated drinks. The cup jelly drink *Okky* was well-received in Indonesia. In addition, the joint venture in Thailand also performed as planned.
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, and around ¥12.0 billion of gain on sale for this transaction was recorded in the fiscal year under review.
As a result of these activities, the Asia business reported revenue of ¥201.1 billion, up 23.0% year on year, and segment profit of ¥33.3 billion, up 50.2% year on year.

< Oceania business >
The Group continued to strengthen its core brands, and the fresh coffee business was transferred to the Oceania business from the beginning of the year ended 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 ¥54.2 billion, down 3.8% year on year, and segment profit of ¥6.4 billion, up 6.0% year on year.

< Americas business >
The core carbonated beverage brand products continued to struggle, but the Group has started to see signs of recovery. On the other hand, 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 ¥85.0 billion, down 1.2% year on year, and segment profit of ¥8.5 billion, down 8.7% year on year.

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

Total assets as of December 31, 2018 were ¥1,539.4 billion, an increase of ¥17.4 billion compared to December 31, 2017. The main factors were increases in trade receivables and property, plant and equipment due to the acquisition of Suntory PepsiCo Beverage (Thailand) Co., Ltd., which became a subsidiary of the Group in the year ended December 31, 2018.

Total liabilities stood at ¥740.5 billion, a decrease of ¥35.3 billion compared to December 31, 2017. The main factor was a decrease in long-term borrowings, despite increases in trade and other payables and other items due to the acquisition of Suntory PepsiCo Beverage (Thailand) Co., Ltd.

Total equity stood at ¥798.9 billion, an increase of ¥52.7 billion compared to December 31, 2017 due in part to an increase in non-controlling interests resulting from the acquisition of Suntory PepsiCo Beverage (Thailand) Co., Ltd. and an increase in retained earnings resulting from the recording of profit for the year attributable to owners of the Company. As a result of the above, ratio of equity attributable to owners of the Company to total assets was 46.4% and equity attributable to owners of the Company per share was ¥2,313.34.

(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, 2018 amounted to ¥146.5 billion, an increase of ¥32.7 billion compared to December 31, 2017.

Net cash inflow from operating activities was ¥146.4 billion, a decrease of ¥3.2 billion compared to the previous fiscal year. This was the result of depreciation and amortization of ¥63.3 billion, gain on sales of shares of subsidiaries of ¥12.0 billion and an increase in inventories of ¥4.9 billion, despite profit before tax of ¥111.8 billion.

Net cash outflow from investing activities was ¥58.5 billion, an increase of ¥5.6 billion compared to the previous fiscal year. This was mainly the result of the payments of ¥26.7 billion for the acquisition of Suntory PepsiCo Beverage (Thailand) Co., Ltd., despite the proceeds of ¥24.2 billion from sales of all of the shares of three subsidiaries operating food and instant coffee business.

Net cash outflow from financing activities was ¥56.9 billion, a decrease of ¥6.7 billion compared to the previous fiscal year. This was mainly the result of the proceeds from issuance of bonds of ¥29.9 billion, despite the repayments of long-term borrowings of ¥63.0 billion.

(4) Future outlook

Based on the long-term strategy and the medium-term plan, the Group will work on further improvement of profitability and business foundation. Please see 3. Management Policies for further details on the long-term strategy and medium-term plan, and on initiatives for 2019. In the 2019 fiscal year, the Group expects consolidated revenue of ¥1,313.0 billion, up 1.4% year on year, consolidated operating income of ¥110.0 billion, down 3.1%.

The main foreign exchange rates underlying the outlook for the next fiscal year are ¥129 against the euro and ¥111 against the U.S. dollar.

(5) Basic policy on profit distribution and dividends for the 2018 and 2019 fiscal years

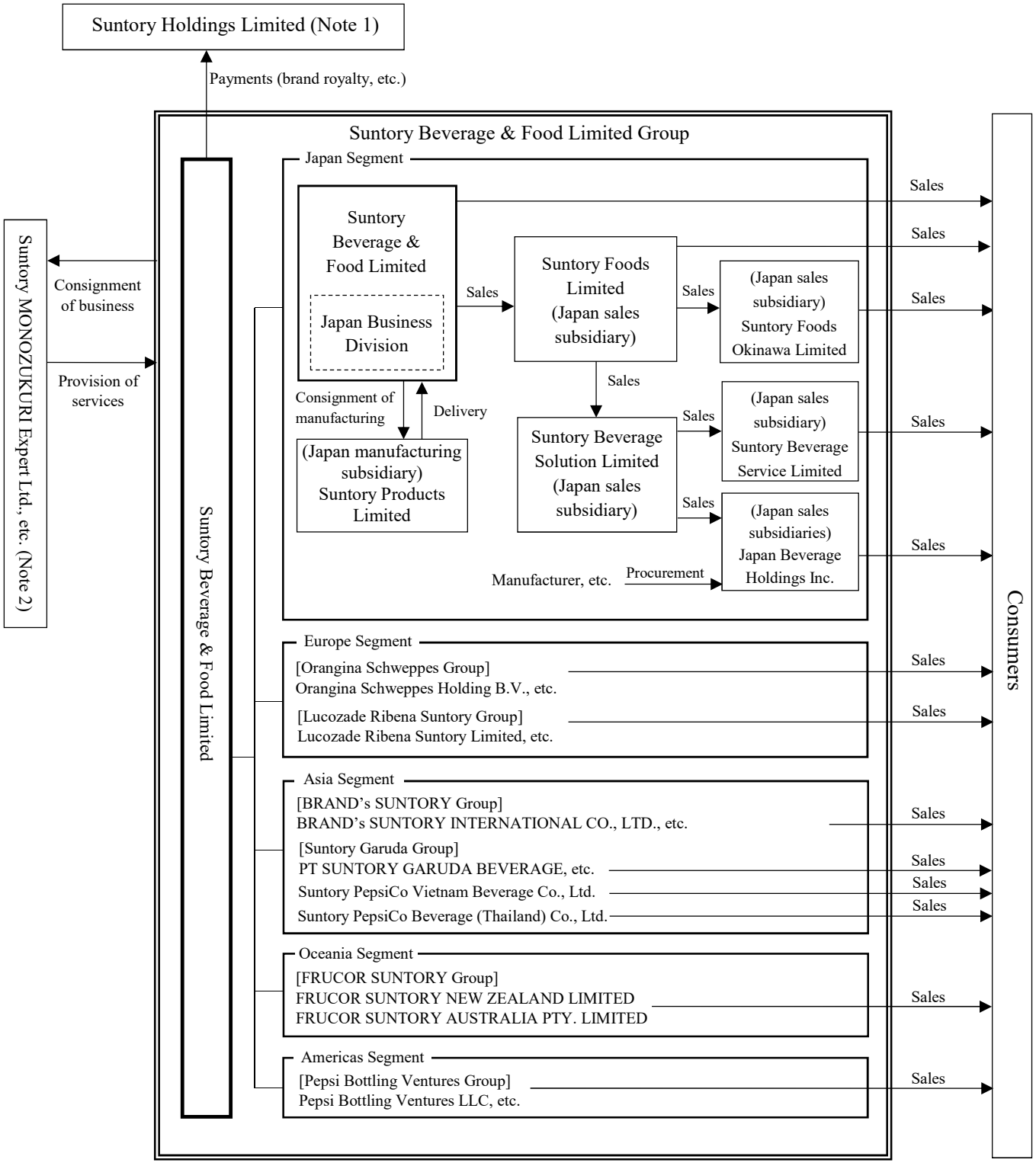
The Company believes its prioritization of strategic investments as well as capital expenditures for sustainable revenue growth and increasing the value of its business will benefit its shareholders. In addition, the Company views an appropriate shareholder return as one of its core management principles. 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, 2019, 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, 96 subsidiaries and 9 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 Policies

(1) Basic corporate management policy

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) Long-term strategy and medium-term plan

Based on this new vision, we aim to realize our aspiration "To Be the Third Force" in the global beverage industry, and "2.5 trillion yen sales by 2030." In order to achieve these, we have drawn up a long-term strategy and medium-term plan as follows.

1. Long-term strategy

The Group will proactively develop business activities focused on the following seven growth pillars.

(i) Evolve portfolio by satisfying the needs of local consumers
(ii) Enhance availability by exploiting changing trade channels and technologies
(iii) Innovate MONOZUKURI to generate competitiveness
(iv) Expand areas by focusing on growth markets
(v) Develop Beyond RTD Next-generation business model
(vi) Accelerate sustainability management and contribution to local societies
(vii) Strengthen unique global management system of Genba Heroes

2. Medium-term plan (2018-2020)

Based on the long-term strategy, our targets to 2020 are as follows.
(in comparison to 2017 figures and on a currency-neutral basis)

Sales: Organic growth ahead of market and incremental growth through new investments
Profit: Grow operating income at a CAGR (Compound Annual Growth Rate) mid single-digit or above

(3) Issues to address

In the 2019 fiscal year, the Group will work to strengthen business foundations and structural reforms in each reportable segment, and aim for growth of revenue and profits on organic basis after excluding factors related to extraordinary reasons such as M&A.

< Japan business >

While the business environment continues to be challenging due to increases in various costs and so on, the Group will work on structure reform in order to improve profitability. First, the Group will seek to establish a high added-value and profitability business model. The Group will not only work to revive and expand sales for high-profitability products such as FOSHU products, which include *Tokucha*, and foods with function claims, but also promote innovation in product & packaging development as well as expansion of contact point with consumers. Next, the Group will move forward with "SCM structural innovation." In addition to strengthening production capacity, the Group will seek to make further use of technology, such as by building a stable product supply system that utilizes AI. The Group will also work on reforms of the vending machine business structure. Moreover, the product shipping price and recommended retail price of certain products will be revised on and after May 1.
The Group will continue marketing activities this year around *Suntory Tennensui*, *BOSS*, and sugar-free tea categories. For the *Suntory Tennensui* brand, the Group will further enhance its unique "clear & tasty" and "natural & healthy" brand value. For the *BOSS* brand, while continuing its focus on marketing activities aimed at existing core users of canned coffee, the Group will strive for further growth of *Craft BOSS*. For the sugar-free tea category, in addition to strengthening the *Iyemon* and

Suntory Oolong Tea brands, the Group will conduct proactive marketing activities for the *Green DAKARA Yasashii Mugicha* in the expanding barley tea market.
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 intensify its efforts to promote sustainability in order to leave a sustainable society for the next generation through business activities such as by reinforcing effective use of used PET bottles.

< Europe business >
In major countries, in addition to enhancing core brands, the Group will also work on structural reforms 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 management. In the UK, the Group will 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*, mainly 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+, and continue sales activities in the rural areas as well as in urban areas. In Thailand, where the Group established a joint venture with PepsiCo, Inc. in 2018, the Group will strengthen core brands 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 work to expand sales of the cup jelly drink *Okky* in Indonesia. In the health supplement business, the Group will focus on both reviving the trend through active marketing activities for core product *BRAND'S Essence of Chicken*, and strengthening initiatives for growing markets such as Myanmar.

< 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 *Mocopan* as well.

< Americas business >
The Group will focus on recovery in the 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, 2017	As at December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	113,883	146,535
Trade and other receivables	176,653	184,900
Other financial assets	11,793	984
Inventories	81,015	85,766
Other current assets	25,487	25,149
Subtotal	408,832	443,336
Assets held for sale	22,081	27
Total current assets	430,914	443,363
Non-current assets:		
Property, plant and equipment	354,216	375,382
Goodwill	254,025	250,685
Intangible assets	432,814	418,562
Investments accounted for using the equity method	1,233	1,216
Other financial assets	20,460	20,955
Deferred tax assets	12,701	14,291
Other non-current assets	15,663	14,959
Total non-current assets	1,091,115	1,096,052
Total assets	1,522,029	1,539,416

	Millions of yen	
	As at December 31, 2017	As at December 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	95,654	75,437
Trade and other payables	289,521	303,783
Other financial liabilities	32,678	30,736
Accrued income taxes	18,773	18,445
Provisions	1,385	2,074
Other current liabilities	8,860	8,639
Subtotal	446,873	439,117
Liabilities directly associated with assets held for sale	6,215	–
Total current liabilities	453,088	439,117
Non-current liabilities:		
Bonds and borrowings	211,375	195,436
Other financial liabilities	25,306	20,150
Post-employment benefit liabilities	11,888	13,258
Provisions	2,913	2,702
Deferred tax liabilities	66,001	63,494
Other non-current liabilities	5,253	6,377
Total non-current liabilities	322,738	301,421
Total liabilities	775,827	740,538
Equity		
Share capital	168,384	168,384
Share premium	182,404	182,349
Retained earnings	364,274	420,638
Other components of equity	(24,625)	(56,548)
Total equity attributable to owners of the Company	690,437	714,823
Non-controlling interests	55,763	84,054
Total equity	746,201	798,877
Total liabilities and equity	1,522,029	1,539,416

(2) Consolidated statement of profit or loss

	Millions of yen	
	Year ended December 31, 2017	Year ended December 31, 2018
Revenue	1,234,008	1,294,256
Cost of sales	(697,789)	(758,724)
Gross profit	536,219	535,532
Selling, general and administrative expenses	(412,444)	(424,897)
Gain on investments accounted for using the equity method	447	137
Other income	5,862	14,591
Other expenses	(12,129)	(11,806)
Operating income	117,955	113,557
Finance income	871	1,032
Finance costs	(4,384)	(2,777)
Profit before tax	114,442	111,813
Income tax expense	(28,267)	(22,979)
Profit for the year	86,175	88,833
Attributable to:		
Owners of the Company	78,112	80,024
Non-controlling interests	8,062	8,808
Profit for the year	86,175	88,833
Earnings per share (Yen)	252.79	258.98

(3) Consolidated statement of comprehensive income

	Millions of yen	
	Year ended December 31, 2017	Year ended December 31, 2018
Profit for the year	86,175	88,833
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets	388	(614)
Remeasurement of post-employment benefit plans	755	(205)
Total	1,144	(820)
Items that may be reclassified to profit or loss:		
Translation adjustments of foreign operations	24,913	(32,635)
Net gain (loss) on revaluation of cash flow hedges	512	806
Changes in comprehensive income of investments accounted for using the equity method	66	(56)
Total	25,492	(31,885)
Other comprehensive income for the year, net of tax	26,637	(32,705)
Comprehensive income for the year	112,812	56,128
Attributable to:		
Owners of the Company	105,776	48,233
Non-controlling interests	7,036	7,895
Comprehensive income for the year	112,812	56,128

(4) Consolidated statement of changes in equity

	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 year			78,112		78,112	8,062	86,175
Other comprehensive income				27,663	27,663	(1,026)	26,637
Total comprehensive income for the year	–	–	78,112	27,663	105,776	7,036	112,812
Dividends			(23,484)		(23,484)	(5,397)	(28,881)
Transactions with non-controlling interests		77			77	95	172
Reclassification to retained earnings			64	(64)	–		–
Total transactions with owners of the Company	–	77	(23,419)	(64)	(23,406)	(5,302)	(28,708)
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

(5) Consolidated statement of cash flows

	Millions of yen	
	Year ended December 31, 2017	Year ended December 31, 2018
Cash flows from operating activities		
Profit before tax	114,442	111,813
Depreciation and amortization	63,934	63,319
Impairment losses (reversal of impairment losses)	184	4,177
Interest and dividends income	(871)	(893)
Interest expense	2,724	2,365
Gain on investments accounted for using the equity method	(447)	(137)
Loss (gain) on sales of shares of subsidiaries	–	(12,038)
(Increase) decrease in inventories	(7,887)	(4,855)
(Increase) decrease in trade and other receivables	(1,425)	(4,946)
Increase (decrease) in trade and other payables	6,453	7,933
Other	3,446	7,211
Subtotal	180,554	173,949
Interest and dividends received	833	850
Interest paid	(2,813)	(2,405)
Income tax paid	(29,061)	(26,040)
Net cash inflow from operating activities	149,513	146,354
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(55,339)	(56,929)
Proceeds on sale of property, plant and equipment and intangible assets	787	715
Payments for purchase of shares of subsidiaries	–	(26,719)
Proceeds from sales of shares of subsidiaries	–	24,216
Other	1,593	173
Net cash (outflow) from investing activities	(52,958)	(58,543)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	8,751	4,073
Proceeds from long-term borrowings	26,642	9,500
Repayments of long-term borrowings	(61,905)	(63,027)
Proceeds from issuance of bonds	–	29,883
Payments of finance lease liabilities	(8,404)	(6,998)
Dividends paid to owners of the Company	(23,484)	(23,793)
Dividends paid to non-controlling interests	(5,397)	(6,516)
Payments for shares of subsidiaries	(171)	(44)
Other	374	54
Net cash (outflow) from financing activities	(63,593)	(56,868)

	Millions of yen	
	Year ended December 31, 2017	Year ended December 31, 2018
Net increase (decrease) in cash and cash equivalents	32,961	30,941
Cash and cash equivalents at the beginning of the year (Opening balance on the consolidated statement of financial position)	84,096	113,883
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	–	3,439
Cash and cash equivalents at the beginning of the year	84,096	117,322
Effects of exchange rate changes on cash and cash equivalents	265	(1,728)
Cash and cash equivalents included in assets held for sale	(3,439)	–
Cash and cash equivalents at the end of the year	113,883	146,535

(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 15 “Revenue from Contracts with Customers” (amended in April 2016) (hereinafter, “IFRS 15”), from the year ended December 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.

(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.

In addition, as the result of the reorganization of subsidiaries to optimize business operations in Asia and Oceania, the fresh coffee business, which was previously included in "Asia business," was reclassified into "Oceania business" starting in the year ended December 31, 2018. The segment information for the year ended December 31, 2017 has been presented based on the reportable segments after the reclassification.

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

Year ended December 31, 2017

Millions of yen

	Reportable segment					Segment total	Reconciliations	Consolidated
	Japan	Europe	Asia	Oceania	Americas			
Revenue:								
External customers	689,192	238,943	163,528	56,303	86,040	1,234,008	–	1,234,008
Intersegment	3	1,367	563	6	–	1,940	(1,940)	–
Total revenue	689,195	240,311	164,091	56,309	86,040	1,235,948	(1,940)	1,234,008
Segment profit	57,309	34,580	22,181	6,012	9,298	129,382	(11,426)	117,955
(Depreciation and amortization)	36,644	9,618	8,737	2,315	3,652	60,968	2,966	63,934

Year ended December 31, 2018

Millions of yen

	Reportable segment					Segment total	Reconciliations	Consolidated
	Japan	Europe	Asia	Oceania	Americas			
Revenue:								
External customers	708,725	245,175	201,143	54,185	85,025	1,294,256	–	1,294,256
Intersegment	5	1,134	1,052	9	–	2,201	(2,201)	–
Total revenue	708,730	246,310	202,196	54,195	85,025	1,296,458	(2,201)	1,294,256
Segment profit	52,681	24,979	33,318	6,371	8,488	125,839	(12,281)	113,557
(Depreciation and amortization)	34,970	10,401	9,899	1,899	3,111	60,282	3,037	63,319

"Reconciliations" to segment profit represent overhead costs incurred and are not allocated to the reportable segments. 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 was as follows:

	Millions of yen					
	Japan	Europe	Asia	Oceania	Americas	Total
Year ended December 31, 2017	689,192	239,349	143,799	75,627	86,040	1,234,008
Year ended December 31, 2018	708,725	245,276	197,966	57,262	85,025	1,294,256

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

Non-current assets by reportable segment was as follows:

	Millions of yen					
	Japan	Europe	Asia	Oceania	Americas	Total
As at December 31, 2017	339,933	532,115	68,877	40,208	59,920	1,041,056
As at December 31, 2018	332,570	492,463	121,406	36,999	61,188	1,044,629

Non-current assets (property, plant and equipment, intangible assets and goodwill) are allocated based on their locations for the above analysis.

There has been no single customer sales which represent 10% or more to the Group's revenue.

(Per share information)

Earnings per share were as follows. There were no dilutive shares.

	Millions of yen	
	Year ended December 31, 2017	Year ended December 31, 2018
Profit for the year attributable to owners of the Company	78,112	80,024
Profit for the year not attributable to ordinary shareholders of the Company	–	–
Profit for the year used in the calculation of earnings per share	78,112	80,024
Weighted-average number of ordinary shares (Shares)	309,000,000	309,000,000
Earnings per share (Yen)	252.79	258.98

(Business combinations 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, and ¥675 million were accounted for in the year ended December 31, 2017.

Revenue and operating profit of the acquired company after the date of acquisition that was recognized in the consolidated statement of profit or loss for the reporting period was ¥44,859 million and ¥2,300 million, respectively.

Had this business consolidation taken effect from the beginning of the year, the Group's revenues and operating profit for the year ended December 31, 2018 would have been ¥1,306,233 million and ¥114,649 million, respectively. Since these amounts do not reflect actual result of the operation, the amounts are not audited by the independent auditor.

(Disposal of the food and instant coffee business)

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, 2017 were reduced.

The consideration received by cash at the time of the transfer date was ¥26,285 million (AUD $313 million), and a gain on transfer of ¥12,038 million was recorded in "Other income."

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.