

Summary of Consolidated Financial Results
for the First Six Months of the Year Ending December 31, 2020
<IFRS> (UNAUDITED)

Company name: **Suntory Beverage & Food Limited**
 Shares listed: First Section, Tokyo Stock Exchange
 Securities code: 2587
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Scheduled date to file quarterly securities report: August 12, 2020
 Scheduled date to commence dividend payments: September 2, 2020
 Attachment of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing meeting (for institutional investors and analysts): Yes

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

1. Consolidated financial results for the first six months of the year ending December 31, 2020
(from January 1, 2020 to June 30, 2020)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Revenue		Operating income		Profit before tax for the period		Profit for the period	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Six months ended								
June 30, 2020	552,529	(12.0)	35,712	(29.8)	35,113	(29.7)	26,558	(28.8)
June 30, 2019	627,770	2.3	50,900	(9.7)	49,922	(10.4)	37,296	(18.0)

	Profit for the period attributable to owners of the Company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)	(Yen)
Six months ended						
June 30, 2020	20,922	(34.1)	5,666	(75.3)	67.71	—
June 30, 2019	31,770	(23.1)	22,919	30.3	102.82	—

(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
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
As at				
June 30, 2020	1,603,147	828,887	746,446	46.6
December 31, 2019	1,567,299	837,565	756,568	48.3

(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 period
Six months ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
June 30, 2020	43,897	(30,662)	28,869	183,288
June 30, 2019	51,866	(30,880)	(63,894)	103,326

2. Dividends

	Annual cash dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended December 31, 2019	–	39.00	–	39.00	78.00
Year ending December 31, 2020	–	39.00			
Year ending December 31, 2020 (Forecast)			–	39.00	78.00

Note: Revisions to the forecast of dividends most recently announced: None

3. Consolidated earnings forecast for the year ending December 31, 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 (Yen)
	(Millions of yen)	(%)	(Millions of yen)	(%)							
Year ending December 31, 2020	–	–	–	–	–	–	–	–	–	–	–

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

The consolidated earnings forecast for the year ending December 31, 2020 has been withdrawn as the Company has judged that it is difficult to estimate financial results currently. Going forward, the Company will announce the forecast once it is formulated after considering the impacts of COVID-19 and other risk factors.

*** 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: | None |
| b. Changes in accounting policies due to other reasons: | None |
| c. Changes in accounting estimates: | None |
- (3) Number of issued shares (ordinary shares)
- | | |
|---|--------------------|
| a. Total number of issued shares at the end of the period (including treasury shares) | |
| As at June 30, 2020 | 309,000,000 shares |
| As at December 31, 2019 | 309,000,000 shares |
| b. Number of treasury shares at the end of the period | |
| As at June 30, 2020 | 3 shares |
| As at December 31, 2019 | 3 shares |
| c. Average number of outstanding shares during the period (cumulative from the beginning of the year) | |
| Six months ended June 30, 2020 | 308,999,997 shares |
| Six months ended June 30, 2019 | 309,000,000 shares |

*** Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecast, and other special matters**

The earnings forecast contained in these materials are based on our judgment attributable to information available to the Company and the Group as of the date of announcement of these materials, and include certain risks and uncertainties. These statements are not intended as a promise by the Company to achieve such results. Actual business results may differ substantially due to various factors such as economic situation surrounding the Company and the Group, market trend, exchange rates and other factors.

Attached Materials

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1. Qualitative Information Regarding Settlement of Accounts for the First Six Months

(1) Operating results

Suntory Beverage & Food Limited Group (the Group), based on the philosophy of enriching consumers' lives by proposing premium and unique products that match the tastes and needs of consumers, put effort into brand reinforcement and new demand creation, and worked to improve the quality of products. In addition, the Group worked to strengthen profitability in each area.

However, the impact of the novel coronavirus disease (COVID-19) currently spreading globally has greatly changed the environment of each major country. The effect on businesses of the Group both in Japan and overseas became severe from March onwards. In particular, the effect of lockdowns and requests for voluntary business shutdowns issued by each major country from April through May pushed down revenue. Following the lifting of lockdowns and requests for voluntary business shutdowns in June, human activity increased and the Group's businesses are on a recovery track, but a growing number of infected cases is being reported again in some countries. We will keep an eye on the situation going forward. On the other hand, in terms of profit, we reduced costs, rescheduled investment in marketing expenses and engaged in other productivity initiatives, but profit decreased due to the impact of a decrease in sales.

As a result of the above, for the operating results of the first six months of the year ending December 31, 2020, the Group reported consolidated revenue of ¥552.5 billion, down 12.0% year on year. Consolidated operating income was ¥35.7 billion, down 29.8% year on year. Profit for the period attributable to owners of the Company was ¥20.9 billion, down 34.1% 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, but sales volume dropped year on year, despite outperforming the overall beverage market, due to the effects of COVID-19. Sales volume for the *Suntory Tennensui* brand as a whole decreased only slightly year on year with growing demand for large formats for stockpiling at home and the renewal of *Suntory Tennensui Sparkling Lemon* being contributing factors. For the *BOSS* brand, despite an active rollout of marketing activities and our efforts to revitalize the market through the new launch of *Craft BOSS LEMON TEA*, sales volume for the *BOSS* brand as a whole was lower year on year. In the sugar-free tea category, we carried out the most significant renewal of the *Iyemon* brand since launch in April, with the aim of creating a bottled green tea that allows customers to enjoy "green tea that is like freshly brewed tea." As a result of this, sales volume for the brand as a whole increased year on year. The overall sales volume for the *GREEN DAKARA* brand increased year on year with *Green DAKARA Yasashii Mugicha* remaining strong.

In terms of profit, we undertook initiatives to reduce the cost of ingredients, carried out cost-cutting activities, and also worked to improve efficiency in the use of marketing expenses, but the decline in sales volume and the change of channel mix impacted negatively.

As a result, the Japan business reported revenue of ¥298.7 billion, down 11.1% year on year, and segment profit of ¥11.1 billion, down 51.2% year on year.

< Europe business >

In France, sales volume for the core brands *Orangina* and *Oasis* posted a year-on-year decline due to the impact of COVID-19 from March onwards. In the UK, the *Lucozade Energy* brand recorded a strong performance, but the self-restraint in relation to sporting activity had a significant impact, and *Lucozade Sport* brand sales volume declined year on year. In Spain, sales volume for the core *Schwepes* brand was firm in the off-premise channel, but down year on year in the on-premise

channel due to the significant impact of the lockdown.

In terms of profit, despite the contributions from working to improve efficiency in the use of marketing expenses and reducing the cost of ingredients, profit declined due to the impact of the decrease in sales.

As a result, the Europe business reported revenue of ¥87.7 billion, down 21.1% year on year, and segment profit of ¥10.5 billion, down 28.2% year on year.

< Asia business >

In the beverage business, sales slightly decreased year on year both in Vietnam and Thailand due to the impact of COVID-19, but currently are on a recovery track.

Regarding the health supplement business, the Group promoted its initiatives for mainstay product *BRAND'S Essence of Chicken* in Thailand, but sales of *BRAND'S Bird's Nest* struggled due to a decline in tourists from China, resulting in a year-on-year drop.

As a result, the Asia business reported revenue of ¥104.5 billion, down 9.3% year on year. Segment profit was ¥14.7 billion, up 15.5% year on 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 in the fresh coffee business. However, sales declined year on year due to the impact of COVID-19.

As a result, the Oceania business reported revenue of ¥23.1 billion, down 9.2% year on year, and segment profit of ¥1.9 billion, down 25.4% 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, but sales declined year on year due to the impact of COVID-19.

As a result, the Americas business reported revenue of ¥38.6 billion, down 3.4% year on year, and segment profit of ¥2.9 billion, down 22.1% year on year.

(2) Financial position

Total assets as of June 30, 2020 stood at ¥1,603.1 billion, an increase of ¥35.8 billion compared to December 31, 2019. The main factors were increases in cash and cash equivalents, and trade and other receivables.

Total liabilities stood at ¥774.3 billion, an increase of ¥44.5 billion compared to December 31, 2019. This was due in part to an increase in bonds and borrowings.

Total equity stood at ¥828.9 billion, a decrease of ¥8.7 billion compared to December 31, 2019, due in part to a decrease in other components of equity.

(3) Analysis of cash flows

Cash and cash equivalents as at June 30, 2020 amounted to ¥183.3 billion, an increase of ¥39.7 billion compared to December 31, 2019.

Net cash inflow from operating activities was ¥43.9 billion, a decrease of ¥8.0 billion compared to the same period of the previous year. This was mainly the result of an increase in trade and other receivables of ¥13.2 billion, and an increase in inventories of ¥10.4 billion, despite profit before tax for the period of ¥35.1 billion, and depreciation and amortization of ¥35.3 billion.

Net cash outflow from investing activities was ¥30.7 billion, a decrease of ¥0.2 billion compared to the same period of the previous year. This was mainly the result of the payments for property, plant and equipment and intangible assets of ¥31.1 billion.

Net cash inflow from financing activities was ¥28.9 billion, an increase of ¥92.8 billion compared to the same period of the previous year. This was mainly the result of an increase in short-term

borrowings and commercial paper of ¥53.0 billion and proceeds from long-term borrowings of ¥30.0 billion.

(4) Consolidated earnings forecast and other forward-looking statements

The impact of COVID-19 currently spreading globally has greatly changed the business environment of each major country, and the effect on businesses of the Group both in Japan and overseas became severe from March onwards.

Although business has been on a recovery trend, with increased human activity since June as a result of the lifting of lockdowns and of requests to refrain from business operations, we cannot rule out further impacts due to the risk of COVID-19, unfavorable weather and other uncertainties.

As a result, the consolidated earnings forecast for the year ending December 31, 2020 has been withdrawn as the Company has judged that it is difficult to estimate financial results currently.

Going forward, the Company will announce the forecast once it is formulated after considering these impacts.

Revision to the consolidated earnings forecast for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

	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)
Previous forecast (A)	1,338,000	117,000	115,500	83,000	70,000	226.54
Revised forecast (B)	–	–	–	–	–	–
Change in amount (B–A)	–	–	–	–	–	–
Change (%)	–	–	–	–	–	–
(Reference) Actual results for the year ended December 31, 2019	1,299,385	113,948	112,186	80,080	68,888	222.94

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto (Unaudited)

(1) Condensed quarterly consolidated statement of financial position

		Millions of yen	
		As at December 31, 2019	As at June 30, 2020
Assets			
Current assets:			
Cash and cash equivalents		143,564	183,288
Trade and other receivables		191,240	201,493
Other financial assets		6,200	1,814
Inventories		84,916	93,769
Other current assets		20,287	25,295
	Subtotal	446,210	505,660
Assets held for sale		104	0
Total current assets		446,314	505,660
Non-current assets:			
Property, plant and equipment		372,036	364,076
Right-of-use assets		47,446	49,190
Goodwill		247,851	245,016
Intangible assets		411,374	393,424
Investments accounted for using the equity method		1,107	921
Other financial assets		17,162	17,000
Deferred tax assets		14,428	17,152
Other non-current assets		9,575	10,704
Total non-current assets		1,120,984	1,097,486
Total assets		1,567,299	1,603,147

Millions of yen

	As at December 31, 2019	As at June 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	74,652	108,525
Trade and other payables	322,455	319,333
Other financial liabilities	38,444	41,065
Accrued income taxes	18,815	16,292
Provisions	1,511	1,690
Other current liabilities	6,026	7,579
Total current liabilities	461,905	494,486
Non-current liabilities:		
Bonds and borrowings	132,716	144,090
Other financial liabilities	45,752	48,071
Post-employment benefit liabilities	15,405	15,846
Provisions	2,557	2,210
Deferred tax liabilities	65,835	64,007
Other non-current liabilities	5,561	5,547
Total non-current liabilities	267,828	279,773
Total liabilities	729,733	774,260
Equity		
Share capital	168,384	168,384
Share premium	182,349	182,431
Retained earnings	464,705	473,573
Treasury shares	(0)	(0)
Other components of equity	(58,870)	(77,942)
Total equity attributable to owners of the Company	756,568	746,446
Non-controlling interests	80,997	82,440
Total equity	837,565	828,887
Total liabilities and equity	1,567,299	1,603,147

(2) Condensed quarterly consolidated statement of profit or loss

Millions of yen

	Six months ended June 30, 2019	Six months ended June 30, 2020
Revenue	627,770	552,529
Cost of sales	<u>(368,589)</u>	<u>(327,330)</u>
Gross profit	259,180	225,199
Selling, general and administrative expenses	(206,778)	(188,639)
Gain on investments accounted for using the equity method	(7)	(83)
Other income	876	1,520
Other expenses	<u>(2,370)</u>	<u>(2,284)</u>
Operating income	50,900	35,712
Finance income	738	587
Finance costs	<u>(1,716)</u>	<u>(1,186)</u>
Profit before tax for the period	49,922	35,113
Income tax expense	<u>(12,625)</u>	<u>(8,555)</u>
Profit for the period	<u><u>37,296</u></u>	<u><u>26,558</u></u>
Attributable to:		
Owners of the Company	31,770	20,922
Non-controlling interests	<u>5,525</u>	<u>5,635</u>
Profit for the period	<u><u>37,296</u></u>	<u><u>26,558</u></u>
Earnings per share (Yen)	102.82	67.71

(3) Condensed quarterly consolidated statement of comprehensive income

Millions of yen

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit for the period	37,296	26,558
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Changes in the fair value of financial assets	219	(691)
Remeasurement of post-employment benefit plans	(478)	(81)
Total	(259)	(773)
Items that may be reclassified to profit or loss:		
Translation adjustments of foreign operations	(13,886)	(19,906)
Changes in the fair value of cash flow hedges	(219)	(161)
Changes in comprehensive income of investments accounted for using the equity method	(11)	(51)
Total	(14,117)	(20,118)
Other comprehensive income for the period, net of tax	(14,376)	(20,891)
Comprehensive income for the period	22,919	5,666
Attributable to:		
Owners of the Company	18,438	1,846
Non-controlling interests	4,481	3,819
Comprehensive income for the period	22,919	5,666

(4) Condensed quarterly consolidated statement of changes in equity

Six months ended June 30, 2019

Millions of yen

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity			
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 period			31,770			31,770	5,525	37,296
Other comprehensive income					(13,332)	(13,332)	(1,044)	(14,376)
Total comprehensive income for the period	–	–	31,770	–	(13,332)	18,438	4,481	22,919
Dividends			(12,051)			(12,051)	(2,818)	(14,869)
Transactions with non-controlling interests						–	(2)	(2)
Reclassification to retained earnings			(12)		12	–		–
Total transactions with owners of the Company	–	–	(12,063)	–	12	(12,051)	(2,821)	(14,872)
Balance at June 30, 2019	<u>168,384</u>	<u>182,349</u>	<u>439,634</u>	<u>–</u>	<u>(69,868)</u>	<u>720,499</u>	<u>85,548</u>	<u>806,048</u>

Six months ended June 30, 2020

Millions of yen

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity			
Balance at January 1, 2020	168,384	182,349	464,705	(0)	(58,870)	756,568	80,997	837,565
Profit for the period			20,922			20,922	5,635	26,558
Other comprehensive income					(19,075)	(19,075)	(1,816)	(20,891)
Total comprehensive income for the period	–	–	20,922	–	(19,075)	1,846	3,819	5,666
Dividends			(12,050)			(12,050)	(2,320)	(14,371)
Transactions with non-controlling interests		82				82	(54)	27
Reclassification to retained earnings			(3)		3	–		–
Total transactions with owners of the Company	–	82	(12,054)	–	3	(11,968)	(2,375)	(14,344)
Balance at June 30, 2020	<u>168,384</u>	<u>182,431</u>	<u>473,573</u>	<u>(0)</u>	<u>(77,942)</u>	<u>746,446</u>	<u>82,440</u>	<u>828,887</u>

(5) Condensed quarterly consolidated statement of cash flows

	Millions of yen	
	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit before tax for the period	49,922	35,113
Depreciation and amortization	35,605	35,311
Impairment losses (reversal of impairment losses)	(6)	170
Interest and dividends income	(695)	(576)
Interest expense	1,345	1,127
Loss (gain) on investments accounted for using the equity method	7	83
Decrease (increase) in inventories	(14,006)	(10,420)
Decrease (increase) in trade and other receivables	(39,921)	(13,231)
Increase (decrease) in trade and other payables	36,603	6,730
Other	(2,392)	2,565
Subtotal	66,461	56,874
Interest and dividends received	650	633
Interest paid	(1,270)	(1,311)
Income tax paid	(13,974)	(12,297)
Net cash inflow (outflow) from operating activities	51,866	43,897
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(29,803)	(31,138)
Proceeds on sale of property, plant and equipment and intangible assets	55	154
Payments for purchase of shares of subsidiaries	(900)	–
Other	(232)	321
Net cash inflow (outflow) from investing activities	(30,880)	(30,662)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	11,011	52,959
Proceeds from long-term borrowings	–	30,000
Repayments of long-term borrowings	(27,331)	(32,194)
Redemption of bonds	(25,000)	–
Payments of lease liabilities	(7,568)	(6,864)
Dividends paid to owners of the Company	(12,051)	(12,050)
Dividends paid to non-controlling interests	(2,818)	(2,979)
Other	(136)	–
Net cash inflow (outflow) from financing activities	(63,894)	28,869
Net increase (decrease) in cash and cash equivalents	(42,908)	42,104
Cash and cash equivalents at the beginning of the period	146,535	143,564
Effects of exchange rate changes on cash and cash equivalents	(300)	(2,381)
Cash and cash equivalents at the end of the period	103,326	183,288

(6) Notes to condensed quarterly consolidated financial statements

(Going concern)

The condensed quarterly consolidated financial statements are prepared on going concern basis.