

Suntory Holdings Limited

August 6, 2019

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 [IFRS] (English Translation, UNAUDITED)

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(Fractions of millions have been truncated)

1. Consolidated operating results and financial positions for the six months of the current fiscal year (January 1, 2019 - June 30, 2019)

(1) Operating results (% figures represent change from the same period of the previous fiscal year)

	Revenue (including excise taxes)		Revenue (excluding excise taxes)		Operating income		Profit before income taxes		Profit for the period		Profit attributable to owners of the Company	
	¥million	%	¥million	%	¥million	%	¥million	%	¥million	%	¥million	%
Six months ended												
June 30, 2019	1,230,954	3.5	1,101,939	3.5	117,801	(4.3)	108,453	(6.5)	78,459	(18.2)	60,075	(19.7)
June 30, 2018	1,189,390	3.3	1,065,179	3.7	123,132	5.0	115,944	11.2	95,861	31.8	74,792	36.9

Reference: Adjusted operating income for the fiscal year ending June 30, 2019 120,207¥million 8.0%

Adjusted operating income for the fiscal year ending June 30, 2018 111,255¥million (6.5)%

Adjusted operating income was calculated as operating income excluding non-recurring items.

	Basic earnings per share	Diluted earnings per share
Six months ended	¥	¥
June 30, 2019	87 .60	-
June 30, 2018	109 .08	-

(2) Financial positions

	Total assets	Total equity	Equity attributable to owners of the Company	Equity attributable to owners of the Company ratio
As of	¥million	¥million	¥million	%
June 30, 2019	4,372,203	1,654,281	1,271,680	29.1
December 31, 2018	4,421,864	1,651,689	1,272,770	28.8

2. Consolidated earnings forecast for the fiscal year ending December 31, 2019 (January 1, 2019 - December 31, 2019)

	Revenue (including excise taxes)		Revenue (excluding excise taxes)		Operating income		Profit before income taxes		Profit attributable to owners of the Company		Basic earnings per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥million	%	¥
Fiscal year ended											
December 31, 2019	2,570,000	2.1	2,300,000	2.2	251,000	0.1	230,000	(1.0)	123,000	(12.2)	179 .36

Reference: Adjusted operating income for the fiscal year ending December 31, 2019 254,000¥million 1.2%

Operating Results

1. Overview of the Six-Month Period Ended June 30, 2019

The Suntory Group has actively expanded business in each of three segments, “Beverages and foods,” “Alcoholic Beverages,” and “Others,” both domestically and abroad. In the first six months of the fiscal year under review, revenue (excluding excise taxes) grew by 3.5% over the same period of the previous year to 1.1019 trillion yen, while revenue (including excise taxes) came to 1.2310 trillion yen, an increase of 3.5% from the same period of the previous year. Operating income fell by 4.3% to 117.8 billion yen, and profit attributable to owners of the Company was 60.1 billion yen, down 19.7% over the same period of the previous year. Although operating income decreased, adjusted operating income excluding last year’s gains from the sales of food and instant coffee business increased year on year.

< Beverages and Foods Segment >

Suntory Beverage & Food Limited focused on strengthening brands and creating new demand with the aim of proposing unique, high-quality products that capture the customer's tastes and needs to further enrich customer lifestyles, as well as on improving product quality. The company also took steps to enhance profitability in each area.

In Japan, the company aimed to create new demand by strengthening core brands, mainly in the categories of water, coffee, and sugar-free tea, resulting in sales volume exceeding the level of the same period of the previous year. In the *Suntory Tennensui* brand, the *Suntory Minami-Alps Sparkling* series exceeded previous-year levels, but due in part to the impact of price revisions for large PET bottle products, the sales volume for the brand as a whole fell year on year. In the *BOSS* brand, in addition to actively expanding marketing activities for canned coffee, we grew the *Craft BOSS* series, with such products as the *Craft Boss TEA Non-Sugar*, launched in March, and the sales volume for the brand as a whole recorded year-on-year growth. In the sugar-free tea category, the sales volume of *Green DAKARA Yasashii Mugicha* increased substantially.

In France, sales volume for the flagship *Orangina* brand fell slightly below previous-year levels, having been hit by the market slowdown. *Oasis* sales volume also fell year on year. In the United Kingdom, the sales volume for *Lucozade* significantly exceeded the level of the same period of the previous year. In Spain, sales declined year on year as a result of difficulties in the on-premise channel, but sales volume for the flagship *Schweppes* brand posted year-on-year growth due to expansion in volume in the off-premise channel.

In Vietnam, sales of the *Sting* energy drink and of *TEA+* drove growth in sales over the previous year. Suntory PepsiCo Beverage (Thailand) Company Limited, which began

operations in Thailand in March 2018, performed well with its flagship *PEPSI* brand. In Thailand and Vietnam, we launched the *goodmood* flavored water, which has been well received in Indonesia. In the Asian health food business, sales fell short of where they were in the same period of the previous year despite stronger marketing efforts for *BRAND'S Essence of Chicken* and others mainly in the core market of Thailand.

In New Zealand and Australia, we strengthened marketing efforts for energy drinks, such as *V*, while working to bolster the *Amplify* fermented tea beverage (kombucha) brand.

In the United States, in addition to further strengthening sales of flagship carbonated beverage brands, we also focused on the growing category of non-carbonated drinks, such as water and coffee beverages.

As a result of the above, revenue for the Beverages and Foods Segment increased 2.3% year on year to 624.3 billion yen, while operating income fell by 8.1% to 61.2 billion yen.

<Alcoholic Beverages Segment> The revenue figures for the Alcoholic Beverages Segment exclude excise taxes.

Comparable revenue for Beam Suntory Inc., excluding the impact of currency and the sale of businesses, increased at a mid-single-digit rate over the same period of the previous year. Results were driven by mid-single-digit sales growth in the United States and Japan, high-single-digit sales growth in EMEA and Asia Pacific markets, and double-digit gains in India, China, Southeast Asia and Mexico. Consumer demand for bourbon continued its momentum, as *Jim Beam* grew case volumes globally at a mid-single-digit rate and *Maker's Mark* rose at a high-single-digit rate. Reflecting the company's strategic focus on premiumization, super-premium bourbons, as well as brands including Hornitos tequila, Sipsmith and Roku gins, and Toki Japanese whisky grew case volumes at double-digit rates. Recent innovations that reflect the company's unique East-Meets-West competitive advantage, including *LEGENT* bourbon, developed in the United States and Japan, performed very well. The company's Japan business (Suntory Spirits Limited) recorded 5% year-on-year sales growth. Whiskies delivered strong growth, centered on strategic brands *Kakubin*, *Jim Beam*, *Torys*, and *Maker's Mark*. RTD beverage sales grew volume by 12% year on year, due to strong consumer demand for the newly launched canned *Kodawari Sakaba no Lemon Sour*, in addition to the expansion of *-196°C Strong Zero* and other canned highball products, which have been favorably received as drinks to be enjoyed with meals. Also, with the aim of creating new demand, the company launched such products as *SUNTORY WORLD WHISKY Ao*, Japanese craft vodka *HAKU*, and Japanese craft liqueur *Kanade*.

With the overall beer-type beverage market*¹ estimated to be falling by around 3% year on year, Suntory Beer Limited's sales volume was 33.06 million cases*², up 1% year on year. The company's beer category drinks, excluding alcohol-free beer-type beverages, rose 2% year on year to 30.15 million cases, reaching a record-high sales volume for the first half of the year.

The overall beer category market in Japan is projected to be declining by around 4% year on year, but our sales volumes for beer were unchanged year on year at 9.31 million cases. The flagship *Premium Malt's* brand rose 5% year on year to 7.76 million cases, a record high for sales volumes in the first half of the year. We focused on the foam, a unique characteristic of beer, by developing the promotion for "KAMIWA," which can be enjoyed at home, when dining out, or even while sitting on the Shinkansen, and giving consumers the opportunity to experience high-quality "KAMIWA."

With the markets for new-genre products estimated to have risen by around 1% over previous-year levels, the company's new-genre sales volume rose 3% year on year to 20.83 million cases, which was a record high for sales volume in the first half of the year. In addition to the renewal of existing products in the flagship *Kinmugi* brand, the new *Kinmugi Gold Lager* contributed to a rise of 11% year on year to 18.18 million cases, achieving a record-high sales volume for the first half of the year.

Sales volume for the *All-Free* brand fell 6% year on year to 2.89 million cases. We implemented active marketing activities aimed at further revitalizing the market, such as by launching a new cask product for use by all restaurants nationwide, a first in Japan*³.

*1. Beer, including alcohol-free beer-type beverages, on a volume basis

*2. Converted to large bottles (1 case = 633ml × 20 bottles)

*3. As of February 2019 Suntory survey of major beer manufacturers

Suntory Wine International Limited's revenue rose 2% year on year. In domestic wine, products such as *Sankaboshizai Mutenka no Oishii Wine* performed strongly, with a 6% year-on-year increase in sales volume, outperforming the market. Imported wine was helped by the Japan-EU EPA taking effect in February, with strength in European wines such as *Freixenet* and *Baron de Lestac*.

As a result of the above, revenue (excluding excise taxes) for the Alcoholic Beverages Segment was 364.0 billion yen, up 4.3% year on year, revenue (including excise taxes) came to 493.0 billion yen (up 4.2% year on year), and operating income was 64.1 billion yen (up 2.7% year on year).

<Other Segment>

For Suntory Wellness Limited, the *Sesamin* series, *F.A.G.E.* and other products were strong, leading to revenue growing 8% year on year. Revenue in the restaurant businesses, including DYNAC HOLDINGS CORPORATION and PRONTO CORPORATION, also grew.

Revenue for the Other Segment was 113.7 billion yen, up 7.3% year on year, and operating income was 14.0 billion, down 0.2% year on year.

Additionally, the breakdown between domestic and overseas revenues was as follows.

Revenue (excluding excise taxes)

Domestic: 631.3 billion yen (up 2.2% year on year) Overseas: 470.6 billion yen (up 5.2% year on year)

Overseas ratio: 42.7%

Revenue (including excise taxes)

Domestic: 723.9 billion yen (up 2.3% year on year) Overseas: 507.1 billion yen (up 5.3% year on year)

Overseas ratio: 41.2%

Since our very inception, Suntory has aggressively pursued its interests while also putting forth initiatives to contribute to culture and society and implement environmental activities based on Suntory's founding spirit of "Sharing the Profit with Society." In addition, we have made the promise to stakeholders of "Mizu To Ikiru" (literally "living with water"), and aims to develop various activities while maintaining a harmonious coexistence between society and nature.

As for environmental activities, in order to help achieve a sustainable society the Suntory Group has provided strong leadership for the transformation to a recycling-oriented and zero-carbon society by formulating a "Plastic Policy." We aim to switch all the PET bottles used globally for Suntory products to be made of recycled or plant-based material by 2030, achieving zero use of virgin petroleum-based materials. Through initiatives such as the use of lighter packaging materials as well as the use of FtoP Direct Recycle Technology^{*4}, the first of its kind in the domestic beverage industry, the Group will continue its activities to reduce the burden on the environment.

Based on the Suntory Group's Sustainable Water Philosophy, the Suntory Natural Water Sanctuaries are now present at 21 locations in 15 prefectures nationwide, with a total space of approximately 12,000 hectares, and enabling us to achieve the goal of "cultivating water more than double the amount of groundwater pumped up in the Suntory Group's plants in Japan"

one year ahead of schedule. In recognition of our efforts to save water and manage water quality, partnerships with stakeholders, and appropriate disclosure of information, the Suntory Okudaisen Bunanomori Water Plant obtained Alliance for Water Stewardship certification^{*5}, a first in Japan. We are also promoting activities globally that address local topics, such as the “Mizuiku” education program on water for the next generation in Vietnam, and water source conservation activities in the United States and France.

In order to promote a decarbonized society and to address climate change, we are reducing carbon emissions through the introduction of the latest energy-saving technologies and the use of renewable energy at our facilities as well as in our operations throughout the value chain.

We are also actively involved in support for reconstruction. Our reconstruction support activities for the Great East Japan Earthquake have now reached a cumulative total of around 10.8 billion yen, while the same activities for the Kumamoto Earthquake have reached a cumulative total of 400 million yen, and are still ongoing.

*4. A technology in which “flake” created by pulverizing and washing recovered PET bottles is treated at high temperature in a vacuum for a fixed period and which, after being melted and filtered, can be used to manufacture the preform directly.

*5. A certification related to sustainable water use applying to production plants around the world. The purpose is to promote water conservation and stewardship.

2. Full-Year Forecast

For the fiscal year ending December 31, 2019, the Group is forecasting revenue (excluding excise taxes) of 2.3 trillion yen (up 2.2% year on year), revenue (including excise taxes) of 2.57 trillion yen (up 2.1% year on year), operating income of 251 billion yen (up 0.1% year on year), and profit attributable to owners of the Company of 123 billion yen (down 12.2% year on year). (There are no changes to the results forecasts announced on February 15, 2019.)

Consolidated statement of financial position

(Millions of yen)

	As at December 31, 2018	As at June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	272,425	165,708
Trade and other receivables	405,556	426,633
Other financial assets	3,671	8,492
Inventories	415,841	446,154
Other current assets	68,231	56,105
Subtotal	1,165,726	1,103,094
Assets held for sale	27	13
Total current assets	1,165,753	1,103,107
Non-current assets:		
Property, plant and equipment	696,103	680,840
Right-of-use assets	-	101,412
Goodwill	867,986	846,558
Intangible assets	1,422,962	1,378,832
Investments accounted for using the equity method	42,411	41,628
Other financial assets	120,483	121,945
Deferred tax assets	71,300	69,736
Other non-current assets	34,861	28,142
Total non-current assets	3,256,110	3,269,096
Total assets	4,421,864	4,372,203

(Millions of yen)

	As at December 31, 2018	As at June 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	243,396	159,976
Trade and other payables	529,616	564,466
Other financial liabilities	98,190	90,654
Accrued income taxes	24,499	31,540
Provisions	16,490	16,675
Other current liabilities	84,765	84,548
Total current liabilities	996,959	947,862
Non-current liabilities:		
Bonds and borrowings	1,348,629	1,292,914
Other financial liabilities	66,286	136,110
Post-employment benefit liabilities	40,670	40,712
Provisions	7,190	7,178
Deferred tax liabilities	288,542	279,321
Other non-current liabilities	21,895	13,823
Total non-current liabilities	1,773,215	1,770,059
Total liabilities	2,770,175	2,717,922
Equity		
Share capital	70,000	70,000
Share premium	133,944	133,944
Retained earnings	1,198,492	1,248,577
Treasury shares	(938)	(938)
Other components of equity	(128,728)	(179,902)
Total equity attributable to owners of the Company	1,272,770	1,271,680
Non-controlling interests	378,918	382,601
Total equity	1,651,689	1,654,281
Total liabilities and equity	4,421,864	4,372,203

Consolidated statement of profit or loss

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Revenue (including excise taxes)	1,189,390	1,230,954
Less: excise taxes	(124,210)	(129,014)
Revenue (excluding excise taxes)	1,065,179	1,101,939
Cost of sales	(550,380)	(574,479)
Gross profit	514,799	527,459
Selling, general and administrative expenses	(405,797)	(409,577)
Gain on investments accounted for using the equity method	2,876	3,790
Other income	15,163	1,713
Other expenses	(3,909)	(5,585)
Operating income	123,132	117,801
Finance income	5,103	2,867
Finance costs	(12,291)	(12,215)
Profit before income taxes	115,944	108,453
Income tax expenses	(20,083)	(29,994)
Profit for the period	95,861	78,459
Attributable to:		
Owners of the Company	74,792	60,075
Non-controlling interests	21,068	18,383
Profit for the period	95,861	78,459
Earnings per share (Yen)	109.08	87.60

Reconciliation from operating income to adjusted operating income

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Operating income	123,132	117,801
Restructuring charges	707	2,105
Gain on disposals of shares in subsidiaries and associates	(12,173)	(163)
Other	(410)	463
Total	(11,876)	2,405
Adjusted operating income	111,255	120,207

Segment Information

(1) Overview of reportable segments

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 applies a holding company structure and operating companies have been established by product or service. The management of each operating company focuses on the type of products and services delivered or provided when establishing its own strategy for domestic and international operations. Therefore, the Group determined and identified “Beverages and foods” and “Alcoholic Beverages” as a reportable segment based on the types of products and services delivered or provided. The classification of the Group’s primary products and services have been defined as below.

Reportable segment	Primary products
Beverages and foods	Non-alcoholic beverages, healthy drinks, processed foods, other products
Alcoholic Beverages	Spirits, beer, wine and other alcoholic beverages
Others	Healthy foods, ice cream, restaurants, flowers, operations in China and other operations

(2) Profit or loss for each reportable segment

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

Six months ended June 30, 2018

(Millions of yen)

	Reportable segment			Segment total	Reconciliations *2	Consolidated *1
	Beverages and foods	Alcoholic Beverages	Others			
Revenue (including excise taxes)	610,199	473,280	105,910	1,189,390	-	1,189,390
Revenue (excluding excise taxes)						
External customers	610,199	349,070	105,910	1,065,179	-	1,065,179
Intersegment	3,663	2,104	5,525	11,293	(11,293)	-
Total revenue	613,863	351,174	111,435	1,076,473	(11,293)	1,065,179
Segment profit (loss)	66,533	62,427	14,033	142,993	(19,861)	123,132

(Note) *1. Segment profit agrees with operating income presented in the consolidated statement of profit or loss.

*2. “Reconciliations” to segment profit or loss represent overhead costs incurred by the Company to manage the Group’s operations and are not allocated to the reportable segments.

Six months ended June 30, 2019

(Millions of yen)

	Reportable segment			Segment total	Reconciliations *2	Consolidated *1
	Beverages and foods	Alcoholic Beverages	Others			
Revenue (including excise taxes)	624,259	493,017	113,677	1,230,954	-	1,230,954
Revenue (excluding excise taxes)						
External customers	624,259	364,002	113,677	1,101,939	-	1,101,939
Intersegment	3,510	2,397	5,393	11,302	(11,302)	-
Total revenue	627,770	366,400	119,071	1,113,241	(11,302)	1,101,939
Segment profit (loss)	61,174	64,137	14,001	139,313	(21,511)	117,801

(Note) *1. Segment profit agrees with operating income presented in the consolidated statement of profit or loss.

*2. “Reconciliations” to segment profit or loss represent overhead costs incurred by the Company to manage the Group’s operations and are not allocated to the reportable segments.