

Suntory Holdings Limited

August 6, 2020

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 [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, 2020 - June 30, 2020)

(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, 2020	1,105,324	(10.2)	984,554	(10.7)	94,572	(19.7)	87,024	(19.8)	57,174	(27.1)	45,236	(24.7)
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)

Reference: Adjusted operating income for the fiscal year ending June 30, 2020 95,563¥million (20.5)%

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

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, 2020	65 .97	—
June 30, 2019	87 .60	—

(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, 2020	4,565,859	1,760,499	1,370,192	30.0
December 31, 2019	4,516,779	1,793,887	1,398,534	31.0

2. Consolidated earnings forecast for the fiscal year ending December 31, 2020 (January 1, 2020 - December 31, 2020)

	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, 2020	—	—	—	—	—	—	—	—	—	—	—

Reference: Adjusted operating income for the fiscal year ending December 31, 2020 —¥million —%

(Note) Change in consolidated earnings forecast during the period: Yes

* Due to the current difficulty of reasonably estimating the impact of the spread of novel coronavirus infectious disease (COVID-19), the consolidated earnings forecast announced on February 14, 2020 have been withdrawn, and new forecasts have yet to be determined.

Operating Results

1. Overview of the Six-Month Period Ended June 30, 2020

The Suntory Group has actively expanded business in each of three segments, “Beverages and foods,” “Alcoholic beverages,” and “Others,” both domestically and abroad. The first six months of the fiscal year under review were affected by factors such as self-restraint in going out following the spread of novel coronavirus infectious disease (COVID-19). Revenue (excluding excise taxes) fell by 10.7% over the same period of the previous year to 984.6 billion yen, while revenue (including excise taxes) came to 1.1053 trillion yen, a decrease of 10.2% from the same period of the previous year. Operating income fell by 19.7% to 94.6 billion yen, and profit attributable to owners of the Company was 45.2 billion yen, down 24.7% over the same period of the previous 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. However, the business environment in major nations has changed significantly due to the impact of the COVID-19 pandemic, and this has had a considerable effect on the business of the Suntory Group both domestically and abroad since March.

In Japan, the company aimed to create new demand by strengthening core brands, mainly in the categories of water, coffee, and sugar-free tea, but although sales volume outpaced the trend for soft drink market as a whole, it fell below the level of the same period of the previous year. In the *Suntory Tennensui* brand, due to factors such as an increase in demand for large volumes, the renewal of *Suntory Tennensui Sparkling Lemon*, sales volume for the brand as a whole posted only a small decline from the same period of the previous year. In the *BOSS* brand, we actively expanded marketing activities, and launched the new *Craft BOSS Lemon Tea* product with the aim of stimulating the market, but sales volume for the brand as a whole recorded a year-on-year decline. In the sugar-free tea category, in April we carried out the most significant renewal of the *Iyemon* brand since launch, with the aim of creating a bottled beverage that allows customers to enjoy “a green tea that tastes freshly brewed.” As a result, sales volume for the brand as a whole increased year on year. In the *Green*

DAKARA brand, *Green DAKARA Yasashii Mugicha* maintained its favorable performance, and sales volume for the brand as a whole exceeded the levels of the previous year.

In Europe, sales volumes for core brands *Orangina* and *Oasis* fell below previous-year levels in France. In the United Kingdom, *Lucozade* energy turned in a strong performance. However, the impact of self-restraint in respect to sporting events was significant, and the sales volume fell below the level of the same period of the previous year. In Spain, the sales volume for the flagship Schweppes brand recorded a year-on-year decline.

In Asia, sales in the soft drinks business declined from the same period of the previous year in both Vietnam and Thailand. In the health food business, in Thailand we promoted initiatives to support the flagship *BRAND'S Essence of Chicken*. However, *BRAND'S Bird's Nest* continued to struggle due to the decline in tourists from China, and sales declined year on year.

In Oceania, we worked to strengthen marketing for energy drinks including *V* in the soft drinks business, and continued efforts to reinforce the flagship brands in the fresh coffee business. Despite these efforts, sales declined from the same period of the previous year.

In the Americas, 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, but sales declined year on year.

As a result of the above, revenue for the Beverages and Foods Segment decreased 11.9% year on year to 550.1 billion yen, while operating income fell by 25.7% to 45.4 billion yen.

<Alcoholic beverages Segment>

The revenue figures for the Alcoholic beverages Segment exclude excise taxes.

Comparable revenue for spirits business, decreased by 4% over the same period of the previous year. Sales in the off-premise channel exceeded those of the previous year, but sales in the on-premise channel fell short of the previous year's level. In addition to *Jim Beam* bourbon whiskey, Japanese craft gin *ROKU*, and *Hornitos* tequila performed well.

In Japan, the spirits business recorded 4% year-on-year sales growth. In the whiskies category, major brands *Torys* and *Maker's Mark* delivered strong growth. RTD beverage sales volume grew by 20% year on year, due to favorable performance of

Horoyoi, *Kodawari Sakaba no Lemon Sour*, and canned highball products. The company also launched new Japanese gin *Sui*, which is mixed with soda to enjoy with meals, to create new demand.

With the overall beer-type beverage market*¹ in Japan estimated to be falling by around 9% year on year, beer business's sales volume was 30.25 million cases*², down 8% year on year. The company's beer category drinks, excluding alcohol-free beer-type beverages, fell 11% year on year to 26.84 million cases.

Sales volume for flagship brand *The Premium Malt's* decreased by 31% year on year to 5.37 million cases. In addition to simultaneously revamping *The Premium Malt's* and *The Premium Malt's Kaoru Ale* in pursuit of further improvements in flavor and foam quality, we continued promotions for "KAMIWA" that focus on foam, a unique characteristic of beer.

Sales volume for the *Kinmugi* brand was flat year on year at 18.18 million cases. The *Shiki no Kinmugi* (which offers products tailored to the four seasons of Japan) series has been well received in the market, and sales of *Kinmugi 75% Less Carbohydrate* were particularly strong. *Suntory Blue* launched in May 2020 recorded sales volume of 820,000 cases.

Sales volume for the *All-Free* brand rose 18% year on year to 3.41 million cases. In addition to the core *All-Free* brand revamped in March, *KARADA-WO-OMOU All-Free*, a food with functional claims launched last year, has been well received.

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

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

Wine business's revenue fell 24% year on year. Domestic wine performed well, but imported wine fell below previous-year levels.

In domestic wine, products such as *Sankaboshizai Mutenka no Oishii Wine*, which holds the No.1 sales spot in the domestic wine market*³, and *Akadama* performed strongly, with an 16% year-on-year increase in sales volume.

In imported wine, we introduced new organic wine products for European products such as *Freixenet* and *TAVERNELLO*, and focused on nurturing the brands.

*3. Research by SRI: Japanese wine market sales volume and amount June 2019 - May 2020 (nationwide total for supermarkets, convenience stores, discount liquor stores, home improvement stores, drugstores, ordinary liquor stores, and liquor wholesalers)

As a result of the above, revenue (excluding excise taxes) for the Alcoholic beverages Segment was 333.6 billion yen, down 6.8% year on year, while revenue (including excise taxes) came to 454.2 trillion yen (down 6.7% year on year), and

operating income was 62.3 billion yen (down 2.7% year on year).

<Others Segment>

For health & wellness products business, the *Sesamin* series and other products posted strong revenue, growing 5% year on year. Revenue for the restaurant businesses decreased year on year.

Revenue (excluding excise taxes) for the Others Segment was 100.8 billion yen, down 15.9% year on year, and operating income was 9.2 billion yen, down 34.7% year on year.

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

Revenue (excluding excise taxes)

Domestic: 571.3 billion yen (down 9.5% year on year) Overseas: 413.2 billion yen (down 12.2% year on year)

Overseas ratio: 42.0%

Revenue (including excise taxes)

Domestic: 657.8 billion yen (down 9.1% year on year) Overseas: 447.5 billion yen (down 11.7% year on year)

Overseas ratio: 40.5%

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 based on the corporate philosophy of "to create harmony with people and nature," we aim to develop various activities while maintaining a harmonious coexistence between society and nature.

In environmental activities, we regard the plastic problem as an important issue. In order to provide strong leadership for the transformation to a recycling-oriented and zero-carbon society, 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 activities to reduce

the burden on the environment. In addition, 12 companies that make up the plastics value chain have set up a joint venture called R Plus Japan Ltd., which will facilitate the recycling of used plastics. It will take up the challenge of developing plastic recycling technologies that are efficient and put little impact 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, cultivating water resources equivalent to more than double the amount of groundwater pumped up in the Suntory Group's plants in Japan. We are also promoting activities that address local topics, such as the "Mizuiku" education program on water for the next generation in Vietnam, Thailand and Indonesia, and water source conservation activities in the United States and France.

With regard to CO₂, 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 aiming for net zero greenhouse gas emissions across the whole value chain by 2050.

We are also actively involved in support for reconstruction. The Company disbursed donations to Kumamoto, which suffered significant damage from 2020 Kyushu floods. 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.

2. Consolidated earnings forecast for the fiscal year ending December 31, 2020

Due to the current difficulty of reasonably estimating the impact of the spread of COVID-19, the consolidated earnings forecast announced on February 14, 2020 have been withdrawn, and new forecasts have yet to be determined.

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	255,302	366,485
Trade and other receivables	408,893	385,894
Other financial assets	12,344	8,209
Inventories	435,501	473,732
Other current assets	63,797	51,633
Subtotal	1,175,840	1,285,956
Assets held for sale	187	0
Total current assets	1,176,028	1,285,956
Non-current assets:		
Property, plant and equipment	708,663	698,967
Right-of-use assets	97,359	96,583
Goodwill	857,328	844,371
Intangible assets	1,405,341	1,356,505
Investments accounted for using the equity method	46,217	46,450
Other financial assets	122,950	133,803
Deferred tax assets	73,729	72,579
Other non-current assets	29,161	30,639
Total non-current assets	3,340,751	3,279,902
Total assets	4,516,779	4,565,859

(Millions of yen)

	As at December 31, 2019	As at June 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities:		
Bonds and borrowings	148,861	234,565
Trade and other payables	564,412	550,326
Other financial liabilities	121,775	95,780
Accrued income taxes	27,432	31,840
Provisions	13,985	14,000
Other current liabilities	86,327	56,946
Total current liabilities	962,794	983,459
Non-current liabilities:		
Bonds and borrowings	1,278,013	1,347,952
Other financial liabilities	126,683	128,720
Post-employment benefit liabilities	43,618	45,721
Provisions	6,882	6,433
Deferred tax liabilities	289,537	279,790
Other non-current liabilities	15,362	13,281
Total non-current liabilities	1,760,098	1,821,900
Total liabilities	2,722,892	2,805,359
Equity		
Share capital	70,000	70,000
Share premium	133,909	133,958
Retained earnings	1,329,315	1,365,705
Treasury shares	(938)	(938)
Other components of equity	(133,752)	(198,533)
Total equity attributable to owners of the Company	1,398,534	1,370,192
Non-controlling interests	395,352	390,307
Total equity	1,793,887	1,760,499
Total liabilities and equity	4,516,779	4,565,859

Consolidated statement of profit or loss

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Revenue (including excise taxes)	1,230,954	1,105,324
Less: excise taxes	(129,014)	(120,769)
Revenue (excluding excise taxes)	1,101,939	984,554
Cost of sales	(574,479)	(518,377)
Gross profit	527,459	466,177
Selling, general and administrative expenses	(409,577)	(375,676)
Gain on investments accounted for using the equity method	3,790	3,961
Other income	1,713	5,075
Other expenses	(5,585)	(4,965)
Operating income	117,801	94,572
Finance income	2,867	1,911
Finance costs	(12,215)	(9,459)
Profit before income taxes	108,453	87,024
Income tax expenses	(29,994)	(29,850)
Profit for the period	78,459	57,174
Attributable to:		
Owners of the Company	60,075	45,236
Non-controlling interests	18,383	11,938
Profit for the period	78,459	57,174
Earnings per share (Yen)	87.60	65.97

Reconciliation from operating income to adjusted operating income

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Operating income	117,801	94,572
Restructuring charges	2,105	269
Other	299	722
Total	2,405	991
Adjusted operating income	120,207	95,563

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

(Changes of reportable segments)

Due to the reorganization carried out on January 1, 2020, a trading company of Italian food and wines previously included in the Alcoholic beverage segment has been transferred to the Others segment.

The segment information for the previous year ended December 31, 2019 has been restated.

(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, 2019

(Millions of yen)

	Reportable segment			Segment total	Reconciliations *2	Consolidated *1
	Beverages and foods	Alcoholic Beverages	Others			
Revenue (including excise taxes)	624,259	486,561	120,133	1,230,954	—	1,230,954
Revenue (excluding excise taxes)						
External customers	624,259	357,770	119,909	1,101,939	—	1,101,939
Intersegment	3,510	2,397	5,393	11,302	(11,302)	—
Total revenue	627,770	360,167	125,303	1,113,241	(11,302)	1,101,939
Segment profit (loss)	61,174	63,981	14,157	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.

Six months ended June 30, 2020

(Millions of yen)

	Reportable segment			Segment total	Reconciliations *2	Consolidated *1
	Beverages and foods	Alcoholic Beverages	Others			
Revenue (including excise taxes)	550,136	454,201	100,986	1,105,324	—	1,105,324
Revenue (excluding excise taxes)						
External customers	550,136	333,576	100,842	984,554	—	984,554
Intersegment	2,393	1,583	5,573	9,550	(9,550)	—
Total revenue	552,529	335,160	106,415	994,105	(9,550)	984,554
Segment profit (loss)	45,439	62,254	9,245	116,939	(22,366)	94,572

(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.