



Saburo Kogo  
President and CEO

## To Be the Third Force Becoming the Leading Next-Generation Global Beverage and Food Company

### Dear Shareholders,

At Suntory Beverage & Food (SBF), we strive to make every drinking moment as enjoyable, exhilarating, and satisfying as possible for all consumers.

We offer an extensive lineup of products to meet the diverse needs of consumers around the world. The SBF group works as one in our quest to offer innovative beverages available anywhere and at any time that consumers desire.

Leveraging our strengths in developing products that are *natural and healthy* and *unique and emotional* we intend to satisfy the needs of

every consumer through new and exciting products. We make the following two promises to help us achieve these ambitious goals:

(1) Our employees around the world (*Suntorians*) promise to keep SBF a vibrant and dynamic company that offers new value to society by carrying on the *Yatte-Minahare* torch of our founder's spirit; and (2) We promise to create new value,

supported by a corporate culture that is open minded and powered by a diverse group of talented individuals.

These strengths make us unique and these strengths are what will help us fulfill our ultimate goal of becoming the leading next-generation global beverage and food company.

“Our quest is to offer innovative beverages available at any time, in any place the consumer desires.”

## Message from the President and CEO

### Our Vision and Medium-Term Goals

The SBF Group is on a quest for the best tastes and quality to bring happiness and wellness into everyday life. We are on a journey to be the leading global soft drink company recognized for our premium and unique brands.

While we are becoming recognized as a global player in the beverage industry, we have much work ahead of us to overtake our competitors. But our reason to be lies in satisfying consumer needs by offering new value.

Consumer needs are becoming more diverse every year, and new needs are emerging that cannot be satisfied with existing products. We must be the company to develop products for these needs, demonstrating our competitive advantages and establishing a strong presence for ourselves in the global beverage market.

Over the past few years, we have seen two major consumer trends emerge in our industry. The first is a rapidly growing demand for natural and healthy products. Examples of natural and healthy products include beverages with low-calories and beverages made with natural ingredients. The popularity of mineral water and flavored water also reflect this trend. The second emerging trend is a demand for richer and deeper flavors. Traditionally, consumers satisfied these needs with tea or coffee. More recently, the market has turned to flavorful ready-to-drink coffees and teas



packaged in cans or PET bottles for easy consumption. We believe these trends will build both independently and concurrently to expand the global beverage market. At the same time, more consumers are avoiding sugar intake, which is a trend likely to become even more prominent in the future.

In this way, we aim to be the Third Force in the beverage industry, offering consumers new values that they desire.

### Fiscal 2016 Review and Fiscal 2017 Outlook

We have grown sales and profits each year since our 2013 initial public offering. Net sales increased 2.2% year on year to ¥1,410.8 billion, with operating income up 1.6% to ¥93.5 billion. Net income rose 8.5% to ¥46.1 billion. We achieved higher sales and profits, despite the negative impact of foreign exchange on our earnings.

Our Japan segment surpassed ¥50 billion in profit for the first time in fiscal 2016, reaching ¥54.7 billion. This is an increase of ¥8 billion compared to the prior year. We believe this is the result of a number of activities we have pursued over the past several years. These initiatives include a focus on high-value-added products and small-volume products, non-pricing strategies, including efficient investment in sales promotion and advertising, ongoing cost reductions in supply chain management, and stronger earnings in our vending machine business.

In our overseas segment, we continued to build a stronger business foundation in every region. We faced a variety of localized issues in France, Vietnam, and other nations. While we encountered headwinds throughout the year, we took steps to respond rapidly to each issue. On a currency neutral basis, we achieved higher sales and profits for the overseas segment overall.

Next, allow me to address our policies for fiscal 2017. Our goal is to deliver sales growth that outperforms market growth in each region, and to deliver profit growth that outperforms sales growth. To achieve this goal, we intend to continue to strengthen our brand and route-to-market capabilities in Japan and overseas. We will also build a stronger presence in business areas in which we expect high growth. One target is the emerging economies of Asia and Africa, for example, where we established a foothold last year. Moving forward, we plan to expand aggressively in other new regions. Another target is to expand premium business, such as the health

supplement business in Asia. Given these initiatives, we forecast fiscal 2017 net sales of ¥1,430 billion, which represents a 1.4% year-on-year increase. We also forecast operating income of ¥98 billion and net income of ¥47 billion, increases of 4.8% and 2% respectively.

On a currency-neutral basis, we forecast a 2.2% rise in net sales, a 6.4% increase in operating income, and a 3.7% increase in net income. While the direction of the global economy becomes even more uncertain, our plan calls for steady growth, leading to a fifth consecutive year of higher sales and profits.

### Growing Shareholder Value

We continue to make strategic and capital investments to grow our corporate value. We believe that this approach, combined with ongoing profit growth, benefits both our company and our shareholders. Providing an appropriate return to shareholders is one of our core management principles. We intend to continue to pursue a policy of shareholder returns that balances factors including stable dividends, internal reserves, earnings performance, and needs for future funding. Specifically, we aim to increase dividends on the basis of profit growth with a targeted consolidated payout ratio of 30% or more of net income before amortization of goodwill. Looking to the medium and long term, we will also consider increasing the payout ratio depending on such factors as our need for funds and progress in profit growth. Fiscal 2016 dividends amounted to ¥73 per share. We project fiscal 2017 dividends to be ¥74 per share. Thank you for your continued support.

(Notes) 1. Forecast as of Feb. 13, 2017.  
2. Figure represents the sum of net income attributable to owners of the parent plus amortization of goodwill.



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