[Key Q&A] Briefing on the Financial Results for the Fiscal Year Ending December 31, 2013

Q. How do you plan to improve profitability of European business?

A. We were able to raise pricing and maintain profit when market conditions were favorable, but this has become difficult due to worsening economy. Therefore we have begun working on initiatives to improve profitability, which include downsizing of package and reducing sales price in Spain. Since the accuracy of sales forecast was relatively low in Europe, there were unbalanced stock situation occurring as a result. We plan to improve the accuracy of sales forecast and profitability by leveraging expertise of Japan.

Q. Please explain the details of goodwill relating to Lucozade and Ribena business.

A. Amount recorded as goodwill is 10 billion yen and 0.5 to 0.6 billion yen will be amortized annually. Approximately 180 billion yen is recorded as trademark, which is not subject to amortization. Trademark is the value of the acquired brands, and since they are long-established strong brands with very long asset life, it was evaluated not to be amortized from the accounting standpoint.

Q. When do you expect significant profit growth in Asia, where you are conducting aggressive investment?

A. When the sales in Asia reach to 200 billion yen, we estimate that operating margin will improve by 2 points. With the aim of achieving this level of sales and profit, we are carrying out investments on marketing and will promote in-house production of PET bottle preform. We expect that profit ratio in Asia will improve in 2016 to 2017.

Q. It was mentioned that profit management in summer was not appropriately controlled. How do you plan to improve this for the current fiscal year?

A. Last summer, we missed our sales forecast and faced stock shortage for some products in Japan. For this year, we will work to improve profit by avoiding opportunity loss. As for the products that we could not achieve sales worth the marketing cost, we will ensure tight control on monthly budget.

Q. Please explain the strategy of canned-coffee *BOSS*.

A. Last year, we launched a project team internally to conduct extensive marketing research on canned coffee. *BOSS* brand was established with an image of “working” man and success was achievable by focusing marketing on this specific targeted people.

Now that our customer base has diversified that include female customers, we believe that we need to consider our portfolio to match needs for each customer.

Q. Forecast for FY2014 seems conservative. What kinds of factors are considered as the background of these figures?

A. Various risk factors are taken into account in planning these forecast figures. In case everything goes well in Japanese business, there is a possibility that we may achieve better performance.

Q. What is the breakdown of operating income for the first and second half of this fiscal year?

A. Roughly speaking, first half account for 40% and second half account for 60%. We expect year-on-year profit growth in the first half.

Q. Please explain the details of extraordinary income and loss forecasted for this year.

A. 4 billion yen of extraordinary loss is expected as loss of retirement of vending machines in Japan and factory equipment, which some amounts are incurred every year. The remaining 5 billion yen mainly consist of costs that relate to various initiatives to improve efficiency of overseas business that we expect at the moment. We would like to explain on specific measures when we can.

Q. What is your thought on dividends?

A. We target payout ratio of 30% or more of net income before amortization of goodwill. For FY2013, we plan to pay a year-end dividend of ¥58, comprised of an ordinary dividend of ¥53 and a special dividend of ¥5 to commemorate the listing of our shares on the stock exchange. For FY2014, we plan to raise ordinary dividend to ¥58 by increasing profit.

Q. What impact will the acquisition of Beam by the parent company have on Suntory Beverage & Food?

A. Payout ratio nor the royalty will not increase based on the parent company's intention, even their debt level have increased. We have also heard that there is no plan for them to sell our shares. The impact on our business is negligible.