

[Key Q&A] Conference Call on Financial Results
for the fiscal year ended December 31, 2021

[Company-level]

- Q. To what extent have you made progress to date against the target to achieve 10% operating income margin by 2023 under your medium-term management plan?
- A. Our operating income margin in 2021 was 9.3%. In 2022, we plan to increase marketing investment to drive the topline growth as our first priority amid the recovery in the market environment. In addition, operating income margin is expected to be 9.2%, almost the same as last year due to the significant impact of soaring raw material prices. In pursuit of achieving the targets in our medium-term management plan, we will work to bring our revenue back on a growth trajectory and to further improve our profitability in 2022.
- Q. How much is the estimated impact of the deterioration in raw material market prices in Japan and overseas for 2022? Have you already increased prices in overseas markets to mitigate the impact?
- A. For Japan, our estimation for the combined impact of raw material market prices and exchange rates is 10.8 billion yen, most of which is due to the former factor. The latter factor has limited impact. We estimate the impact on overseas markets to be the same level as Japan. We have increased prices in some countries in 2021, and we will continue to consider implementing price increases while assessing the market conditions in each country.
- Q. What is the purpose of selling the Oceanian fresh coffee business? Do you have a plan to use your surplus funds for shareholder returns?
- A. We decided to sell the fresh coffee business as part of our ongoing business portfolio review. With regard to shareholder returns, there is no change to our mid- to long-term policy to prioritize growth investment. Within our plan to allocate funds to growth investment in a prioritized manner, we may consider revising the dividend payout ratio depending on the circumstances, but at this point, we are placing the highest priority on growth investment.

[Japan]

Q. What were the factors behind the decrease in segment profit and the unit price in the fourth quarter? Tell us about your measures to improve the unit price in 2022.

A. The major factor was changes in the channel mix. While sales volume growth especially in the supermarket channel had a positive effect, it took time for the vending machine and convenience store channels to recover. For 2022, we expect a recovery in the vending machine channel, although it depends on how the COVID-19 affects our business.

Q. Is there any momentum for price revisions in the beverage market?

A. We are constantly considering price revisions as an option. We will have no choice but to consider it if raw material prices keep on rising to the point where we cannot secure adequate profits we have been aiming for that match the added value we offer. At this point in time, we cannot share concrete timing nor specifics with you.

Q. Regarding your structural transformation for the vending machine business, how is it going to contribute to segment profit in 2022 and beyond?

A. “Suntory Beverage Solution” was newly established in January 2022. We have been continuously working on the structural transformation for the vending machine business since before the COVID-19 pandemic. As a result, it brought us a significant cost reduction effect. Starting in 2022, we will undertake the structural transformation that will be made possible by the consolidation under the new company. We will enhance the structure of our operation routes to the next level. We will create synergies by combining the strengths of Suntory and Japan Beverage to drive our reversal offensive to make Suntory products more accessible to our customers. Our cost reduction efforts will continue as well.

[Overseas]

Q. In which phase are you in, in terms of the Centers of Excellence and the structural transformation?

A. In our structural transformation, we have solidified the business foundations in both Asia Pacific and Europe through organizational reforms. We began to see positive outcomes from the Centers of Excellence such as *Oasis* in France. We will further promote these initiatives by driving DX (digital transformation), although it may not be an easy task.

- Q. Did revenue decrease in the health supplement business in the fourth quarter? When will *Brand's Essence of Chicken* be renewed?
- A. Revenue in the health supplement business grew on a currency neutral basis. We have already refreshed advertisements and communications for *Essence of Chicken*, and the product renewal is scheduled for 2022.
- Q. In your 2022 forecast for Europe, is Spain the only market to grow in segment profit?
- A. Unfortunately, we cannot share the details as we do not disclose profit by country. In 2022, we forecast organic segment profit in Europe as a whole to grow 0.6 billion yen year on year on a currency neutral basis, due to the significant impact of soaring raw material prices and our plan to increase marketing investment in line with topline growth. We will strive to post more segment profit than the forecast through topline growth and thorough cost management.