



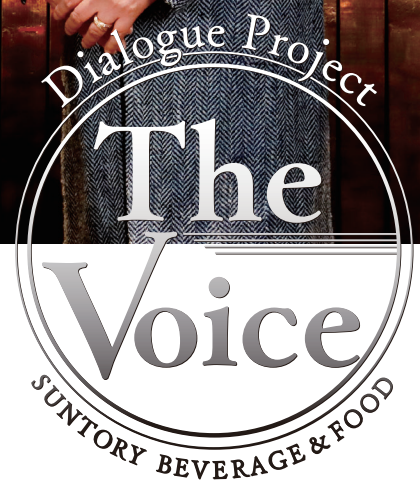
Director Nakamura

Director Mimura

President Ono

Director Masuyama

## Governance structure for achieving sustainable business growth and corporate value improvement



To realize sustainable business growth and corporate value improvement, it is vital not only to pursue strategies and investment opportunities, but also to build a robust governance framework that supports them.

In a recent discussion, we asked outside directors, who are to provide supervision and advice from an objective standpoint, to give their frank opinions about the company's current situation and characteristics, as well as its future challenges.

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**Moderator:** First, we would like to hear your impressions, as outside directors, of SBF.

#### Masuyama:

SBF's greatest strength is that it brings together people who are willing to take on the challenges of doing "Omoroi (interesting)" things and values the spirit as part of its corporate culture. Also unique to the company is that it takes pride in its Japan-originated culture and promotes the culture globally by tailoring it to the needs of each region. The balance between local autonomy and centralized governance is well managed. As a result, a system is created that encourages new endeavors and promotes a cycle of learning.

#### Mimura:

The first thing that struck me when I took up this role was the employees' high level of basic skills and execution ability, and the

company's culture to accept changes. They swiftly implement any proposals they consider appropriate. In addition, the company maintains balance between control and autonomy by using a shared governance model where the head office utilizes the autonomy of each region while maintaining certain levels of control. It was also impressive to learn that the premise of their discussion was a core set of values (such as consumer viewpoints), avoiding binary choices faced by many Japanese companies with global offices: "consistent concentration of authority in the head office" or "delegating decision-making entirely to local leaders." Their attitude of equally valuing quantitative data and the philosophy that forms the basis of decision-making, I believe, supports the organization's strong adaptability to changes.

Nakamura:

There are not many companies in Japan that have become so globalized and whose corporate philosophy has spread across the entire organization globally. Corporate values such as “Yatte Minahare” and “Giving back to society” are not just expressed in words but are reflected in decision-making and daily actions.

Their technical capabilities and passion that drive product development also appear to be strengths unique to SBF, even to people outside the company. There is a strong sense of enthusiasm and unity throughout the company, from factories to sales offices, which contributes to achieving both quality and speed.



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Moderator: Ono-san, where does this culture come from?

Ono:

The starting point is that the corporate philosophy that has been passed down since the company's founding is deeply rooted in each and every employee. We respect brands that are loved in each region and have regarded our overseas group companies as co-creation partners rather than subordinates. Learning from each

other in a flat non-hierarchical environment has created a sense of unity, which has ultimately accelerated our globalization. I believe that empathy for Japanese culture and values has spread to overseas companies, creating a foundation for everyone in the organization to work toward the same goal.

Moderator: Nakamura-san, you earlier mentioned SBF's strengths in product development. Now, could you share your thoughts based on your experience in the retail industry?

Nakamura:

The initiative to hold board meetings on the actual workplace was symbolic. At the Product Development Center, I saw demonstrations of the latest coffee and milk technologies and was overwhelmed by the passion and investment of the people in charge. I have worked with many consumer goods manufacturers, and SBF's focus on technological development and organizational drive are outstanding. Your company's great strength of working closely with R&D and marketing should be even more effective in differentiating yourself in the mid- to long-term.

Mimura:

It was impressive to see executives from all over the world gather at a strategy meeting to seriously discuss the philosophy of "being close to Seikatsusha<sup>2</sup>." In the past, the foreign members had difficulty pronouncing the word "Seikatsusha," but now they use the word naturally. Generally, discussions at strategy meetings tend to focus on numbers, but at your company, discussions begin with philosophy and spirit. I think having such a strong culture is the reason why talented people from around the world are attracted to your company.

## Evolution of the Board of Directors

Moderator: How have these organizational strengths evolved and been utilized in the company's management?

Masuyama:

When I joined the board eight years ago, the company had already made large-scale M&A deals and JVs in Asia, and was entering the next PMI phase. However, at that time, the company took different

approaches in managing its businesses in Japan and overseas. More recently the company has taken the approach of "taking good parts of both." The turning point was when the company appointed two



foreign directors in charge of overseas markets. Since then, workplace interactions on a global scale and cross-regional mobility of talents have increased, collaboration between overseas

businesses and the head office has deepened, and the head office and businesses in Japan have become more open to flexible thinking.



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Moderator: What changes have appointing overseas regional CEOs as directors brought to the company?

Masuyama:

Previously, we received reports from overseas businesses through the corporate planning department in the head office, but now overseas regional CEOs directly report to us. We are now able to hear real, specific stories about how things are done in the UK and Vietnam, for example, which has led to deeper, more in-depth discussions at board meetings.

Mimura:

When I joined the board, there was already a diverse composition including two foreign and four female members. It was an environment where all members could express their opinions frankly, and lively discussions naturally occurred. I think that's what makes SBF unique.

## Group Synergy and Special Committee<sup>\*1</sup>

Moderator: While SBF is a listed company, it is also a member of the Suntory Group. Do you think synergies are fully realized through collaboration with other Suntory Group companies?

Mimura:

In the beginning, there was a strong sense that "we must maintain our independence as a listed company," and I got the impression that they were a little cautious about collaborating with other Group companies. However, they have now moved beyond that stage and their mainstream thinking now is that emphasis should be placed on "how to create synergy as a group." I feel that they are evolving through both vertical relationships in the Group and horizontal global relationships across the organization.

Ono:

It is true that in the past, Global collaborations were limited to sustainability and human resource exchanges. We are currently promoting collaborations that utilize the Group's assets. This year we have also started collaborating with the alcohol business, but we would like to work even more openly and broadly while maintaining our independence.

Moderator: What do you think about collaborative efforts in the RTD (Ready to Drink) business?

Nakamura:

I have high expectations for them. RTDs and soft drinks have similar marketing structures, and I think they provide a great opportunity to spread SBF's knowledge throughout the Group.

Mimura:

I agree. We should proactively pursue win-win initiatives. Meanwhile, the existence of the Special Committee is essential for maintaining the company's independence as a listed company.


**Masuyama:**

The Special Committee, which didn't exist when I joined, now plays a very important role. It verifies whether transactions with the parent company are fair and carefully discusses royalties, including rates, to be paid to the parent company. It meets five to six times a year and discusses complex issues over multiple sessions. The committee sends back matters to executive management for a second look if it cannot objectively explain the fairness of the transaction to the shareholders. In addition to the three independent committee members, an Audit and Supervisory Committee member also participates as

observer to ensure the effectiveness of the committee.

**Mimura:**

The Special Committee members are always mindful of how they can effectively explain and convince third parties. It is important for a listed company, even if with an attachment to its Group, to engage in fair procedures to fulfill its responsibilities. This awareness is shared across the company, and I feel that cooperation with the Board of Directors and the Secretariat has become smoother recently.



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## Strengths and Challenges of Governance

**Moderator:** Thank you for sharing with us about the Special Committee. Now, could you tell us about the discussions and governance of the board?

**Masuyama:**

At recent Board of Directors meetings, we are having an in-depth discussion about the challenges facing the overseas business. This year, rather than focusing on "what's going well," we deliberately focused on challenges, digging deeper through repeated question-and-answer sessions. I feel that the meeting has become a place where we can specifically identify issues and discuss the next steps.

**Nakamura:**

This is the "Deep Dive" initiative, which was launched this year and involves digging deeper into specific regions and themes. Previously, reports were often superficial and focused on numbers, but now we take the time to dig deeper into issues and decide on the next course of action. Responses to requests have become faster, and the board meeting has become a place for practical decision-making.

**Ono:**

The important thing is to identify the root cause of a problem and

how to improve it next time. Our outside directors recommended that we shift our focus to this point. And their advice has certainly led us to be able to have more constructive discussions.

**Masuyama:**

Board effectiveness evaluations, conducted annually by directors are also evolving. SBF conducts the evaluations non-anonymously and openly shares the results. President Ono herself set up a board meeting for further discussion, which led to the creation of "Deep Dive" initiative. We have established an attitude of not leaving things undone and striving for improvements.

**Nakamura:**

There are many opportunities for informal interactions, such as lunch meetings with the Group's next generation leaders. Through such interactions, we outside directors can easily understand the company's atmosphere and culture, and our opinions are taken seriously. These occasions have real significance, not a mere formality.



Mimura:

There is also a briefing before every board meeting, which is a good opportunity to deepen our understanding. During this short time frame between the briefing and the board meeting, our concerns are

addressed and reflected. In addition, the Secretariat is always fully prepared and consistently earns the highest marks in evaluations of its effectiveness.



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Moderator: What changes, if any, are needed to further improve the function of the board?

Masuyama:

Governance structure is now well in place. I think the next step is to focus more on “strategic governance” to create value. Discussions held in the Audit & Supervisory Committee are very fruitful and substantial. However, there may be too many meetings, so I feel it is necessary to prioritize and reorganize them.

Mimura:

Detailed topics often come up during discussions and it can be difficult for us as outside directors to understand the background of each topic. It may be better to separately discuss vision and big-picture goals and details.

Masuyama:

Management audits are also very effective. It is truly wonderful that the executive management takes audit findings and

recommendations seriously and reflects them in the organization and personnel deployment.

Nakamura:

If I were to suggest a new initiative for the future, it would be to have outside directors participate in team building and off-site training camps. I think that discussing things together before making a decision will increase common understanding.

Mimura:

I see governance as a car racing track. At first glance, a racing circuit seems to have strict regulations and little freedom. However, cars cannot go fast on bumpy roads but can on race circuits because they are well maintained and regulated. SBF's board is exactly that kind of place. I think it is a really great governance system.

Moderator: That's a very good analogy. Lastly, I'd like to ask President Ono to give us a few words.

Ono:

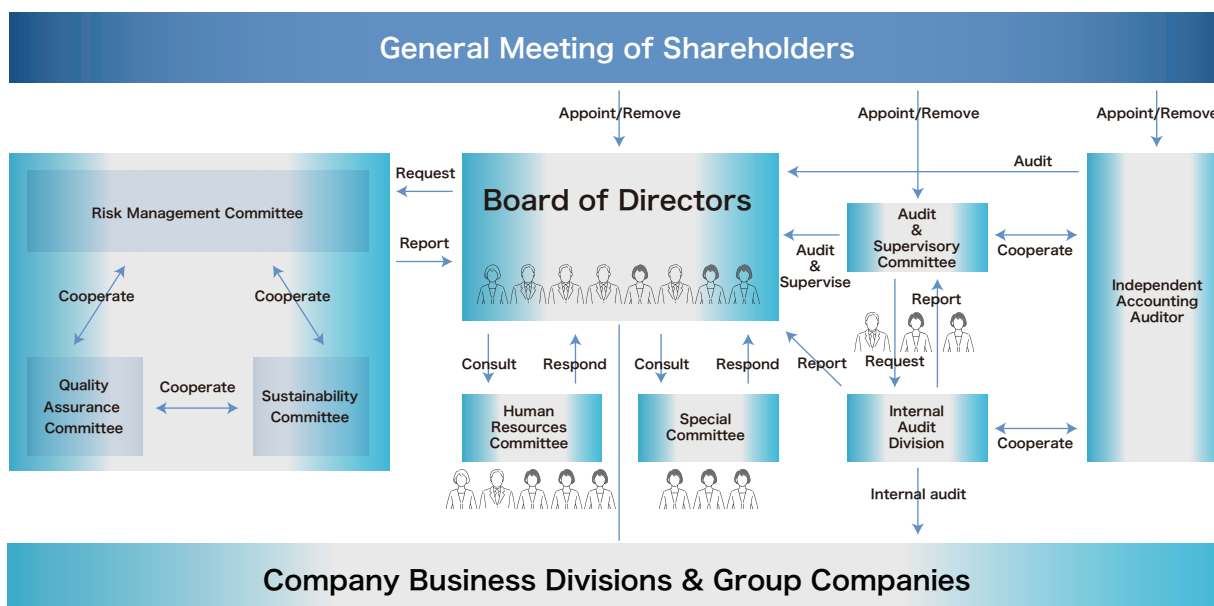
When SBF was founded in 2009, the board of directors consisted entirely of Japanese men. But since then, it has diversified its director membership and has steadily evolved by gaining insights

from outside sources. I would like to continue to hold discussions with the outside directors, further enhance corporate value, and meet the expectations of our shareholders. We will continue to strive to make SBF even stronger and more attractive.



I believe that empathy for Japanese culture and values has spread to overseas companies, creating a foundation for everyone in the organization to work toward the same goal.

## The Company's Corporate Governance Structure



(In-house) Director



Independent Outside Director

As of March 1, 2025

\*1: The Company has established the Special Committee as a system to protect the interests of general shareholders. In order to ensure the fairness, transparency, and objectivity of transactions and activities with the Suntory Group (excluding SBF Group), the Special Committee examines the necessity, rationality, appropriateness, and fairness of transactions, equal to or in excess of a certain amount, with the Suntory Group, including Suntory Holdings (excluding SBF Group), as well as transactions and actions related to management resources that are the source of the Company's corporate values, such as brands, people, important assets, and information, and reports its findings to the Board of Directors. To ensure the independence and objectivity of the Special Committee, its members must be independent from the Suntory Group and currently consist of three independent outside directors.

\*2: The term 'Seikatsusha' refers to viewing people not merely as 'consumers' defined by their attributes, but as real human beings, and striving to understand them as deeply as possible as a guiding principle for action.