

[Key Q&A] Conference Call on Financial Results for the First Quarter of Fiscal Year Ending December 31, 2016

[Japan Segment]

Q. What is the background of growth in sales volume for the Japanese soft drink market and Suntory Beverage & Food (SBF)?

A. We believe there were three factors behind the market growth: warm winter, leap-year factor (one more operating day than usual years) and new products launched by soft drink companies. We outperformed the market growth mainly due to new products such as *Blood Orangina*.

Q. Annual target for profit increase (+3.3 Oku yen) was already achieved in Q1. How do you evaluate Q1 results and what is your outlook for Q2 onwards?

A. Profit increase from sales volume increase exceeded our plan. Our initiatives to improve product mix is steadily progressing as planned. In specific, we have managed to increase the composition of 500ml PET bottle products contributed by new products, such as *Suntory Minami-Alps Tennensui & Yogurina* and *Blood Orangina*, and hot beverage products, while suppressing the growth of large-size PET bottle products. Profit increase from reduction in manufacturing costs exceeded our plan. Our initiatives that include moving production of bottle-shaped canned coffee in-house are on track, and positive impact from improvement in raw material cost exceeded the negative impact from currency fluctuations. Since the weather in the peak season has a significant impact on sales volume for Q2 onwards, we are being cautious about our profit outlook.

Q. What is the current sales status, reflecting stockpile demand after the earthquake? And what impact will the sales volume increase from stockpile demand impact have on profit?

A. Demand is increasing for large-size PET bottle products for brands that include *Suntory Tennensui* (mineral water) and *Iyemon* (green tea). We cannot foresee the impact on profit at present.

[Overseas Segment]

Q. In Asia, do you expect that current good situation will continue in Vietnam? How are the businesses in regions other than Vietnam?

A. In Vietnam, while the market is growing at around 10%, both PepsiCo brands and Suntory brands are selling well, and our sales increased by around 20%. We have also launched a new Suntory brand product, *TEA+ MATCHA*, in April. In Thailand, health supplements

such as *BRAND'S Essence of Chicken* have recorded steady sales. We are seeing signs of recovery in Indonesia, where we recorded impairment loss last year. Although unpredictable situation will continue in a volatile market in emerging markets, we will aim to keep this good momentum in our businesses.

Q. Please explain the reason for profit decline in Europe.

A. Business condition in France is tough and our sales was adversely impacted by delisting in some items. Another negative impact on profit is increase in raw material costs, such as sugar and juice. Strong sales in on-premise channel is driving good results in Spain, but it could not offset the negative results in France.