

[Key Q&A] Analysts' Meeting on Financial Results for the First Half of Fiscal Year Ending December 31, 2016

[Japan Segment]

Q. Soft drink manufacturers seem to be trying to exit from deflation. How do you see the soft drink market now and in the future?

A. We are seeing signs of retail price bottoming out, but it is difficult to say that we will not experience another deflation situation again. Deflationary trends are seen in some other sectors and soft drink market may also return to the same trend. We will continue our initiatives to generate profit.

Q. Full year forecast figures were unchanged. What is your outlook for segment profit in the second half?

A. We could increase sales volume considerably in the second half of 2015, so this could affect our YoY growth in the second half this year. In terms of reduction in manufacturing costs, we are not expecting similar level of improvement as in the first half, because we have advanced the improvement activities that were originally scheduled in the second half. Market conditions of raw materials and packaging are also uncertain. Likewise for the product mix, we cannot expect as much improvement as in the first half, since more improvement was expected in the first half due to incremental sales from new products such as *Suntory Yogurina* and *Minami-Alps Tennensui*. Overall, the level of profit in the second half in 2015 was high, and we need to be cautious when forecasting the second half in 2016.

[Overseas Segment]

Q. Please explain the details of the recovery plan in France.

A. The key initiative is to reinforce in-store activities. We will make actions to restore delisted products on the shelves at stores and capture the demand in the peak season by such means as increasing in-store displays. In the on-premise channel, we will make various proposals that include introduction of new products. We will also enhance cost management. Through these activities, we aim to recover sales and profit as much as possible.

Q. What is the reason of slower YoY growth in Asia in Q2, compared to Q1?

A. Business in Vietnam was the driver of growth in the first half. Reason for slower growth in Q2 is due to the slowdown in market growth affected by various deterioration in the

external environment. In specific, there was a downturn in consumer sentiment affected by adverse weather in the north area, sea water contamination in the central area where tourism is a major industry and dry weather in the south area where agriculture is a major industry. Although we could gain share in Q2, our sales volume was largely impacted by the market environment. Weather condition is better at the beginning of second half and we aim to expand the business steadily by such means as strengthening sales and marketing in the north area.

Q. How do you forecast the impact on business when sugar tax will be introduced in the UK?

A. The impact on our business from the introduction of sugar tax is yet to be confirmed. Regardless of whether the sugar tax will be introduced in the UK, consumer preference is shifting towards low sugar and low calorie products on a global basis. We are responding to this trend by such means as launching *Lucozade Zero* in the UK. We have more health-conscious products than our competitors, so in the medium- and long-term, we believe that this trend could be an opportunity for us.

Q. How do you plan to expand regions you operate, in effort to achieve further growth?

A. We do not think that expanding businesses to every country always leads to growth. We need to assess the situation in each market. For example, we already have footprint of products such as Lucozade and Orangina in some African countries, so we will put priority and expand business in those countries. And conducting M&A is not the only way to expand business. We can collaborate with a partner that has strong position in the target market to establish a joint venture or a franchise operation. Collaboration with PepsiCo in Vietnam is a success example. We will consider our business plan on a case-by-case basis.