

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

[General]

Q. Although there were various headwind this year, such as decline in France in H1, yen appreciation and market slowdown in Vietnam, SBF has upwardly revised the operating income forecast for FY2016 and it seems that the management capability to control the overall profit is improving. Are there any change in business management?

A. Through our business expansion globally, we believe our business portfolio is becoming stronger. When a business in one region is in a tough situation, positive results in other regions can offset the shortfall. In addition to this, we are reacting fast to the challenges we face in each region this year. However, we are not satisfied with the current status. We will try to see a possible threat in advance and take a proactive approach in the future.

[Japan Segment]

Q. It seems that retail price in the soft drink market is ceasing to fall and the price competition is easing. How do you forecast the market going forward?

A. We believe that the signs of retail prices bottoming out this year is the result of each soft drink company focusing more on profit, and expect that this trend will continue. We will also continue initiatives to improve profitability that we have been carrying out, such as promoting sales of small format products and focusing on core brands and FOSHU products.

Q. What is the reason for profit increase of 1 billion yen from product mix in Q3?

A. Product mix continued to improve steadily in Q3, because the initiatives to focus on 500ml PET bottle products and to avoid excessive price competition worked well. In addition, *Suntory Tokucha Caffeine Zero*, our new FOSHU product launched in August, also contributed. While our sales volume growth for September YTD was approx. 2%, sales increased by approx. 3% on organic basis (excluding the consolidation impact of Japan Beverage Group).

Q. How do you forecast the reduction in manufacturing costs for next year?

A. We expect positive impact from the currency, but raw material costs are increasing, so they may offset each other in total. We will continue to work on our cost reduction initiatives.

Q. SBF's sales volume growth rate is less than that of the market for September YTD. Please explain your policy towards topline growth.

A. Next year, we would like to outperform the market growth in top line. We will continue our focus on profitability and aim to achieve higher profit growth than the topline growth.

[Overseas Segment]

Q. In France, where deflation trend is continuing, how do you plan to negotiate on pricing with major retailers next year?

A. For this year, we could not carry out effective promotions due to the prolonged negotiations at the beginning of the year. Based on this experience, we will advance the schedule of negotiations for next year. We would like to share our strategy for 2017 with the major retailers earlier, so that we can carry out promotions at appropriate timing.

Q. Segment profit of Asia seems to decline in Q4. How long do you expect the impact from market slowdown in Vietnam will continue? Will there be any impact on health supplement business in Thailand following the mourning on King's demise?

A. In Vietnam, since the quality issue was found at competitor's products, consumers' trust towards the soft drink industry have not been restored. We believe that weak consumer sentiment will continue until the end of the year. *Essence of Chicken* in Thailand is a popular product as a gift. Since November and December are high season for gifts, we expect that the fall in consumer spending will have impact on our sales.