

[Key Q&A] Conference Call on Financial Results for the First Quarter of 2020

[Company-level]

Q. What are opportunities and risks in the with-corona and post-corona context?

A. Opportunities: First and foremost, our beverage business fulfills continuous, essential needs in people's lives. Channel-wise, increased home consumption is driving supermarkets and e-commerce growth. Product-wise, demand is shifting toward healthy products. In such trends, our assets will demonstrate strengths including brand equity, product development capability, value creation through core brands in categories such as water and tea particularly in Japan, and health conscious products in our portfolio.

Risks: Japan's vending machine channel and overseas on-premise channel have been significantly impacted by outing restrictions and lockdown. If such measures remain in place for a lengthy period of time, it will lead to negative consequences for our business. Currently, we are observing clear and major downtrend in areas where street traffic has decreased notably.

Q. Is your organization ready to respond to material changes in demand?

A. We have built a highly agile organization under the leadership of current management. While we continue driving our business with a long-term perspective, we will respond to short-term changes in a flexible manner.

[Japan]

Q. Could you breakdown the changes in Revenue and COGS?

A. Gross profit change, which is the sum of changes in Revenue and COGS, was a decrease of 500 million yen. Negative impact from decrease in sales volume and deterioration of channel mix, especially the vending machine channel, was mitigated by the price increase for large format PET bottle products in May 2019 and our cost saving efforts. Currency effects were almost flat. The upside from lower commodity prices was flattened by the deterioration of logistics costs. We are making progress in our cost saving activities in line with the annual target range of 5-6 billion yen.

Q. How was the situation for Japan's vending machine business in March?

A. The market is estimated to have shrunk more than 10% year on year. Our performance was at the same level as the market.

[Overseas]

Q. Could you elaborate on contribution factors for profit growth in Europe and Asia?

A. In addition to lower prices for PET resin and other commodities, we implemented thorough cost control. While COVID-19 impact started to appear in Asia in February followed by Europe in mid-March, we continued our efforts in driving marketing cost efficiency and cost saving, which resulted in a profit growth.

Q. How were the profit and business environment of each country in Europe?

A. France and the UK grew in profit, while Spain declined due to the deterioration of on-premise business. On-premise, which was hit hard by lockdown, accounts for about 30% in France and 50 to 60% in Spain, but is less significant in the UK because of its product mix.

Q. Likewise, how were the profit of each country in Asia and business environment of the Health Supplement Business?

A. The Beverage Business in Vietnam and Thailand, and the Health Supplement Business reported profit growth. Until February, "Bird's Nest" decreased 10-20% in the health supplement market due to the plunge in the number of tourists from China. Meanwhile, "Essence of Chicken" market grew about 8%. Although "Essence of Chicken" is susceptible to economic conditions, it is currently trending well backed by demand for products to support our health and immune system.