[Key Q&A] Conference Call on Financial Results for the First Quarter of 2021

[Company-level]

Q. Did the overall operating income progress as expected? What was the degree of progress in each segment?

A. The overall progress exceeded our expectations. Japan and Europe faced difficulties in January and February, but both were able to turn around in March significantly, resulting in higher-than-expected progress in operating income.

Q. Net income was down 16% year on year, but can we assume that the full year forecast is achievable?

A. We are on track with the full year forecast at every level from revenue to net income. There is a lag in tax expenses, but we expect it to be leveled out over the year.

Q. What are the prospects and risk factors for raw materials during the current and next fiscal year?

A. We apply certain assumptions about market conditions in our activities, but there is a possibility of some impact. It is difficult to be accurate in projecting the future market conditions, but regardless of the situation, we will continue our diligent cost management mainly on the supply chain. We will be able to realize significant cost improvement especially in Japan, as we establish a system to increase production with the commencement of our Suntory Tennensui Kita-Alps Shinano-no-mori plant at the end of May.

[Japan]

Q. Can you give the breakdown of Q1 performance by channel and format?

A. In the January-March period, all channels outperformed the market. We grew in low single-digit in the supermarkets and others channel, while the market was down by about 2%. In the convenience store channel, we were down by mid-single-digit, while the market fell by about 10%. In the vending machine channel, we were down by high single-digit, while the market fell by about 10%. By format, our large format PET bottle products were in line with the market which was down by about 2%. Our 500ml PET bottle products were flat year on year, while the market was down by about 2%. Our SOT (stay-on tab) can products were down by high single-digit, while the market was down by about 9%.

Q. What was the background for the decline in unit price?

A. It was due to the channel mix deterioration caused by the decrease in sales volume in the vending machine channel. However, our sales volume in the vending machine channel has been in line with our expectations in March, April and to date. We are on track with our full year forecast.

Q. Can you give the breakdown of Japan's COGS improvement?

A. Gross profit decreased by 6.5 billion yen mainly due to lower sales volume and deterioration in channel mix. Foreign exchange rates were slightly positive, and raw material prices and warehouse costs were in line with expectations in Q1. Our product mix is improving, and activities for supply chain improvement are progressing on track toward the annual target of 4 to 5 billion yen.

[Overseas]

Q. How sustainable will APAC's profit growth be in Q2 and beyond?

A. As for the top line, we expect the current momentum to continue despite the uncertainty in the external environment such as the spread of COVID-19 in the neighboring areas. We will continue to invest in our brands to increase sales while keeping in mind the balance between revenue and segment profit, so that we can maintain the momentum for segment profit as well.

Q. What is the breakdown of the increase in Asia's segment profit?

A. In terms of the absolute amount, it consists of nearly 40% contribution from Vietnam, 20% from the beverage business in Thailand, 20% from *BRAND'S* in the health supplement business, 15% from Frucor Suntory, and the rest from others.

Q. What were the factors behind the revenue decline in the health supplement business?

A. The main factor was the impact suffered by the modern trade channel in Thailand during January and February, but the business has been on a recovery trend since March with the return of movement and traffic of people.