

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

Date and Time: Aug 12 (Thu), 16:30-18:00

[Company-level]

- Q. Looking at the second half forecast, your profits are going to decline even if you could return to the 2019 levels. What are the factors behind such a slowdown?
- A. There are issues such as shortage of trucks in the supply chain due to surging demand, increasing commodity prices, etc. Asia's segment profit is unlikely to grow as much as it did in the first half, as this is the second consecutive year it posts profit growth following the previous fiscal year affected by the COVID-19 pandemic. Japan is experiencing a relatively slow recovery. However, we will continue to strive in each region, with the overall goal to exceed the 2019 levels.
- Q. Your results improved in many areas. Is it because of the factors such as organizational reform?
- A. Since I was assigned as CEO, I have been propelling initiatives for streamlining of the organizational structure, faster information sharing, and higher management transparency, based on my experience in Asia. I think we are seeing positive outcomes from the thorough implementation of the "3Fs", namely Flat, Frank, and Flexible. Another key factor is our rigorous financial discipline to ensure bottom-line growth rather than top-line growth.
- Q. What is your thought on ROE? There is considerable outflow of cash as the joint ventures are driving your growth. How are you going to raise the level of ROE?
- A. The joint ventures are contributing to our business expansion in terms of portfolio enrichment and other aspects. ROE of course is clearly among our management priorities. We will also examine how to well mobilize our cash going forward, including investments in brands, sustainability, and inorganic growth such as M&A.

[Japan]

- Q. The beverage market as a whole is experiencing deflation. How are you able to control profits in such a deflationary environment?
- A. The competition remains tough and it continues to be difficult to raise prices. Amid the situation, we have been making creative efforts in each chain and channel. We are trying to avoid price competition by focusing on our core brands to make strong brands even stronger, and to develop products that are well received by our customers.
- Q. Your selling prices fell again in the second quarter. Why and what is the outlook?
- A. It was due to the channel mix deterioration, especially in the January to March period when the vending machine and convenience store channels were under severe circumstances. We expect to return to a recovery trend down the road.

- Q. Given the tough situation your FOSHU and functional beverages are in, what will be the measures to be implemented going forward?
- A. Having a lineup that includes other than *Tokucha* is our advantage. A new communication called “Self-Defense Team” is also contributing. It is taking time for our health-conscious products to recover from the impact of the major behavioral change due to COVID-19, but once the flow of people in public returns, the trend will gradually recover with more contribution from the new sales promotion and communication measures.

[Overseas]

- Q. In Europe, you posted a rapid recovery in sales and an improved profit margin. What is the outlook for the profit margin?
- A. We have always been highly profitable in Europe, with strong niche brands in each country. We will aim for an even higher level of profitability by continuing brand investment and promoting cost structure reform.
- Q. In Asia, sales in the second quarter were strong. How the current tightening of regulations will affect your business going forward?
- A. Vietnam and Thailand succeeded in suppressing the infections last year. Although responses to the variant strains and vaccinations are in delay for now, we expect a progress in vaccinations in September and October. The environment will remain tough in the short term, but extremely strong demand is also in place.
- Q. Considering the various measures and the current situation in Asia, how will your beverage business be impacted from the sugar tax in Thailand, renewal of your health supplement business, and stricter regulations against driving under the influence of alcohol?
- A. The sugar tax in Thailand is being increased in stages, and we have been responding to it by expanding our product lineup, etc. In the health supplement business, we are focused on *BRAND'S Essence of Chicken* as part of our core brand innovation. In determining the renewal timing, the impact from COVID-19 will be taken into consideration. The timing of activities for non-alcoholic beverages has been pushed back due to COVID-19, but we are looking forward to the future.