[Key Q&A] Conference Call on Financial Results for the Second Quarter of 2022

[Company-level]

Q. Why have you not revised your full-year guidance despite the gain from the sale of the fresh coffee business in Oceania and the effect of the yen's depreciation? Are there risks in the second half?

A. We need to keep watching the trends in the third quarter as it is the peak season in the Northern Hemisphere including Japan. Soaring raw material and energy prices are highly likely to have greater impact than we anticipated in the second half and beyond, and we also need to be mindful of changes in consumer trends in each country as well as potential resurgence of COVID-19. Depreciation of the yen and the gain from the sale of the business are positive factors, but we maintain our forecast at the beginning of the year unchanged due to the very large number of uncertainties that persist.

Q. What is the extent of the impact of soaring raw material prices in Japan and overseas this fiscal year? What is your view for the next fiscal year and beyond?

A. In the first half, Japan suffered a year-on-year deterioration of 9.4 billion yen due to the currency effect and the raw material market conditions. Overseas impact was severer than that of Japan. Market conditions fluctuate widely and daily, making it difficult to forecast for the full year. We have seen some softening in market conditions recently, but we need to brace for the impact to be more than double our initial forecast. Under these circumstances for the current fiscal year, it is extremely difficult to forecast the next fiscal year. We would like to refrain from giving a specific answer to your question.

[Japan]

Q. Is it possible to improve profit margin through price revisions in the second half and beyond and to what extent?

A. We are working on three key indicators: sales growth, profit growth, and profit margin improvement. Although raw material market conditions are not for us to control, we will exercise utmost controls over other areas. We continuously conducted activities to improve segment profit and margin as much as possible in the first half. Although we are operating in an environment where price revisions are not easy, we will implement them in the fall. However, the future is hard to forecast due to the extraordinary raw material price hikes. In addition, it is difficult to forecast the final unit price after the price revisions at this time. We will continue to make every effort to improve profit margin, but we will need a little more time to carefully assess the situation.

Q. What were the factors behind the decline in the unit price in the second quarter? What was the timing of the improvement?

A. The main reason for the lower unit price was a change in the channel mix. The supermarket, CVS, and vending machine channels all showed growth, but at a different rate. Double-digit growth for supermarkets and low single-digit growth for vending machines affected the unit price. We expect both vending machine and CVS channels to gradually recover, which will lead to gradual improvement in the unit price.

[Overseas]

Q. How did the second quarter results in each region compare to the plan?

A. APAC was in line with the plan both in the second quarter and the first half, with a highlight of Vietnam's profit exceeding our expectation. Oceania missed the plan due to the COVID-19 in the first half, especially in the first quarter, and a drop in the CVS channel due to gasoline price hikes. In Europe, our core brands performed very well in both the second quarter and the first half. RGM (Revenue Growth Management) activities contributed to both revenue and segment profit to achieve the plan. The Americas' revenue was roughly in line with our expectation while its segment profit was slightly below it due to rising logistics and personnel expenses in the second quarter. However, both revenue and segment profit achieved the plan in the first half total.

Q. What is your outlook for segment profit in each region in the second half?

A. The impact of soaring raw material and energy prices will no doubt be a key factor. In APAC, Vietnam is performing very well and demand is firm. Thailand will benefit from the recovery of tourism demand, although it is currently experiencing some weaknesses.

In Europe, strong demand is maintained at present. We expect to secure a certain level of profit by thoroughly implementing RGM, including price revisions. The assumption for the Americas is almost the same as Europe.

Q. Europe. How are consumers responding to the price revisions? Are you considering additional price revisions across your overseas businesses?

A. There has been no impact on volume, and very strong demand continues to date. We are considering additional price revisions for most regions.