[Key Q&A] Conference Call on Financial Results for the First Quarter of 2024

[Company-level]

Q. What was the amount of impact of cost increases at the company level and in the overseas segments in Q1? What was the progress against the full year assumption? My guess is that raw material costs did not increase.

A. The impact in Q1 was roughly in line with the plan and amounted to approximately 3 billion yen at the company level. Our full year assumptions are 12 billion yen for Japan and 15 billion yen for overseas. Progress was also in line with our assumption. As in the previous year, there was no significant deterioration in Q1, but we expect deterioration in Q2 and beyond. While we expect overseas to be somewhat on target, the visibility for Japan is very low due to highly volatile exchange rates and raw material prices.

Q. How much did Q1 revenue and operating income exceed the company's plan? Were there any one-time factors?

A. Company-wide revenue was several percentage points higher than planned, and operating income was even higher. This significant outperformance in operating income was due to a stronger-than-expected profit improvement in Japan, as well as higher-than-planned profit contributions from the beverage business in Vietnam and the health supplement business in Thailand. There were no one-time factors.

[Japan]

Q. What is the expected impact on earnings of the next round of price revisions scheduled for October? Do you expect operating income for the next fiscal year to exceed 50 billion yen?

A. We are in the process of starting negotiations that we would like to refrain from commenting on the details of the cost improvement effects of the price revisions. Rather than focusing on volume share, the top priority for Japan is to improve profitability. We will continue to work to expand highly profitable products such as small PET bottles and high value-added products by strengthening focused activities for our core brands, while accelerating the structural transformation of the vending machine business and continuing cost management to improve profitability.

Q. What level of price elasticity do you expect for the additional price revisions? What is your current view of private brand trends, consumer trends, etc.?

A. Last year, we implemented two rounds of price revisions and the annual volume was at 101% of the previous year's level. We would like you to understand that the additional price revisions reflect the growing strength of our core brands in Japan, including *Suntory Tennensui*, *Tokucha*, and *Iyemon*, which underwent a major renewal in March. On the other hand, it is difficult to read the impact of price increases due to the weak yen and changes in the demand environment. We continue to closely monitor the impact of private brands. Since last year, there has been a shift to private brands, particularly in tea products, and we expect this trend to continue. To counter this, it is necessary to continue strengthening our core brand, *Iyemon*.

[Overseas]

Q. APAC has had a strong start. Is the strength sustainable in Q2 and beyond?

A. We believe that the situation will change for the better from now on, as the economic trend in Vietnam is strong and the demand for health food in Thailand has bottomed out. Although the health supplement business grew in Q1, it has not yet returned to the levels of two years ago, and we are entering a truly critical phase for the future.

Q. How would you compare the competitive environment between Europe and APAC? What factors make the competitive environment in Europe more challenging?

A. In all countries in both Europe and APAC, the intensified competitive environment remains unchanged from last year. APAC gained market share in Q1, although there were differences from country to country. Europe is in a challenging situation, and how we grow our mainstay brands is critical. We intensified marketing activities for *Oasis* and *Schweppes* in France in Q1 and for *Orangina* in Q2. We signed a new agreement with *CELSIUS*, an American energy drink brand, and started distribution in the UK. In Spain, we increased our activities in the on-premise channel to address a very competitive environment that will continue in Q2 and beyond.