[Key Q&A] Briefing on the Financial Results for the First Half of Fiscal Year Ending December 31, 2014

Q. While the annual forecast of Japan segment profit is an increase of 2.6 billion yen, 2.3 billion yen was achieved in 1H. Profit increase in 2H will become only a small amount. What is the reason for not revising the annual forecast?

A. We expect various cost push factors in 2H such as price hike of coffee beans, in addition to the exchange rates remaining with weaker yen. We have not revised the forecast by also considering the fact that weather in 3Q has significant impact on 2H profit. Although sales volume in July was less than previous year, it is important for us to handle the businesses well in 3Q, as we believe it is a must to achieve the figures presented in our annual forecast.

Q. Improvement in product mix contributed to increase in segment profit by 1.8 billion yen in 1H. Please explain the background of this.

A. Product mix improved more than our initial plan due to high sales growth in FOSHU drinks, 500ml PET bottle products and 190g canned products, while sales growth of large-size format products was only 2% YoY.

Q. Cost reduction of 2.4 billion yen contributed to increase in segment profit in 1H. What is the current forecast for the full year?

A. While we see that cost push factors such as exchange rate and increase in raw material costs will increase beyond our initial plan, by further pursuing our cost reduction initiatives, we expect profit increase of 1.5 billion yen by cost reduction for the full year, which is unchanged from our initial target.

Q. It seems that unit price in Japan increased in 2Q (April–June). How do you plan to continue the unit price increase for 2H onwards?

A. Japanese market remains highly competitive after the consumption tax hike. In effort to raise unit price, we will work to increase the proportion of small-size format products further, while maintaining sales of large-size format products at a similar level as market growth. We will also pursue on initiatives to create a new category and launch high value-added products such as FOSHU drinks.

Q. How is the progress of price increases in vending machines in Japan?

A. We see that price increases were completed at more than 90% of the vending machines as of the end of June.

Q. Please explain the background of profit increase in Europe for 1H and its forecast for 2H?

A. Lucozade Ribena Suntory recorded higher profit than we expected, mainly due to cost reduction by joint purchasing of raw materials throughout Europe. As for the Orangina Schweppes Group, profit increased by cost reduction and concentrating more on products with higher profitability. In effort to realize future growth in 2015 and onwards, we plan to increase marketing costs and expenses to reinforce sales structure in 2H.

Q. How do you plan to increase sales of *Orangina*, *Lucozade* and *Ribena* in Europe and Africa?

A. In addition to reinforcing core brands in the main market of France, Spain, the UK and Ireland, Lucozade Ribena Suntory have started sales of *Orangina* in the UK from July. As for *Lucozade* and *Ribena*, we will be starting to sell the brands also in Asia and Africa by our subsidiaries from next year. From these changes in distribution, we will work to effectively reinforce these brands in each region.

Q. Please explain about the global strategy of brands. Do you think the number of brands you own (including *Orangina*, *Lucozade* and *Ribena*) are sufficient?

A. In July, we have launched *C.C.Lemon* in Vietnam, which is an established carbonated drink brand in Japan. We will accelerate our research to decide launching what brand to which market. In addition to *Orangina*, *Lucozade* and *Ribena* that we have acquired, we also have *TEA+ Oolong Tea*, which its taste and efficacy are well received in Asian countries. We believe we have sufficient number of brands for the time being.

**Q. Mr. Niinami will take the post as the new president at Suntory Holdings.
Will there be any impact on Suntory Beverage & Food's business?**

A. There will be no impact on our business, as our management is independent from the parent company.