[Key Q&A] Analysts Meeting on Financial Results for the Second Quarter of Fiscal Year Ending December 31, 2015

[Japan Segment]

Q. What is the background of profit growth being only 0.1 billion yen in Q2 (Apr – Jun)?

A. The primary factor for the result is due to the additional relaunch costs, such as sales promotion and advertising costs, for *Lemongina* and *Suntory Minami-Alps Tennensui & Yogurina*. These two products were relaunched after temporary stoppage in shipment caused by supply-demand imbalances. On the other hand, we have been successful in growing sales of the brands that we are focusing on, and so we are in line with our strategy.

Q. While SBF continues to aim for the annual profit growth of 1.4 billion yen, what are the factors to achieve profit growth in H2?

A. Sales growth and cost reduction are the main factors. FOSHU drink products grew more than 20% in July and small-size format products such as 500ml PET bottles that include *Suntory Minami-Alps Tennensui & Yogurina* are recording good sales. We have started in-house production of bottle-shaped can coffee from May, and this will have a positive effect on cost.

Q. Please reiterate the strengths of Japan Beverage Group and benefits from its acquisition.

A. They have just joined SBF Group in August and we have re-acknowledged their strong customer base. What matters most is the kind of value we can add to this business. We also believe we can expect more efficiency in investment to vending machines.

Q. What is your view towards the continuous decline in ASP in the Japanese soft drink market?

A. SBF will aim to realize increase in unit price overall, by developing products that avoid price competition, such as FOSHU drink products with high added-value and new products that offer new value to customers.

[Overseas Segment]

Q. Please explain the reason for improvement in operating margin in Europe.

A. There are several reasons behind the profit growth in Europe. First factor is improvement in COGS, particularly for the ingredients cost. Second factors is the success in our strategy to focus on selling premium products in on-premise channels, such as hotels, bars and restaurants. And the third factors is one-off costs related to the acquisition of Lucozade and Ribena, which were incurred last year but not for this year. Our current challenge is to increase unit price for sales to the food channel in France.

Q. While the economy in Southeast Asia is decelerating, how did you manage to increase profit in Asia?

A. Sales of Oolong tea *TEA+* was strong in Vietnam and we also grew sales in areas where we have established our own sales structure, such as Malaysia and Hong Kong. In Thailand and Indonesia, on the other hand, we are reducing our marketing expenses to correspond to the slowdown in economy. Business conditions are more difficult than how it looks from the financial result and we believe we will continue to face challenges in the Asian businesses.