

**[Key Q&A] Conference Call on Financial Results for the First Quarter of  
Fiscal Year Ending December 31, 2015**

[Japan Segment]

**Q. Profit of business in Japan declined significantly in Q1. What is your outlook for Q2?**

A. In terms of sales, we will aim to catch up with the same level as last year. As for segment profit, it may take until Q3 to realize profit growth.

**Q. Please explain the reason for the profit contribution from product mix improvement being only 0.1 billion yen? How do you plan to achieve profit increase of 4 billion yen, which is forecasted for the full year?**

A. We are increasing our unit price by raising the ratio of 500ml PET bottle products. However, due to the impact of *Boss Green* launched in January 2014, the profit contribution from improvement in product mix was only 0.1 billion yen in Q1.

For Q2 and onwards, we would like to achieve full year target by strengthening *Boss*, FOSHU products and 500ml PET bottle products, such as *Iyemon*. In regard to *Lemongina* and *Suntory Minami-Alps Tennensui & Yogurina* (flavored water), we are working to establish production structure for stable supply as soon as possible.

**Q. Increase in sales promotion and advertising expenses are pushing down the segment profit by 1.1 billion yen. Please explain the reason behind this and future outlook.**

A. We carried out cross-brand promotions on 500ml PET bottle products. In addition, we conducted minimum and necessary price promotions mainly on large-size PET bottle products, to maintain presence in stores. But basically, our policy to avoid price competition as much as possible has not changed. Going forward, we believe that the important issue is how we can manage our sales promotion expenses in summer.

**Q. How was the sales volume of FOSHU products in Q1?**

A. Total sales volume of FOSHU products decreased by 10% YoY. Sales volume of *Iyemon Tokucha* increased by 40% YoY and *Suntory Black Oolong Tea*, which had its renewal in March, achieved good sales results. However, the impact of *Boss Green* launched in January 2014 was larger than that of these two products. Excluding the impact of *Boss Green*, we achieved mid-single digit growth for FOSHU products. In Q2 and onwards, we plan to expand sales of *Iyemon Tokucha* and *Suntory Black Oolong Tea*.

**Q. How do you evaluate the sales volume growth of +1% for *BOSS*? It seems that bottle-shaped canned coffee are selling well, but as the sales ratio of such high cost products increase, will not this have negative impact on profitability?**

A. We estimate that the canned coffee market in Q1 declined by 6%, but we outperformed the market with strong sales of *Premium Boss*. We plan to start up a new filling line for bottle-shaped can coffee at our plant from this May. By promoting in-house operations, we aim to improve profitability.

[Overseas segment]

**Q. While sales of Europe declined, segment profit increased. Please explain the reason behind this.**

A. Sales of Europe decreased by 7.1% on currency-neutral basis, mainly due to the following two reasons. First is the change in the way of recording Lucozade & Ribena sales in Asia and Oceania to each regions, which the worldwide sales used to be recorded in Europe in 2014. The second reason is the impact from supply issue at packaging material manufacturer for the UK & Ireland business.

The main reason for profit increase is the one-off costs of slightly more than 1 billion yen that was recorded in 2014, relating to the acquisition of *Lucozade* and *Ribena* business. Other factors include sales volume increase of *Orangina* and change in the timing of marketing investment from Q1 to Q2 onwards in France.

**Q. Please explain the background of profit increase in Asia?**

A. In Asia, profit growth of health food business in Thailand, where sales of *BRAND'S Essence of Chicken* are picking up, and business in Vietnam made up for the loss in Indonesia.

**Q. What is the reason behind significant profit increase in Oceania?**

A. Segment profit in Oceania was partly and temporarily pushed up by factors including successful marketing activities relating with Cricket World Cup, as well as change in method of inventory valuation.