

[Key Q&A] Conference Call on Financial Results for the Second Quarter of 2023

[Company-level]

Q. What are the mission and priorities of the President & Chief Executive Officer?

A. The primary mission is to achieve high quality growth as a global beverage company. Both organic and inorganic growth are in the scope. Business growth through margin improvement, both domestically and internationally is important in the pursuit of organic growth. I will work to increase our corporate value through the following three measures: 1. strengthening RTM (route to market) and RGM (revenue growth management), 2. enhancing our brands, and 3. increasing both revenue and operating income.

Q. Is there any change in your forecast for raw material costs to increase by 60 billion yen on a full-year basis? What is the outlook for the second half and next fiscal year?

A. In the first half of the year, costs increased by approximately 36 billion yen, as expected. At this point, we do not expect to deviate significantly from our full-year assumption of 60 billion yen, but we are still in a highly uncertain environment. Market conditions for some raw materials have stabilized, but energy prices are very volatile. I would like to refrain from commenting on next year, as it is too early to make a forecast.

Q. Can you give us an update on M&A? What do you think about shareholder returns?

A. Of course, M&A is on the table because, in addition to organic growth, inorganic growth is essential to drive the growth of the SBF Group as a global beverage company. We also consider shareholder returns, but investing in growth comes first.

[Japan]

Q. What is the reason for the price revisions for large PET bottle products only in October 2023? Is there a possibility to revise prices for small PET bottle products towards next fiscal year?

A. We have limited the price revisions to a certain range and a few products in order to gain the understanding of our customers. We will maintain the same stance for future revisions.

Q. My impression is that the Company has significantly reduced the supply chain costs through structural transformation. Can the Company make further progress in structural transformation? How much further can it go?

A. The structural transformation of the vending business has made significant progress in two areas: corporate sales and operational efficiency. We achieved the first-half target for corporate sales and gained strength. Operational and route efficiency also progressed according to the plan, contributing significantly to cost reduction. In logistics, we will continue to promote stable supply and structural transformation of the entire supply chain.

[Overseas]

Q. In the Beam Suntory partnership, how will the CAPEX and return be shared? Will you consider more partnerships in other regions in the future?

A. CAPEX investments will be made by Frucor Suntory (SBF). How to share the returns is to be discussed in detail. The beverage business remains our top priority segment, but RTD is a category that is expected to grow. To accelerate our global growth, we would like to consider expanding the RTD business into other regions where there is a clear advantage.

Q. Europe and APAC appear to have lost some momentum compared to the first quarter. What are the reasons for that?

A. There was no major change in the overall brand momentum in Europe. France benefited from positive external factors last year, including favorable economic and weather conditions. This year, however, France faced unfavorable weather conditions in early spring and a temporary, albeit limited, impact from social issues. Demand is currently on a recovery trend, and there is no major change in the underlying momentum. In Spain, the economy has been recovering rapidly since April of last year, contributing to a revival in on-premise demand in particular. We faced a reactionary decline, but actions are already in place to address the situation for both on- and off-premise channels. Vietnam was in a similar situation to Spain and experienced a reactionary decline from last year's economic recovery. It is true that the stagnant economy in Vietnam is currently affecting the entire beverage market, but we will implement competitive and demand stimulating measures, including the promotion of core brands, in the second half of the year and beyond.