

[Key Q&A] Conference Call on Financial Results for the First Quarter of 2022

[Company-level]

Q. Impact of raw material price hikes. The assumption at the time of the full year earnings call was about 10 billion yen in Japan and the similar level overseas. Has it changed in light of the situation in Russia and Ukraine? Can the impact be absorbed through price revisions?

A. Market volatility has been extremely high recently and the situation changes day by day, making it difficult for us to present a full year outlook. We have no choice but to run the business with the worst-case scenario in mind where the impact goes beyond double the initial assumption. We strive to deliver the guidance by further strengthening our revenue growth management activities including price revisions and cost management activities such as supply chain management.

Q. Impact of raw material price hikes. Will Japan and Asia-Pacific be significantly affected in the second quarter and beyond in the same manner as the first quarter?

A. Prices of energy, each raw material and packaging materials have risen across the board, especially those of resin, aluminum and sugar, and coffee as well in Japan. The portfolio of each segment will be affected, albeit differently.

[Japan]

Q. Segment profit decreased in the first quarter. Is the full year guidance achievable? Has there been any change in the downward trend of unit price?

A. Behavioral restrictions have slowed the recovery of the vending machine and convenience store markets in particular. Gross profit of negative 2.5 billion yen includes negative 3.0 billion yen from currency effect and raw material market prices, most of which was due to the deterioration of the latter factor, and negative 2.0 billion yen from activities and product/channel mix, including activities to improve supply chain management and channel mix deterioration due to delay in recovery of the vending machine and convenience store channels. We expect the channel mix to start recovering as so-called people traffic is returning these days. In pursuit of delivering the full year guidance, we will thoroughly implement activities in the second quarter and beyond.

Q. What are your plans for price revisions going forward?

A. Price revisions are always an option. The recent rapid progression of high crude oil prices and the depreciation of the Japanese yen has driven the raw material market prices to soar, and the rising costs of recycled PET bottles and other sustainability initiatives have a significant impact on the industry as a whole, making it extremely difficult to absorb these costs through corporate efforts alone. Under these circumstances, we are considering specific measures to be taken in the future.

[Overseas]

Q. APAC. How are consumers reacting to the price revisions? Can we expect topline growth without a drop in demand even with continuous price increases?

A. No decline in demand due to price revisions has been seen so far. In Thailand and New Zealand, our topline was affected by activity restrictions following the rises in the number of infections, but we expect demand to recover going forward.

Q. Is profit progress in Europe better than expected?

A. With the COVID restrictions almost fully lifted, consumption has recovered in all markets. Each one of our core brands grew double-digit in the first quarter, and we have been implementing price revisions in each country, resulting in significant growth in both volume and value. This trend is expected to continue, although there will be a headwind of surging raw material and energy prices.