

[Key Q&A] Analysts' Meeting on Financial Results for the Fiscal Year Ending December 31, 2017

[General]

Q. The organic growth rate is unsatisfying considering your "To be the Third Force" goal. When would you have the growth pace as your global competitors' and become the "Third Force"?

A. The "2.5 trillion yen sales by 2030" that we set as our Aspiration is the first image we would like to achieve in terms of sales scale and timing. Our goal of "Third Force" is not only limited to the aspect of sales scale, but rather about becoming an unique beverage company for a different era, by providing values of healthy, environmental, more enrichment, and more convenience. In other words, being helpful to the society. Although it will take time, we would continuously expand our product portfolio, build strong brands in each categories, and develop our R&D technology.

Q. Is M&A one measure to achieve your "2.5 trillion yen sales by 2030" aspiration?

A. We expect about 2 trillion yen sales by 2030 from organic growth, which means that M&A is necessary. We are also working on assuring a good balance sheet and establishing profit-generating structure to prepare for large-scale M&A in the future

Q. Please explain your ways of achieving the medium-term plan target, "grow operating income at a CAGR mid single-digit or above".

A. Ensuring organic growth ahead of market, and profit growth that exceeds sales growth in each country and market. The growth would not be achieved without portfolio change, so we would invest in new categories and products. This year, we are benefited from the one-of profit from sale of Food Business last year. We would leverage this profit to make necessary investment for portfolio change, and leverage that into growth beyond 2019.

[Japan]

Q. Japan Business' profit growth of 1.2 billion yen for 2018 is less than our expectation. Please explain any measures you would take for future profit growth.

A. In these few years, the categories that have been growing in Japan market are water, sugar-free tea, and coffee. Regarding coffee, rather than the traditionally profitable 185g can, the new PET bottle product, such as *Craft Boss*, are growing. Also, in trade channels, retailers that can provide cheaper options are growing. In this structural shift of the market, we need to increase profitability one by one in each product category and trade channel, in order to increase profitability as a whole. In addition, strengthening healthy products with high added-value such as FOSHU and functional drinks; as well as expanding high added-value products in on-premise channel are also ways to bring profit growth into the next level.

Q. It seems that the retail price has lowered since the second half of last year, could you please comment on that?

A. We do not take the strategy of using pricing as a way to expand our market share. However, it is true that we have not been bringing up our price. Average price is determined by the offer field's structure and the products. Therefore, it is important to create demands for high added-value products, especially the healthy category, in order to drive up the average price. We will continue working on that.

[Overseas]

Q. I would like to know the conditions of overseas brands, especially *Sting* in Vietnam and *Lucozade Energy* and *Ribena* in the U.K.

A. Although *Sting* struggled last year, we start seeing good results from various measures we took, and thus having a good expectation for it. Regarding *Lucozade Energy*, the new users we acquired were not able to cover up the heavy users we lost, and we continue to struggle. Towards the sugar tax implementation timing of April, we will reinforce storefront activities, promotions, and sampling activities. We will have a recipe change for *Ribena* to reduce its sugar as well in March. Currently the test marketing shows good reception, and we would work to ensure a smooth launch. For both *Lucozade Energy* and *Ribena*, towards April, we would continue reinforcing activities and carefully observe their conditions.