

[Key Q&A] Conference Call on Financial Results
for the fiscal year ended December 31, 2020

[Company-level]

- Q. How are you going to achieve your plan for FY2022 to go beyond the FY2019 profit level? How will your strategy for brand strengthening be different going forward?
- A. We have specific plans at country level, not at region level, taking the market trend in each country into consideration such as the recovery paces post lifting of lockdowns in North America and Europe. Core brand innovation continues to be at the heart of our strategy. In overseas markets, brand innovation tends to lag behind changes in the environment due to cultural differences where conservative attitude is observed when it comes to making changes to an established brand. We will expedite the process leveraging the power of Centers of Excellence.
- Q. You have set an aggressive revenue growth forecast for FY2021. Will the profit forecast be achievable even in case of revenue shortfall due to changes in the business environment?
- A. Our plan for FY2021 is to focus on investments to drive topline growth. We will actively invest in marketing, on top of core brand innovation and DX. Now is the time for us to go offensive by taking advantage of our competitive position in the current environment. Although the balance between revenue and profit involves some uncertainties, we are confident that it is controllable based on our experience in 2020.
- Q. What are your M&A targets? Will non-beverage businesses be included in your scope?
- A. Region-wise, Asia Pacific (APAC) will be the main focus. We are considering broad range of possibilities including beverage, health supplement, direct businesses, etc.
- Q. You mentioned that you will raise shareholder returns if circumstances allow. Could you elaborate on the policy? For instance, will a higher profit than forecast mean more returns?
- A. We will carefully examine the amounts of cash generated and necessary investment for growth in making judgement about shareholder returns including

buy back. That said, there is no change to our stance to prioritize growth investment.

[Japan]

Q. Please share with us the progress and expected effect in your vending machine business transformation.

A. We have been driving it since the pre-COVID era, and have already seen positive effect in 2020. We apply similar way of thinking to retailers where the emphasis is placed on sales per machine, operational efficiency, and location. In our case, it translates into expanding PET bottle product lineup as one of the means to boost sales per machine, applying technologies such as AI and wireless communication to drive operational efficiency, and installing machines in locations with large working population even under the current circumstances. Implementing these actions by taking exactly the same approach as retailers will propel our vending machine business transformation. The vending machine market will definitely grow this year. Improvement of the market condition will bring positive effect on sales and profit, and in parallel, we will continue to make progress in installing machines in the right locations to prevent sales per machine from declining. In general, the decline rate is 2 or 3% annually, but we think it could be controllable.

Q. What is the background for the unit price deterioration expected in 2021? Will there be timing when your price mix takes a turn for the better in coming 3 years?

A. Our plan is to grow in all the channels, but the difficulties faced by the vending machine channel in which unit prices are high still affect the overall unit prices. There is no change to our stance since 2018 to grow sales at a higher pace than volume. We will expedite our structural transformation as the external environment starts to recover. In terms of products, we will strengthen our high price, high added value, health-conscious products to convert our price mix into a positive one.

[Overseas]

Q. According to your plan, APAC is going to be the second largest segment in terms of operating income. Do you anticipate it to exceed Japan's profit level during the

medium-term management plan? What is included in your innovation for *Essence of Chicken*?

A. We are envisioning in our medium-term management plan a state where Japan, Europe and APAC each plays a key role in a well-balanced manner. The degree of innovation for *Essence of Chicken* will be equivalent to that of the renewal we implemented for *Iyemon* in Japan, and a success of it will have a significant meaning for APAC.

Q. What are the prerequisites in your FY2021 plan for Europe, considering the COVID-19 impact?

A. The resurgence of COVID-19 since October had a major impact on Europe. However, France and the UK endured well in the situation, partly due to strong off-premise demand during the Christmas season. Meanwhile, Spain's on-premise business continues facing difficulties into the first quarter, but we expect a significant rebound similar to last year along with temperature rises in the spring and beyond that we are making preparations including store product lineup.

Q. RTD coffee and non-alcoholic RTD are included in your medium-term management plan. To what extent are these categories going to contribute to the overall performance during the period of the plan? How are you going to expand them?

A. We currently see favorable responses to RTD coffee *BOSS* in Oceania. Demand for non-alcoholic RTD is rising in emerging countries where drinking restrictions on drivers are becoming stricter. In terms of sales volume, we are aiming to have the new categories account for somewhere between high single digit and around 10% in the category mix of the country in 5 years, in a similar way TEA+ achieved in Vietnam.