

[Key Q&A] Analyst's Meeting on Financial Results for the Fiscal Year Ended December 31, 2018

[Japan]

Q. How much do you think the price increase can penetrate? Also, how much of its effect was included in your 2019 forecast?

A. We think that price increase is necessary with rising raw material price and logistics costs, and would like to ensure its penetration. As for the amount of impact, although we somewhat included the positive effect in our forecast, we are still at the start of negotiation, so it is hard to make an estimate on what the effect will be.

Q. As there are still possibility of continuous cost increase, any possibility of price increase for products other than big format?

A. We do not deny the possibility of price increase for small format PET bottled and 185g canned products, and may consider it in the future, but currently nothing is decided.

Q. Your volume sales forecast is flat year on year, and your revenue forecast is also flat year on year despite the positive effect from price increase. Does that mean you still expect adverse product mix this year?

A. This year we expect to stop deterioration of product mix by preventing further downward trend of overall FOSHU and functional beverage category, but channel mix might slightly deteriorate.

Q. The whole industry is struggling in vending machine business, how would you deal with this? How much out of the -2.4 billion yen of the "Others" factor in your 2019 profit bridge forecast include the cost pressure from vending machine business?

A. - Vending machine business continues to be an important channel for our company, and we would work on it by making appropriate investments.
- It is true that the business environment is getting tougher due to the cost pressure from increased personnel expense and fuel price, we will respond to it through operation improvements such as increasing route efficiency and utilizing AI, robot, etc.
- The -2.4 billion yen of the "Others" factor in 2019 profit bridge forecast includes increase in personnel expense for vending machine business, R&D expense, etc., and about half of it is related to cost increase in vending machine business.

Q. About the profit forecast in Japan, what is the balance between first and second half?

A. Both first and second half would be flat year on year. For second half, there was hot summer last year, which can be downside risk, but we can also expect positive effect from price increase.

[Europe]

Q. For 2019 forecast in Europe, on currency neutral basis, while the revenue increases slightly, the segment profit increases by 8.7% on organic basis, why is that?

- A. In France, we expect the SC cost to improve. Also, MayTea, which we make a big marketing investment on, performed well, and is expected to have profit appropriate to its sales. In UK, although Lucozade struggled in the first half of 2018, it started recovering in second half, and profit increase can be expected. Spain considerably decreased last year, and we would like to improve the situation even by a little.

[Asia]

Q. What is the profit image of each business in 2019? Also, what is your expectation for the future of each business?

- A. (Beverage Business)

We expect the profit to increase in 2019.

Health consciousness becomes stronger in Asia, and our products have started getting approval. For example, *TEA+* in Vietnam is sold over 10 million cases, and *Good Mood* in Indonesia is growing steadily. In the future we would also expand tea products in Thailand. In medium-term, we think coffee category also has potential.

(Health Supplement Business)

We expect the profit to slightly increase in 2019.

Thailand market is finally on recovering trend from Q4 last year. In addition, the rising raw material price for Bird's Nest had negative impact, but the impact is expected to soften in the future, and we aim for recovery. On top of these, we also aim for growth in markets out of Thailand, such as in Myanmar and Taiwan.

[General]

Q. What will improve with the change of management team?

- A. Mr. Saito, the new CEO, has not only domestic, but also abundant overseas experience. Therefore he can quickly realize and respond to things happened in overseas business. The strength of our company is not monarchical management, but team-work. With the new management team, we will strengthen the collaboration between regions, and enhance further exchange and utilization of strengths and know-hows between each other, resulting in acceleration of structure reform.

Q. When do you think you can achieve the Medium-term Plan of “grow operating income at a CAGR mid single-digit or above” that you announced last year?

A. We would like to achieve sustainable growth through firm structure change. First we would finish the structure reform that we are working on, in order to face the big growing stage that is coming in 2021. In addition, we continue to watch possibilities of M&A.