[Key Q&A] Conference Call on Financial Results
for the fiscal year ended December 31, 2023

[Company-level]

Q. Your new medium-term management plan targets high single-digit CAGR operating income growth, and the plan for 2024 is relatively low. What are the drivers for recovery in the next fiscal year and beyond?

A. In 2024, the first year of the medium-term management plan, we expect low profit growth as cost factors continue to deteriorate, but we believe it will stabilize to some extent in the second year and beyond, and our supply chain structural transformation will drive improvement, especially overseas. This year, we will embark on structural transformation, such as strategic investment in production facilities, line improvement, and supply chain cost reduction, with the aim of driving profit growth both in Japan and overseas to achieve the target.

Q. You plan to invest 300-600 billion yen for growth. What is the scale of M&A?

A. The 300-600 billion yen includes growth investment, M&A, strategic CAPEX, etc. We set the amount at around 600 billion yen, with a debt/EBITDA multiple of 2x as a rough guide and some range from there. However, we may make decisions on M&A without being bound by this framework, depending on the deal.

Q. What do you think is the ideal capital structure and capital efficiency (e.g. ROE)?

A. There are various financial indicators such as ROE and ROA, but this time we have set a new indicator of free cash flow of 140 billion yen, which can indicate the health of the company. As for ROE, we aim to increase it by one percentage point over the period of the medium-term management plan. We will continue to develop our business activities while placing emphasis on these financial indicators.

[Japan]

Q. What actions will you take to restore profits to pre-COVID levels, both in terms of margin and value?

A. Improving profitability is the top priority for Japan, rather than volume share. We will continue to focus on expanding high-profit products such as 500ml PET bottle products and high value-added products. In addition, we will improve profitability by accelerating transformation in the vending machine business and continuing to manage costs in the supply chain and other areas.

Q. When will you implement the next round of price revisions/increases?

A. The market has remained steady since the price increases last October, and consumer acceptance is in line with our expectations. We will continue to actively consider price revisions as a means to improve profitability, while closely monitoring the cost environment and customer response, wage negotiations at various companies.

[Overseas]

Q. APAC is key to your top line growth. You stated that the health supplement business is back to pre-COVID levels, but is it possible for it to grow double-digit in 2024?

A. APAC is the source of growth for us to achieve the top line and profit targets in the new medium-term management plan. Restoring growth in APAC, which struggled last year, is extremely important. The recovery of the health supplement business in Vietnam and Thailand is the key challenge this year. If we can recover in these two markets, APAC will return to its growth trajectory. Vietnam will remain an important growth driver as we expect its economy to recover this year. Meanwhile, we are targeting a steady recovery of the health supplement business in the short- to medium-term through demand recovery and brand value enhancement.

Q. I assume we cannot be optimistic about the macro environment in Europe, but you plan to grow earnings there. What is the background?

A. We believe it is too early to be overly optimistic about consumer sentiment, although the inflation levels are moderating. In addition to further strengthening our core brands, we will continue to raise prices where we can as part of RGM. We also see an opportunity to further improve supply chain efficiency. We see potential for the region to improve both gross profit and operating income.