[Company-level]

Q. The Company aims for profit growth that is higher than revenue growth in the medium-term management strategy, but profit growth in the forecast for FY2020 is lower than revenue growth. What is the reason for that?

A. FY2019 was a year we focused on profitability to regain our "Profit Generation Force". As a next step, we will vigorously drive our brand investments for revenue growth in FY2020. Our stance to aim for profit growth that is higher than revenue growth over the medium-term remains unchanged.

Q. Will the plastics issue become a factor of pushing up costs in the future?

A. From a long-term perspective, we do not see it as a cost increase factor. Once we establish an efficient recycling process, we can expect cost reductions as it enables access to local raw materials. That said, it requires investments to realize that, and all stakeholders including ourselves, the government and the industry as a whole need to work together on this. We want to exercise leadership in the industry in this context.

[Japan]

Q. Please tell us about the relation between the structural reform and margins. How long will it take for margins to recover? What are the levels you are aiming for?

A. Our structural reform is an agile, continuous process that we cannot define within a clear timeframe, but we are aiming to complete it within a year or two. We cannot present specific figures for margins, but we will build a structure for higher profit growth than revenue growth.

Let me add that margin improvements come from various sources. Growth target for operating income is set at 0.5 billion yen in the FY2020 forecast which will, most importantly, be generated in gross profit through volume increase, product mix improvement and cost reduction. In addition, we will control sales promotion and advertising cost and continue structural reform of the vending machine business to further increase margins.

Q. In your structural reform of the vending machine business, how are you going to improve profitability? Will it be done by sales improvement or by higher cost efficiency to generate profit even without growth in sales?

A. We want to strengthen the profitability through both growth in sales and reform of the cost structure. For instance, we will optimize product mix location by location to increase sales and profit margins. We will also drive higher efficiency through various technologies including AI to optimize fixed costs in the vending machine business.

Q. How are you going to address the concern that the profitability of the industry may deteriorate as a result of intensified competition in 2020?

A. We will invest in growing our brands. Please note that it does not mean that we are considering price cuts. In fact, we raised prices last year. We will continue investments to strengthen our brands while ensuring solid returns on such investments.

【Overseas】

Q. Why did FY2019 profits exceed the forecasts revised up in November?

A. Profits were higher than expected thanks to Europe and Asia. Europe performed well mainly due to better than expected sales in our core markets. Asia benefitted from commodity market tailwinds and improved cost efficiency.

Q. What are the backgrounds for the recovery in France, Spain and the health supplement business that were previously struggling? Is the recovery trend sustainable?

A. It is the result of our concentration of activities on our core brands. Our constant efforts to improve our core brands performance by investing in them came to fruition. We will make the recovery trend a sustainable one.

Q. Can you talk about FY2019 and FY2020 operating income of your core markets and businesses?

A. For FY2019 operating income, in Europe, France, the UK, and Spain increased. In Asia, Vietnam, the beverage business in Thailand, and Indonesia increased. The health supplement business slightly decreased due to the tough situation in the 1st half. In Oceania, Frucor Suntory increased while the fresh coffee business decreased. Pepsi Bottling Ventures in the Americas increased.

For FY2020, we plan to grow operating income in each of our core markets and businesses.