

## TO OUR SHAREHOLDERS AND INVESTORS

## Pivoting to growth mindset

We are deeply grateful to all of our shareholders and investors for their continued support. This report presents information on our business conditions and performance for the year ended December 2017.

**Q Please give us an overview of performance in 2017.**

The soft drink industry in 2017 faced a severe environment for reasons including the impact of unfavorable weather during the summer peak demand period. Despite this, our soft drink companies undertook new product introductions that appealed to added value, including Foods for Specified Health Use (FOSHU) and Foods with Function Claims, with the result that the market remained almost flat versus prior year.

Amid this, our company, which launched under the business integration of April 1, 2017, has pursued integration with a sense of speed and the aim of establishing a base for improvement of revenue and growth in 2018, on the basis of our management principles of "community-based" and "customer-centric." As a result, despite the impact of the unfavorable weather, revenue-focused management activities and the creation of net synergies allowed us achieve operating income in excess of plans.

**Q Tell us about the company's policies and performance outlook in 2018.**

We position 2018 as an important year for building on the base we established in 2017 to achieve sustainable growth aimed at 2020. Three important elements in achieving growth are "national scale with local presence," "innovation acceleration," and "creation of synergies." In terms of "national scale with local presence," we will formulate detailed strategies based on local market environments, the competitive environment, customer characteristics, and so on, through the system of six regional sales organizations that we launched on January 1 of this year, and will engage in thorough "community-based" sales. At the same time, we will make use of our Group's scale in agile product introductions and procurement cost reductions for marketing materials. In terms of "innovation accelera-

tion," we will pursue innovation not only in products but also in every aspect of our business, including marketing, market execution, supply chains, and indirect business. Doing so, we will deepen our relationships with customers and business partners. In terms of "creation of synergies," we aim to create net synergies of ¥8 billion this year, centered on the supply chain area.

Through these initiatives, in 2018 we are aiming for consolidated net revenues of ¥1007.3 billion (a year-on-year increase of 15.4%), operating income of ¥49.7 billion (a year-on-year increase of 22.5%), and net profit attributable to owners of parent of ¥28.8 billion (a year-on-year increase of 14.1%). Regarding shareholder returns, we forecast a ¥6 increase in annual dividends to ¥50 per share (interim ¥25, year-end ¥25).

**Q Please tell us about your progress in the Mid-Term Strategic Plan leading to 2020.**

Growth Roadmap for 2020 & Beyond, the Mid-Term Strategic Plan that we began at the same time as the launch of the company, is progressing steadily. In January 2018, we conducted an integration and a reorganization of our subsidiaries with the aim of simplification and optimization of the organization. In terms of net synergies, we generated cost reduction effects of ¥4 billion in 2017 and expect further effects of ¥8 billion in 2018. To achieve our target of ¥25 billion in net synergies by 2020, we will accelerate initiatives including active investment to optimize product distribution and transport networks to improve productivity in the manufacturing area.

Furthermore, with regard to improvement of capital efficiency and maximization of returns to shareholders, we recently conducted a share repurchase and clarified our dividend policy, and also introduced a performance-based stock compensation program. We will also disclose our financial information based on International Financial Reporting Standards (IFRS) from the end of 2018.



**BOTTLERS JAPAN HOLDINGS INC.**

Representative Director & President

*Junio Yoshimatsu*



**Q Do you have any message for shareholders and investors?**

Being a company trusted by our consumers, customers, business partners, and all stakeholders, we will conduct our business activities following our

corporate philosophy, THE ROUTE, while building on our solid foundation for sustainable growth.

To all of our shareholders and investors, we ask for your continued understanding and support.

**Message from the CFO**

**Establishing a solid foundation for growth**

We established the Growth Roadmap for 2020 & Beyond, our mid-term strategic plan, with a financial framework based on the following priorities aimed at achieving greater corporate value:

- Stable free cash flow growth through sustainable profit growth
- Investment to achieve growth and synergies
- Building an efficient capital structure
- Enhancement of shareholder return aimed at improved ROE

Our 2017 pro forma\*<sup>1</sup> financial results included operating income of ¥42.1 billion and EBITDA\*<sup>2</sup> of ¥89.7 billion, achieved through the generation of net synergies, etc. With sustainable growth and a target of ¥25 billion in net synergies by 2020, in 2017 we made capital investments of ¥49.9 billion, equivalent to 5% of our net revenues, and generated free cash flow of ¥34.2 billion.

In "building an efficient capital structure" and "enhancement of shareholder return aimed at improved ROE," we worked to clarify our dividends policy. Under a basic policy of actively returning profits, we place a priority on the stable payment of dividends. From the end of 2018, we will disclose our financial information based on International Financial Report-

ing Standards (IFRS) as well as maintain a dividend payout ratio of 30% or higher from 2019. In addition, in April 2018 we acquired 17,075,239 shares of treasury stock (8.28% of outstanding shares).

We also adopted a performance-based stock compensation program for Directors and Executive Officers. We will reinforce the commitment of top management to greater corporate value by linking executive compensation to share price performance.

I believe it is clear that we are making good initial progress in driving shareholder value creation as part of our Growth Roadmap for 2020 & Beyond and these priorities will continue to drive our decision making and actions into the future.



Representative Director &  
Vice President,  
Chief Financial Officer

**Vikas Tiku**

\*<sup>1</sup> Assumes the net integration that occurred on January 1, 2017, with performance in 2016 estimated on the basis of criteria similar to 2017.

\*<sup>2</sup> Earnings before Interest, Taxes, Depreciation and Amortization