

[Key Q&A] Analysts' Meeting on Financial Results for the First Half of FY2017

[General]

Q. Why is the annual forecast of operating income not revised?

A. Seasonal factors have significant impact, particularly in the peak summer season (Jul – Sep) in Japan and Europe. Especially for Japan, profit level (as well as sales) in August and September have large impact on annual performance. In addition, there are several downside factors in the second half. For example, in France, we are forecasting higher supply chain cost to continue.

Q. How will the effect of reorganizing global management structure appear in the future?

A. For example, in the area of finance, we are spreading the idea of emphasizing cash flow to the level of group companies in each country. In addition to investment management, we are working to develop awareness about daily management of accounts receivable and accounts payable. And by changing the style of business management so that the performance of each operating company is measured on a common scale and measures for improvement are also carried out based on common standards, we believe we can improve our capabilities to generate cash flow in each region and business unit.

[Japan]

Q. Please explain the reason of increase in sales promotion and advertising cost in Q2.

A. The increase in sales promotion and advertising cost in Q2 was as planned. We have made active investment to reinforce our core brands and pursue innovation. In specific, we renewed core products and launched several new products, which led to cost increase in advertising and instore activities. As a result, sales volume grew in Q2.

Q. Are you expecting cost increase in H2 from suspending shipment of *Craft Boss Latte* due to the shortage?

A. We are planning to relaunch *Craft Boss Latte* in October and relaunch cost will be incurred.

[Europe]

Q. It is described in your materials that there were higher supply chain cost in France. What exactly happened?

A. In France, we are shifting from large format products to small format products to improve product mix. During the course of this, trouble occurred in the production line for small format products and we had to stop the line. In addition, due to the demand increase from good weather, we could not respond to the demand alone and outsourcing of production increased, leading to cost increase. Although manufacturing troubles have already been solved, we are forecasting cost increase in the second half as the strong demand will continue to be addressed by outsourcing. For the annual profit, we are expecting a negative impact of around 1.0 to 1.5 billion yen.

[Asia]

Q. Distributor was changed and sales grew for health supplement business in Thailand. Please explain in more detail about the reason for sales growth.

A. We have adopted distributors that have strengths in sales for traditional trade (general store), which is an important channel, and have incorporated some of the sales functions into our company, that had been entrusted to distributors. Marketing and brand management capability have been reinforced through developing new market by ourselves and expanding direct contact points with consumers. From January to June, we have been able to increase distribution to traditional trade stores as expected, but increasing the customers' purchase is our next challenge. We would like to increase brand value by utilizing such consumer contact points that we have expanded.