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Results briefing for the 1st quarter of Fiscal Year ending December 2016

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I. Account settlement for Q1

II. Activity Plan for Q2

[Reference]

Trend of OTC market share

Mix by brand/by channel

Sales update on vending machines by channel

Q1 Actual sales volume (by channel and by package)

Q2 Volume target

Performance trend / managerial KPI trend

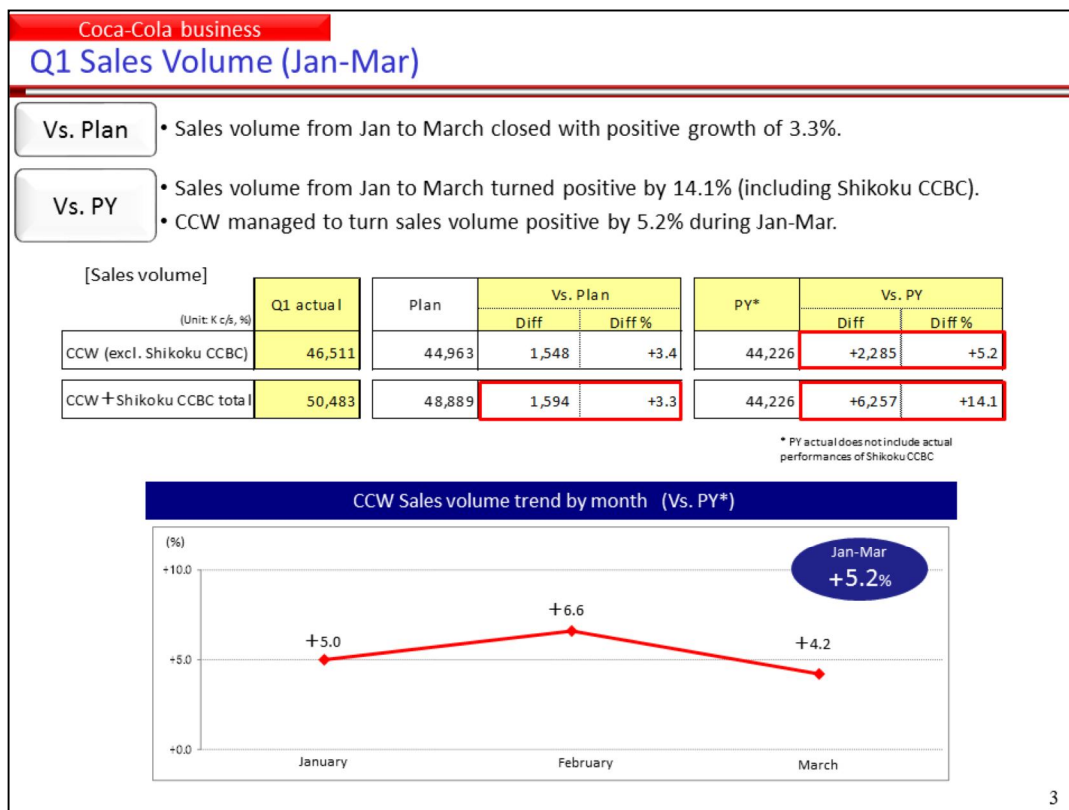
Coca-Cola System in Japan / Affiliated companies

- Good morning everyone and thank you for attending our Financial Results Briefing despite your busy schedules. I'm Yoshimatsu.
- Today, I would like to brief you on the highlight of financial results for the 1st Quarter and our plan for the 2nd Quarter.

I. Account settlement for the 1st quarter

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- I will start with a review of the 1st Quarter.



- The slide illustrates our sales volume in the 1st Quarter.
- Compared with plans, both CCW and Shikoku CCBC delivered positive growth in volume by 3.3% in total of both companies.
- On the other hand, our sales volume increased by 14.1% year-on-year to 6.25 million cases, partly because of incorporating 3.97 million cases sold by Shikoku CCBC in the 1st Quarter.
- Even excluding the impact of Shikoku CCBC, our volume increased by 5.2% from the previous fiscal year. With volume outperforming the previous year in all months from January to March, we have maintained the good momentum since the 4th Quarter of 2015.

Coca-Cola business

Sales volume by channel

Vs. Plan

- All key channels finished exceeding the volume plans.

Vs. PY

- Supermarket turned positive by 7% with new product launches and non-price promotions.
- Convenience Store made a 2-digit growth with sales contribution of new product launches including Georgia and I Lohas.
- On top of the market growth, sales of Vending from newly placed machines contributed to the positive volume performances.

(unit: K c/s, %)		Q1 actual	Vs. Plan		Vs. PY	
			Diff	Diff %	Diff	Diff %
	Super market/Drug/Discounter	13,018	+814	+6.7	+848	+7.0
	Convenience store	6,670	+359	+5.7	+866	+14.9
	Chain store total	19,687	+1,173	+6.3	+1,714	+9.5
	Vending	15,541	+419	+2.8	+361	+2.4
	Retail	2,215	+79	+3.7	-52	-2.3
	Food Service	5,491	+58	+1.1	+289	+5.6
	Others	3,576	-181	-4.8	-28	-0.8
	CCW total (excl. Shikoku CCBC)	46,511	+1,548	+3.4	+2,285	+5.2
	CCW + Shikoku CCBC total	50,483	+1,594	+3.3	+6,257	+14.1

* PY actual does not include actual performances of Shikoku CCBC

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* PY actual does not include actual performances of Shikoku CCBC

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- Now, let's take a look at the sales volume by channel.
- Key channels outperformed the volume plans.
- In terms of year-over-year comparison, volume growth in Supermarket and Convenience stores contributed to the overall positive results. In supermarket, the volume grew by 7% through new product launches and implementation of non-price promotions.
- Also in Convenience store, sales volume delivered 2-digit growth, increasing by 14.9% from the previous year driven by new products including “Georgia” and “I Lohas” as well as double-chop products jointly developed with customers we launched last year.
- Furthermore, sales volume in Vending continued to stay positive versus previous year since January this year, resulting with positive 2.4% in total from January to March. Expansion of the Vending market from the previous year and new placement of vending machines exceeding last year contributed to the volume growth.
- As we began to see benefits of new product launches and sales activities in each channel in addition to expansion of market in all channels, sales volume in key channels have grown together with share.
- Next, I would like to elaborate you on the status of our initiatives in Supermarket with the next slide.

Status of RGM initiatives in Supermarket

■ With steady progress of RGM initiatives in Q1, revenue per-case has been on a recovery trend from last year.

Ensured sales activities based on price guideline

- Evolve price guideline according to category/brand characteristics
- Activities based on priority placed by customer scale & format

Ensured value appeal upon new launches

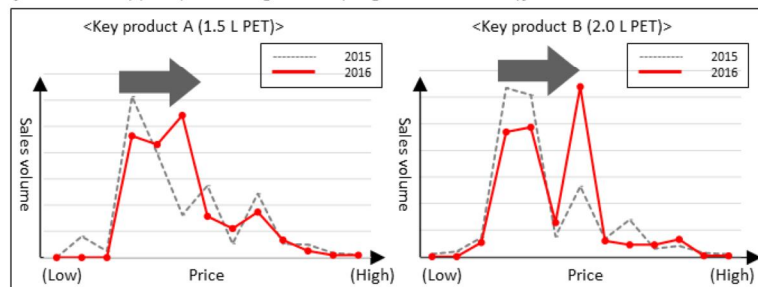
- Georgia
- The Premium Bito
- I Lohas Cider
- Ayataka Nigorihonoka



Non-price promotions



[Sales volume by price point during Jan-Mar (Drugstore & Discounter)]



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- In Supermarket, we have been working on RGM aiming to raise revenue and profits.
- We took actions in 3 strategies of ensured sales activities based on price guidelines, value communication upon new product launches and execution of non-price promotions in the 1st Quarter.
- Particularly solid results have been seen in Drugstore and Discounter where competitions are fierce thanks to ensured activities I just mentioned.
- The graphs in the slide show sales volume of 2 key products in Drugstore and Discounter by the price point. You can see improvement trend this year as the overall sales volume shifted from low to high price point compared with last year.
- We also continued to manage compliance to the lowest permissible wholesale price of “Guardrail”, addressing sales below the price.
- As a result of these efforts, per-case revenue has been on the rise from last year in Drugstore and Discounter, showing signs of per-case revenue growth in the segments having severe price competitions with many low price products.

Coca-Cola business						
Sales volume by package						
Vs. Plan		• All packages except for Syrup and Powder exceeded the plans.				
Vs. PY		• Sales volume of highly profitable SS PET outgrew LS PET. • Sales volume of CAN turned positive from last year with the contribution of bottle CAN.				
(unit: K c/s, %)		Q1 actual	Vs. Plan		Vs. PY*	
			Diff	Diff %	Diff	Diff %
PET	Small (less than 1,000ml)	13,277	+700	+5.6	+967	+7.9
	Medium (less than 1,500ml)	368	+70	+23.5	+108	+41.4
	Large (less than 1,500ml)	8,447	+381	+4.7	+521	+6.6
	Total	22,093	+1,152	+5.5	+1,596	+7.8
Can (incl. bottle can)		12,589	+516	+4.3	+308	+2.5
Other		3,022	+44	+1.5	+260	+9.4
Syrup & powder		8,807	-164	-1.8	+121	+1.4
CCW total (excl. Shikoku CCBC)		46,511	+1,548	+3.4	+2,285	+5.2
CCW+Shikoku CCBC total		50,483	+1,594	+3.3	+6,257	+14.1

* PY actual does not include actual performances of Shikoku CCBC

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- Next is sales volume by the package.
- Sales volume of all packages except for Syrup and Powder turned positive compared with plans.
- Against previous year, sales volume of highly profitable small PET outperformed the growth of large PET. This is attributable to the volume growth of small PET in Convenience stores and Vending.
- Sales volume of CAN also turned positive by 2.5% from the previous year owing to the steady sales growth of bottle CAN.

Coca-Cola business

Sales volume by brand

Vs. Plan

- Coca-Cola and Coca-Cola Zero exceeded the plans thanks to reinforced activities aligned with Global Campaign.

Vs. PY

- Georgia, Ayataka and I Lohas steadily grew with new products.
- Sales from jointly developed products with customers launched last year and sales of "The Premium " and others contributed to the results of Georgia.
- Ayataka made a 2-digit growth from PY partly driven by "Ayataka Nigorihonoka" launched in March.
- Sales volume of I Lohas turned positive by 33% with steady sales growth of "I Lohas Momo" and other factors.

		Q1 actual (unit: K c/s, %)	Vs. Plan		Vs. PY*	
			Diff	Diff %	Diff	Diff %
Core 8	Coca-Cola	3,109	+127	+4.2	+124	+4.2
	Coca-Cola Zero	1,405	+45	+3.3	+104	+8.0
	Fanta	1,521	+82	+5.7	-55	-3.5
	Georgia	11,672	+584	+5.3	+727	+6.6
	Sokenbicha	1,864	-8	-0.4	△63	-3.3
	Aquarius	2,600	-135	-4.9	△220	-7.8
	Ayataka	3,814	+269	+7.6	+439	+13.0
	I LOHAS	3,085	+293	+10.5	+774	+33.5
	Sub total	29,070	+1,257	+4.5	+1,831	+6.7
	Others	8,634	+454	+5.6	+333	+4.0
RTD*1*1 Total		37,704	+1,712	+4.8	+2,164	+6.1
Syrup & powder		8,807	-164	-1.8	+121	+1.4
CCW total (excl. Shikoku CCBC)		46,511	+1,548	+3.4	+2,285	+5.2
CCW+ Shikoku CCBC total		50,483	+1,594	+3.3	+6,257	+14.1

*1 RTD: Packaged products

*2 PY actual does not include actual performances of Shikoku CCBC

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*1 RTD: Packaged products
 **2 PY actual does not include actual performances of Shikoku CCBC

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- Next is sales volume by the brand.
- With a 4.5% positive, core 8 in total contributed to the overall positive results against plans.
- We reinforced promotional activities for "Coca-Cola" and "Coca-Cola Zero" leveraging the launch of original items aligned with a global campaign deployed from January. "Georgia" "Ayataka" and "I Lohas" also made steady sales growth with new products, helping incremental volume growth.
- "Georgia" turned positive by 6.6% from the previous year led by co-developed products with customers launched last year and sales of "The Premium". The trend of growth exceeding the previous year continued since the 2nd Quarter of last year.
- "Ayataka" has also made steady growth. Both sales volume and market share grew through reinforced sales of 2 lineups "Ayataka" and "Ayataka Maroyakajitate". Furthermore, the sale volume delivered 2-digit growth partly driven by "Ayataka Nigorihonoka" launched on March 21.
- "I Lohas" achieved 33% growth from the previous year with major contribution of a flavor water "I Lohas Momo".
- With that, I would like to finish my briefing on sales status.

Consolidated

Q1 Settlement (Jan-Mar)

■ Consolidated operating profits rose by 3.4 billion JPY from last year, outperforming 2.5 billion JPY from the plan.

(unit: MM JPY, %)

	2016 Q1 actual	Plan	Vs. Plan		2015 actual	Vs. PY*	
			Diff	Diff %		Diff	Diff %
Revenue	100,545	97,100	+3,445	+3.5	91,116	+9,429	+10.3
Gross profit	52,076	50,300	+1,776	+3.5	46,177	+5,898	+12.8
Operating income	2,209	-300	+2,509	—	-1,246	+3,456	—
Ordinary profit	2,069	-500	+2,569	—	-1,290	+3,360	—
Current net income (attributable to shareholders)	953	-600	+1,553	—	-1,252	+2,206	—

* PY actual does not include actual performances of Shikoku CCBC

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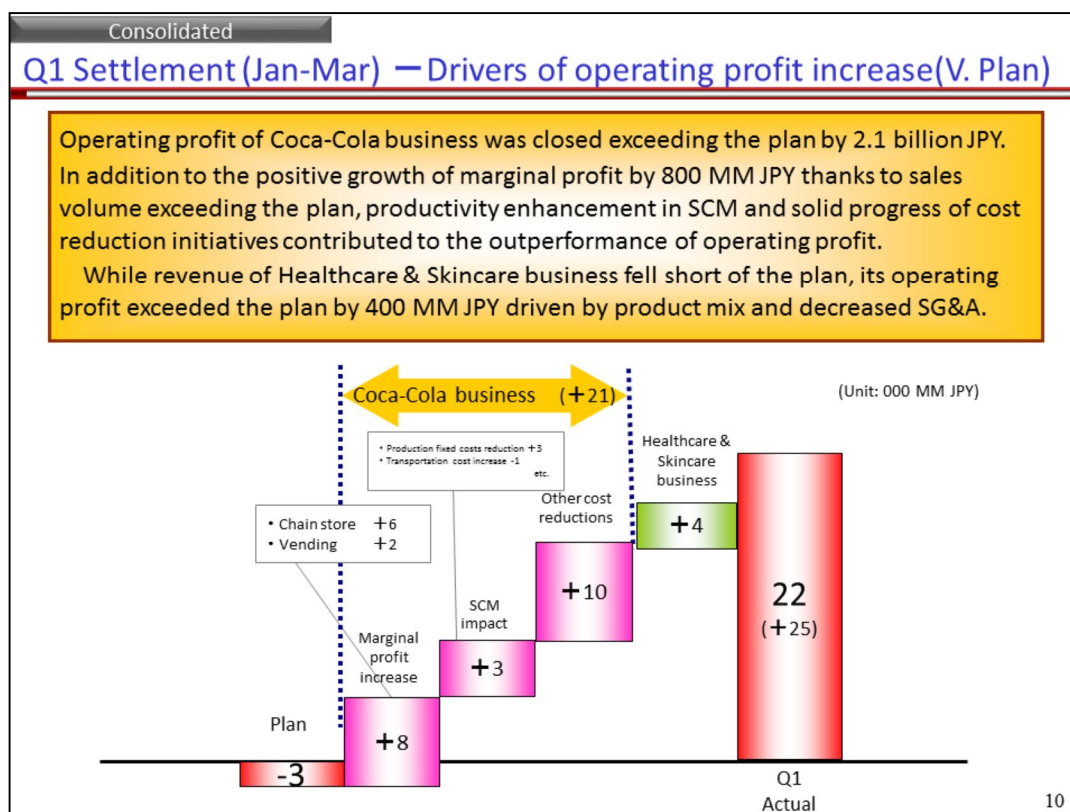
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- From page 8, I would like to brief you on our financial summary of the 1st Quarter.
- We generated revenue of 100.545 billion yen, operating profits of 2.209 billion yen, ordinary profits of 2.069 billion yen and current net profits of 953 million yen.
- Revenue increased both from plan and last year. Operating profits also exceeded the plan by 2.5 billion yen and recorded with a 3.4 billion increase even against the previous year.

Consolidated				Q1 Settlement (Jan-Mar) — Variance factors(V. Plan)	
				(Unit: 100 MM JPY)	
	Plan	Q1 actual	Diff	Key factors	Diff
Revenue	971	1,005	+34	•Coca-Cola Business (CCW+Shikoku CCBC)	+35.8
				•Healthcare & Skincare Business	-1.3
Gross profit	503	520	+17	•Coca-Cola Business (CCW+Shikoku CCBC)	+16.0
				•Healthcare & Skincare Business	+1.6
				•Decrease of SG&A Expenses	+7.3
Operating income	-3	22	+25	•Coca-Cola Business (CCW+Shikoku CCBC)	+4.9
				<Key factors>	
				Promotion/Advertising Cost decrease	+1.4
				Sales equipment cost decrease	+1.9
				Operation outsourcing cost increase	-1.3
				Decrease of repair expenses	+0.7
				Decrease of supplies expenses	+0.5
				•Healthcare & Skincare Business	+2.4
Ordinary profit	-5	20	+25		
Current net income (attributable to shareholders)	-6	9	+15	•Income taxes	-10.1

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- Now, I would like to brief you on variance factors of performances.
First is against plans.
- Coca-Cola business generated positive gross profits by 1.6 billion yen with 3.5 billion revenue growth thanks to sales volume exceeding plans.
Furthermore, operating profits turned positive by 2.1 billion yen against the plan as SG&A decreased from the plan.
- On the other hand, Healthcare & skincare business slightly underperformed the revenue plan. However, operating profits registered positive by 400 million yen against the plan thanks to SG&A cost reductions in addition to increased gross profits due to changes in product mix.



- The graph on page 10 shows variance factors of operating profits against plans.
- Operating profits of Coca-Cola business exceeded the plan by 2.1 billion yen.
- Marginal profits turned positive by 800 million yen with sales volume outperforming the plans in all channels.
- SCM also generated impacts of productivity & efficiency improvements exceeding the plan by 300 million yen.
- The review of all activities we worked on since last year further reduced costs exceeding the plan and contributed to the positive results of operating profits.
Please note, however, that we have made capital investments according to the plan in the 1st Quarter for solid future growth in our journey of another 3-year mid-term plan began from this year.
- In Healthcare & skincare business, operating profits exceeded the plan by 400 million yen thanks to the right use of advertisement & media costs by defining consumer attraction efficiencies in addition to product mix contributing to the increase of gross profits exceeding the plan.

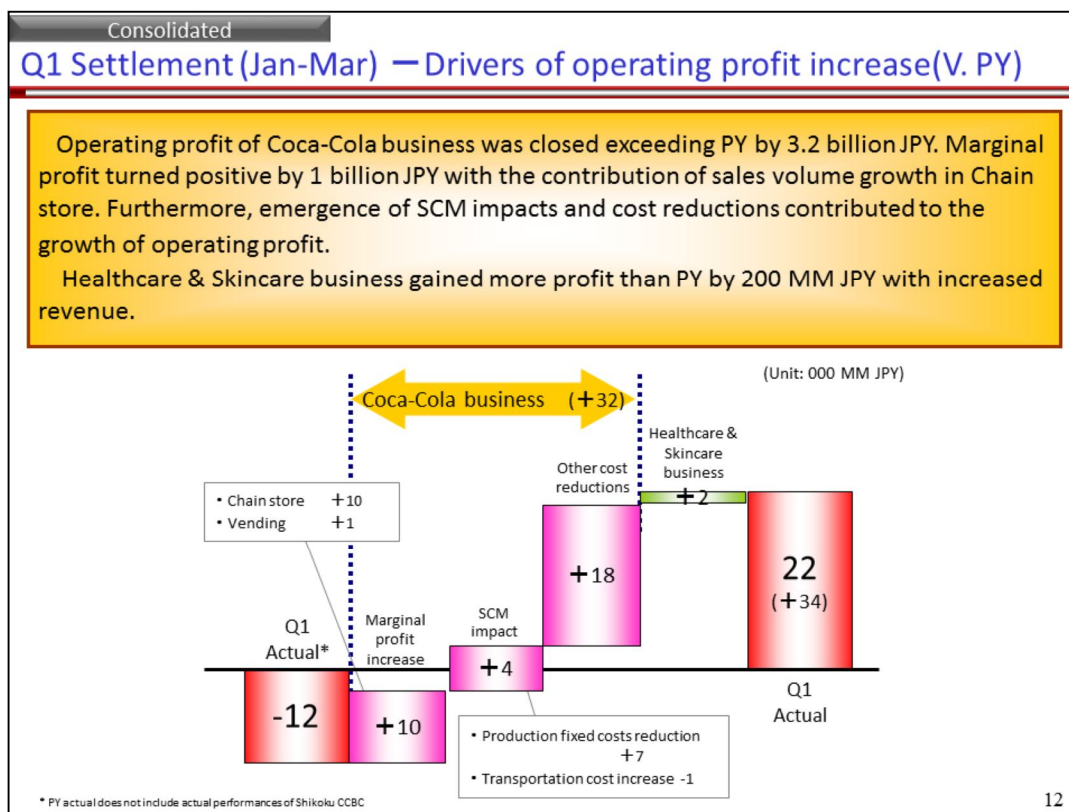
Consolidated				Q1 Settlement (Jan-Mar) — Variance factors(V. PY)	
	PY actual*	Q1 actual	Diff	Key factors	Diff
Revenue	911	1,005	+94	•Coca-Cola Business (CCW + Shikoku CCBC)	+94.0
Gross profit	461	520	+58	•Healthcare & Skincare Business	+0.2
Operating income	-12	22	+34	•Coca-Cola Business (CCW + Shikoku CCBC)	+57.7
Ordinary profit	-12	20	+33	•Healthcare & Skincare Business	+1.2
Current net income (attributable to shareholders)	-12	9	+22	•Increase of SG&A Expenses	-24.4
				•Coca-Cola Business (CCW + Shikoku CCBC)	-25.1
				<Key factors>	
				Labor cost increase	-17.8
				Promotion/Advertising Cost increase	-10.1
				Sales commission increase	-5.7
				Sales equipment cost decrease	+1.6
				Operation outsourcing cost increase	-8.2
				Transportation cost decrease	+1.0
				Depreciation cost decrease	+14.3
				•Healthcare & Skincare Business	+0.7
				•Income taxes	-11.4

(Unit: 100MM JPY)

* PY actual does not include actual performances of Shikoku CCBC

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- Following is comparisons with the previous year.
- Coca-Cola business saw gross profit increase of a 5.7 billion yen with increased revenue of a 9.4 billion yen from the previous year by incorporating the performances of Shikoku CCBC from January to March, in addition to sales volume increase.
- By incorporating 3.7 billion yen of SG&A of Shikoku CCBC from January to March, Coca-Cola business in total managed to keep at the increase of a 2.5 billion yen as CCW reduced the amount with operating profit exceeding 3.2 billion yen from last year.
- Revenue of Healthcare & skincare business stayed flat from last year. However, operating profits increased by 200 million yen from last year with SG&A cost saving in addition to a 100 million yen increase of gross profits thanks to changes in product mix.



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- The graph on page 12 indicates variance factors of operating profits against the previous year.
- Marginal profits in Coca-Cola business increased by 1 billion yen from the previous year helped by sales volume growth in Chain store.
- Operating profits also rose by 3.2 billion yen from the previous year as a result of cost reductions through fundamental review of operations in addition to a 400 million yen worth of SCM impacts generated by improvement of production efficiencies along with sales volume increase.
- Healthcare & skincare business saw a 200 million yen increase of operating profits from the previous year thanks to greater sales of highly profitable skincare products.
- As a result of these efforts, we closed with consolidated operating profits at 2.2 billion yen, exceeding 3.4 billion yen from the year earlier when we had negative operating profits of 1.2 billion yen.
- With that, I would like to finish my briefing on our 1st Quarter performances.

II. Activity Plan for Q2

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- Let me now move on to our plans for the 2nd Quarter.

Q2 (Apr-June) Sales volume plan for each channel

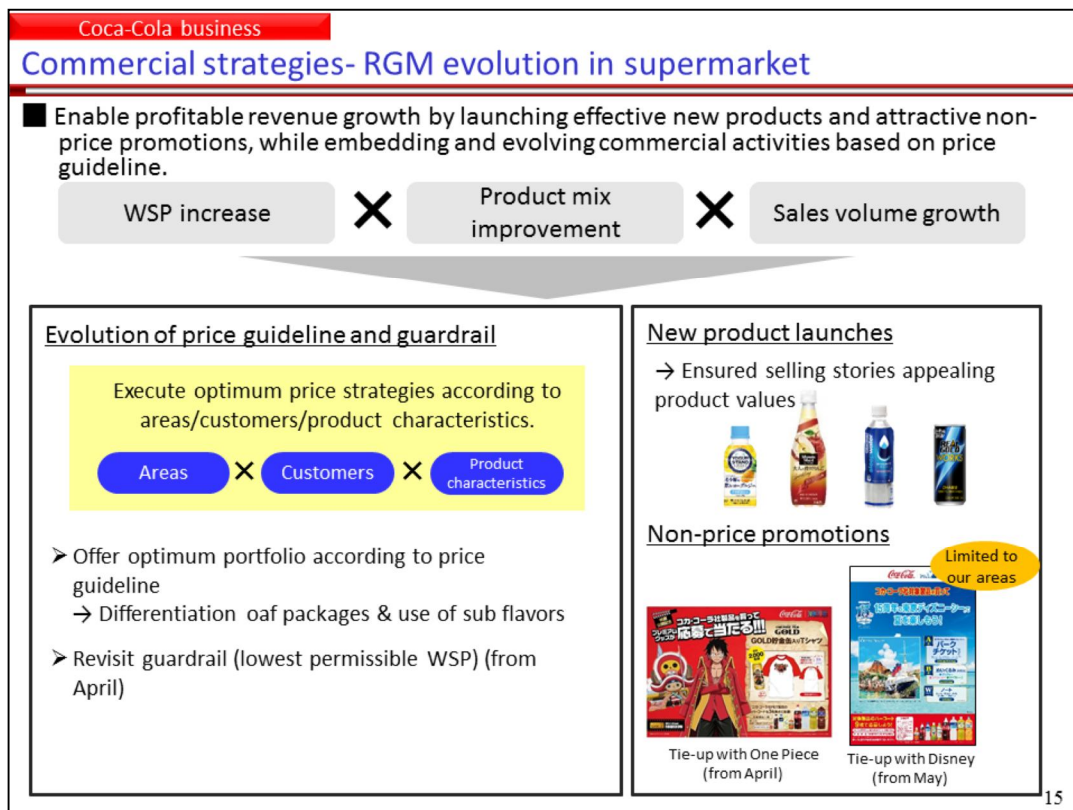
- We project Q2 sales volume with $\pm 1.9\%$ V. PY or $\pm 11.1\%$ including Shikoku CCBC.
- By channel, we forecast sales volume with -3.3% V. PY conservatively estimating Vending market trend while we expect 4.6% growth in Chain store.

(unit: K c/s, %)	Q2 plan	V.s. PY*	
		Diff	Diff %
Super market/Drug/Discounter	18,274	+665	+3.8
Convenience store	7,260	+460	+6.8
Chain store total	25,534	+1,125	+4.6
Vending	17,009	-576	-3.3
Retail	2,886	-132	-4.4
Food service	6,320	+78	+1.2
Others	4,087	+525	+14.8
CCW total (excl. Shikoku CCBC)	55,836	+1,020	+1.9
CCW + Shikoku CCBC total	60,881	+6,065	+11.1

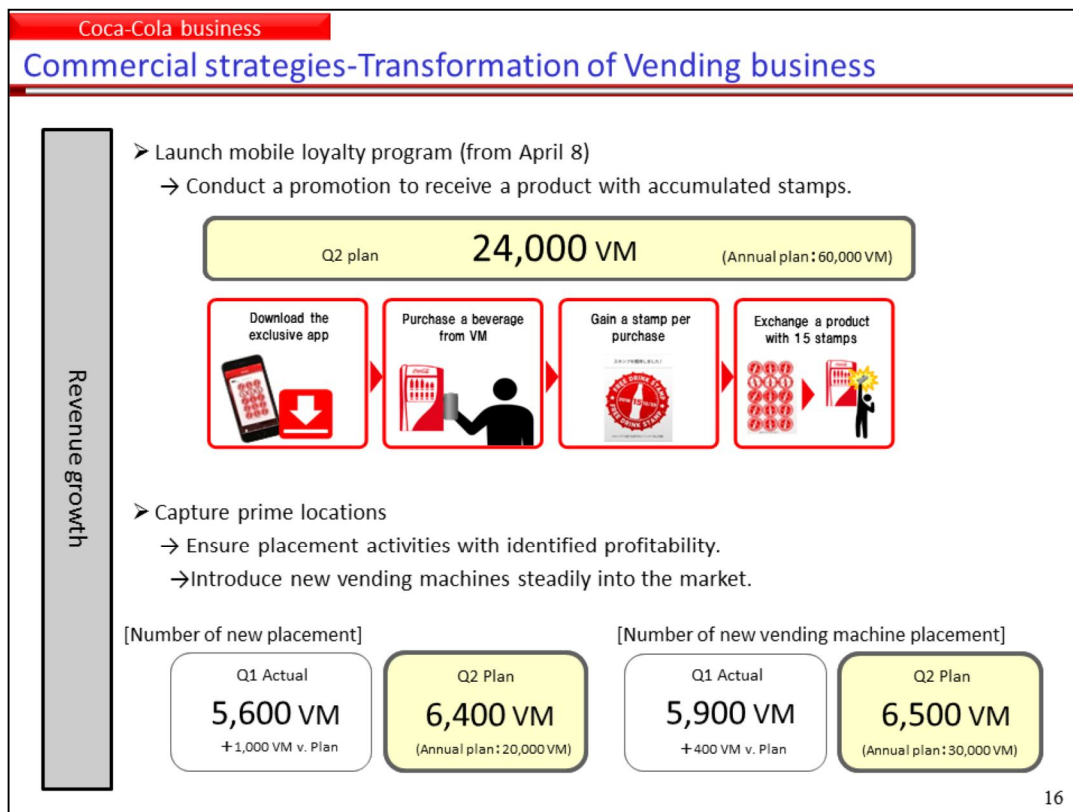
* PY actual does not include April-June actual performances of Shikoku CCBC

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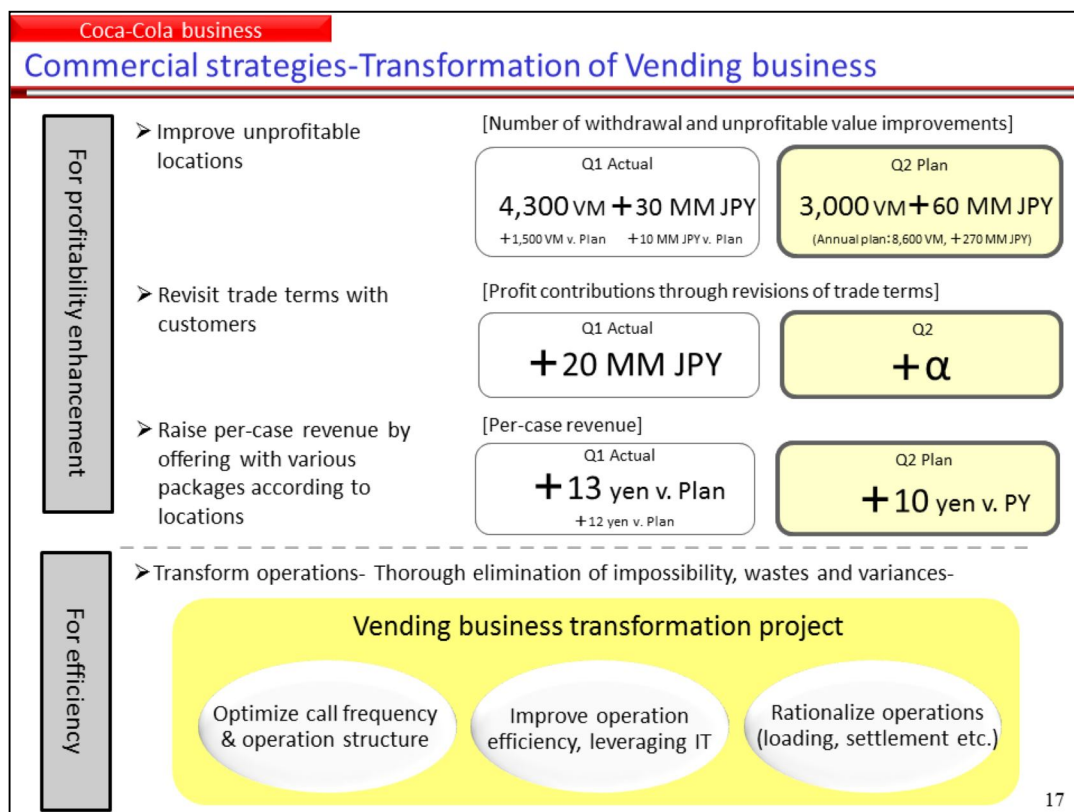
- First, I would like to touch on Coca-Cola business.
This is sales volume plans by the channel.
- Without changing the initial plan, we aim to grow 1.9% of sales volume in the 2nd Quarter from the previous year.
- For Shikoku CCBC, we project sales volume of 5.04 million cases in the 2nd Quarter. Together with CCW, we forecast 60.88 million cases in the 2nd Quarter for Coca-Cola business in total, increasing the volume by 6.06 million cases or up by 11.1% from the year earlier.
- By the channel, we aim to grow in expanding markets of Supermarket and Convenience stores, expecting positive growth of 3.8% and 6.8% from the year earlier respectively.
- On the other hand, we forecast Vending volume conservatively with negative from the previous year reflecting the market trend.
- Note, however, that we will strive to outperform the plan with promotions exclusively for vending machines in the 2nd Quarter along with the momentum generated by new installation of vending machines exceeding the plan in the 1st Quarter.



- Now, let me explain our sales strategies beginning with RGM initiatives in Supermarket. We will increase revenue and profits by combining the 3 elements of “Raising wholesale prices in trade”, “Improvement of product mix” and “sales volume growth”.
- First, we will work on advancing “Price guideline” and “Guardrail” which refers to the lowest permissible wholesale price.
- In the advancement of “Price guideline”, we will focus our efforts in reinforcing package lineup and leveraging sub-flavors to enable sales at the right price point according to the Price guideline.
- Specifically we will differentiate 2 package prices of 1.5L PET and 1L PET to increase the overall sales of 1.5LPET that has shifted to the lower price point to the right price range while reinforcing coverage of 1L PET.
- For the advancement of “Guardrail”, we have identified the appropriate “Guardrail” price per product according to regions and customer competition environments since April. We will further raise overall revenue per case by conducting sales activities based on the “Guardrail” going forward.
- We will also introduce highly value-added, high price new products, in addition to conducting non-price promotions tied-up with famous cartoons and Disney.
- We began to see steady results of RGM initiatives in the 1st Quarter with per-case revenue improvements of large PET that tends to be the target for discount in Drugstore and Discounter where price competition is intense. We will further focus our efforts even in the 2nd Quarter to attain revenue and profit growth.



- Next, I would like to describe our Vending strategies. We will transform the Vending business by executing strategies from 3 perspectives of “Revenue growth”, “Productivity enhancement” and “Efficiency”.
- For the 1st element of Revenue growth, we have launched a promotion leveraging an exclusive app for smartphones from April 8. This is a completely new trial that allows consumers to exchange with products of their choice with collected stamps as they receive upon every purchase from the applicable vending machines.
- We plan to scale the promotion with 24,000 vending machines in the 2nd Quarter by accelerating replacement with the vending machines adoptive to the promotion. We aim to deploy the promotion in the scale of 60,000 vending machines by the end of this year. With this promotion as a trigger, we strive to increase sales per machine by raising attractiveness of vending machines though which we offer new values to consumers.
- We also plan to newly install 6,400 vending machines in the 2nd Quarter. We were able to capture new locations more than the plan in the 1st Quarter. We will continue to strive increasing sales volume in the 2nd Quarter by gaining prime locations with effective use of new machines to be launched this year.



- For the 2nd initiative to raise profitability, we will continue to work on improvement of unprofitable locations and review of trade terms with customers. In the 1st Quarter, we generated total profit contribution of a 50 million yen with the improvement of unprofitable locations by 30 million yen and review of trade terms by 20 million yen. We will build up the impacts by fully committing to the initiatives in the 2nd Quarter onwards.
- We will also strive to raise per-case revenue by launching appropriate products and packages according to locations as well as improving product mix.
- For the 3rd initiative of efficiency, we address short- and mid-term challenges we face led by “Vending Business Transformation Project” launched this year.
- Firstly we will streamline vending operations as quick-wins to address short-term challenges by completely removing stressful, wasteful and uneven work. To be specific, we will work on enabling optimum call frequency and the operation structure according to locational characteristics and enhancing operation efficiencies by the use of IT.
- Furthermore, we will also revisit operation processes from every direction even in terms of tasks at sales offices and sites such as product picking and proceeds settlement.
- Please note that we have already kick-started some initiatives at selected sites.
- On the other hand, we have moved forward a study to build a highly competitive vending business model as a mid-term challenge.

Q2 (Apr-June) Volume plan by brand

- While reinforcing competitive advantage of key brands & categories (Sparkling, coffee, Non sugar tea, Water and Sports), launch new products in a bid to capture new growth opportunities.

(Unit: K cases, %)		Q2 plan	Vs. PY ^{*2}	
			Diff	%
Core 8	Coca-Cola	4,019	+179	+4.7
	Coca-Cola Zero	1,755	+78	+4.7
	Fanta	2,111	+70	+3.4
	Georgia	11,642	+487	+4.4
	Sokenbicha	2,626	-52	-1.9
	Aquarius	5,503	-191	-3.4
	Ayataka	4,467	+199	+4.7
	I-Lohas	4,429	+530	+13.6
	Subtotal	36,551	+1,300	+3.7
Other		9,610	-443	-4.4
RTD ^{*1} Total		46,161	+857	+1.9
Syrup, powder		9,675	+163	+1.7
CCW total (excl. Shikoku CCBC)		55,836	+1,020	+1.9
CCW + Shikoku CCBC total		60,881	+6,065	+11.1

*1 RTD: Packaged products

*2 PY Actual does not include actual performances of Shikoku CCBC from Apr-June

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- Next, let's look at sales volume plans by the brand.
- We will reinforce raising market competitiveness of this year's key focus brands and categories of "Sparkling", "Coffee", "Non-sugar tea" as well as "Water & Sports". In addition, we will strategically introduce new products to capture new growth opportunities.

Coca-Cola business

Commercial strategies-Revenue- reinforce brand competitiveness

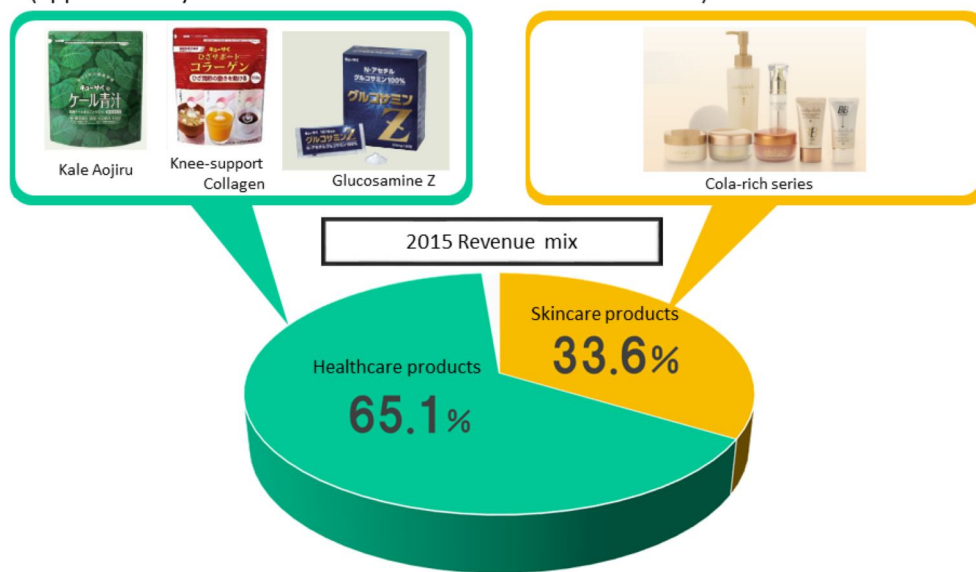
Coca-Cola Brand	Georgia
<p>• Stamp bottle campaign</p>  <p>Stamp bottle Cooler bags (supermarket) CAN-shaped speakers (vending)</p>	<p>• Rejuvenation of brands through extended lineup</p>  <p>The Premium Bito (bottle CAN) Georgia Cold Brew Georgia Café bottle coffee 910mlPET Georgia Café coffee bag</p>
Highly value-added/high price products	Low share categories
<p>Functionality-labeled food Energy beverages</p>  <p>Glaceau Sleepwater Real Gold Works</p>	<p>Lactic 100% Juice</p>  <p>Yogurstand Minute Maid Otonano zeitaku ringo</p>

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- Now, let me explain about our brand strategies.
- For Coca-Cola brand both with Coca-Cola and Coca-Cola zero, we aim to grow 4.7% from the previous year with the ongoing “Stamp bottle campaign” tied-up with famous artists.
- With Georgia, we strive to attain a 4.4% growth, projecting positive from the year earlier even for the 2nd Quarter.
Along with “The Premium Bito” bottle CAN launched on March 21 as a key new product for the growing bottle CAN market, we will strengthen the sales in the 2nd Quarter.
- “Georgia Cold Brew” to be launched on May 23 is also a product in a new category that enabled taste free from off-flavor with new technology of low temperature extraction.
By thoroughly communicating attractiveness of the product, we aim to capture new consumer base who normally do not drink canned coffee. We will further extend packages through introduction of bottled coffee and coffee bag.
- In addition, we will launch “Glaceau Sleepwater” with functional claim first in the Coca-Cola system and energy drink of “Real Gold Works” as products with high added-values and price.
- Furthermore, we introduced “Yogurstand” in the lactic beverage market and “Minutemaid Otonano Zeitaku Ringo” in 100% juice market in order to gain more sales in low share markets.
- These are the explanation on Coca-Cola business.

Healthcare & skincare business

- There are key products retained in the areas of Healthcare (health foods) & skincare (cosmetics).
- Products from both areas have been deployed particularly through online sales (approximately 90% of revenue come from online sales channel)



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- Next is on Healthcare & skincare business.
Let me first briefly introduce the business.
- Our wholly-owned subsidiary of Q'sai Co., Ltd. mainly runs Healthcare & skincare business by producing and offering Healthcare & skincare products.
- Healthcare products include “Kale Aojiru” using 100% domestic grown Kale and “Knee-support Collagen” with functional claim as well as “Glucosamine Z” and they constitute 65% of overall revenue of Healthcare & skincare business.
- On the other hand, we place “Cola-rich” as a mainstay of skincare products.
We strive to boost sales by launching various extensions such as all-in-one beauty jell cream “Cola-rich” and “Cola-rich BB cream” and presenting products according to the needs of consumers.
- Note that its main sales channel is home-shopping which makes up approximately 90% of total revenue.



- These are status of the 1st Quarter and sales strategies for Healthcare & skincare business for the 2nd Quarter.
- Revenue from Healthcare products in the 1st Quarter increased from the year earlier in the joint category thanks to stronger advertisement of “Knee-support Collagen” and “Glucosamine Z” launched last year with functional claim.
- We will boost sales in the 2nd Quarter by revisiting contents of home-shopping programs in the joint category. Also, we will move forward preparations for functional claim foods to be launched into markets after July.
- While revenue of Healthcare products continued to underperform the plan and the previous year, we aim to grow through these initiatives as well as fulfillment of collaborations with Coca-Cola business as mid-term strategies.
- On the other hand, we improved consumer attraction efficiency in the 1st Quarter with the skincare product of our mainstay “Cola-rich” through full renewal of home-shopping programs based on the analysis of consumer needs. We also expanded transactions per person by reinforcing sales of associated products to existing consumers.
- As a result, revenue of skincare products turned positive by 11% from the year earlier with the growth exceeding the market. The skincare products contributed to the profit growth of Healthcare & skincare business because of high profitability compared with healthcare products.
- We will further increase revenue in the 2nd Quarter by newly launching “BB powder foundation” on May 1.
- These are the summary of Healthcare & skincare business.

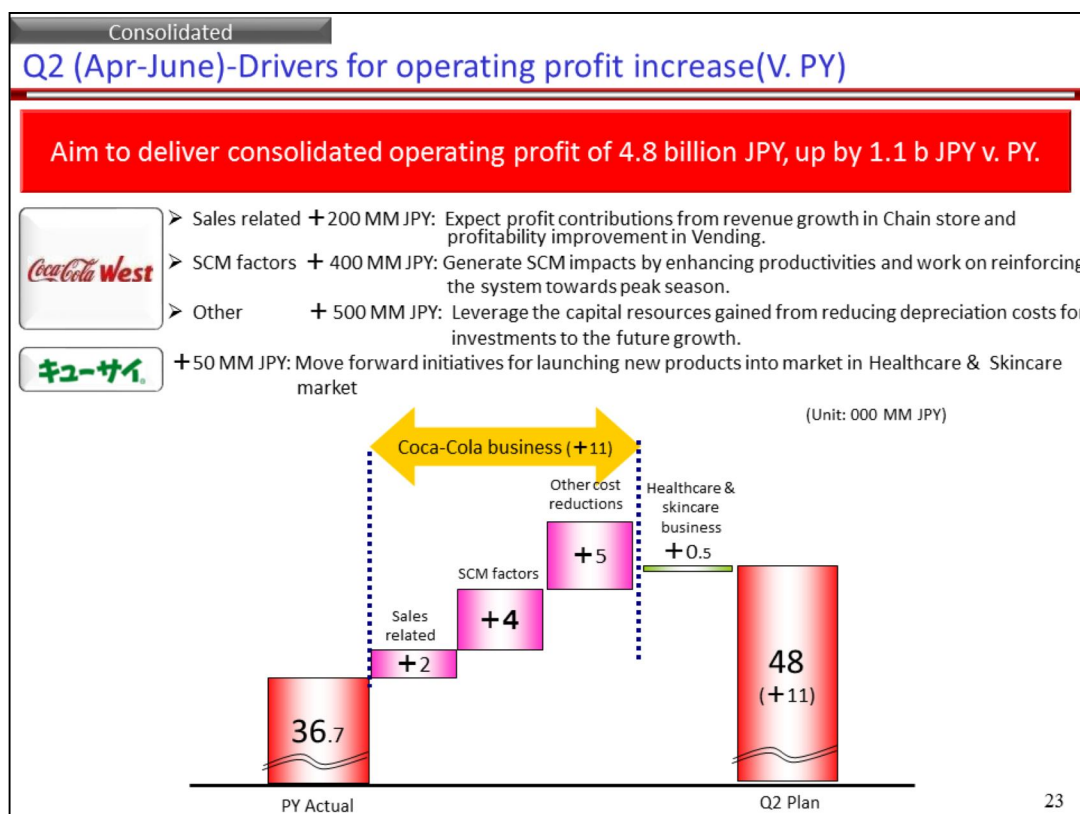
Consolidated			
Q2 (Apr-June)- Performance forecast			
■ We project Q2 performances with revenue & operating profit gains vs. PY.			
Consolidated			
	Q2 plan	Vs. PY	
		Diff	Diff %
Revenue	116,400	+6,521	+5.9
Gross profit	60,000	+4,925	+8.9
Operating income	4,800	+1,122	+30.5
Ordinary profit	4,700	+1,113	+31.0
Current net income (attributable to shareholders)	2,800	-7,310	-72.3

Business specific			
[Coca-Cola business(CCW+ Shikoku CCBC)]			
	Q2 plan	Vs. PY	
		Diff	Diff %
Volume	60,881	+6,065	+11.1
Revenue	107,700	+5,966	+5.9
Operating income	4,100	+1,076	+35.6

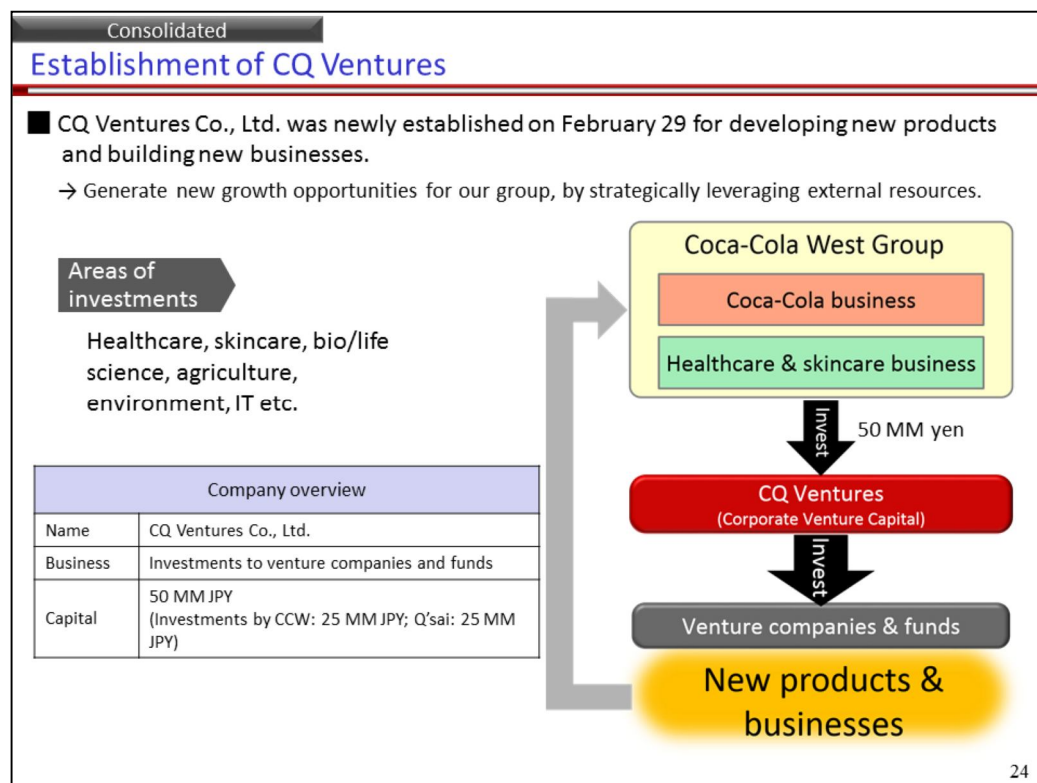
[Healthcare & skincare business]			
	Q2 plan	Vs. PY	
		Diff	Diff %
Revenue	8,700	+554	+6.8
Operating income	700	+46	+7.1

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- This shows our consolidated and business-based performance plans for the 2nd Quarter. There is no change from our initial plans.
- We project increased revenue and operating profits from the year earlier with revenue at 116.4 billion yen, operating profits at 4.8 billion yen, ordinary profits at 4.7 billion yen, and current net profits at 2.8 billion yen.
- Note that our forecast of current net profit decrease from the previous year is primarily due to a rebound from extraordinary profits of 8.4 billion yen booked in the 2nd Quarter last year owing to profits generated from negative goodwill associated with making Shikoku CCBC a wholly-owned subsidiary.
- By the business, we project both Coca-Cola business and Healthcare & skincare business to increase revenue and operating profits from the previous year.



- Page 23 shows variance factors of operating profits in the 2nd Quarter against the previous year.
- We forecast Coca-Cola business to increase profits by 1.1 billion yen from last year.
- On commercial side, we expect contribution profits of additional 200 million yen from last year, incorporating impacts from profitability improvement initiatives in Vending in addition to sales volume and revenue growth in Chain store.
- In SCM, we project the impact of 400 million yen as we continue to work in the 2nd Quarter on productivity enhancement initiatives and others that have generated benefits steadily in the 1st Quarter.
- While making solid investments for growth even in the 2nd Quarter, we will also ensure to work on reducing wasteful costs by continually moving forward the review of all activities as we did in the 1st Quarter.
- For Healthcare & skincare business, we aim to attain 4.8 billion yen consolidated operating profits, up by 1.1 billion yen from the year earlier with the plan of increased operating profits from the previous year, expecting sales growth of core products both in Healthcare and Skincare.
- These are the performance outlook for the 2nd Quarter.



- Let me describe development of new products and cultivation of new businesses here which we raise as one of key strategies in our mid-term 3 year plan.
- CCW and Q'sai together invested 50 million yen to establish “CQ Ventures Co., Ltd.” as of February 29. Setting 1.3 billion yen as the total investments for the CQ Ventures, we run investment operations.
- We fund domestic venture companies having various technologies for potential growth and know-hows through CQ Ventures and seek for collaborations.
- We have already made 300 million yen investments to highly promising funds.
- We will further explore all potential growth for our group by moving forward new product developments and new business cultivations with the combination of speed and creative ideas from venture companies and capitals and sales capabilities from our group.

Summary

- We closed Q1 with consolidated operating profit exceeding the plan by 2.5 billion JPY and by 3.4 billion JPY even v. PY. The good cycle generated in 2015 continues.
 - RGM initiative in Supermarket as the most critical task and revenue & profit growth initiatives in Vending made steady progress in Coca-Cola business.
 - Fundamental review of every single activity in a bid to enhance operation quality and efficiency minimized costs and contributed to the growth of operating profit.
- We will further drive the initiatives done in Q1 even after Q2 with ensured delivery of performance plans, exceeding full-year operating profit target set at the beginning of the year, and strive to gain more profits v. plan annually.

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- Here is the summary.
- We increased profits in the 1st Quarter by 3.4 billion yen from the year earlier, outperforming the consolidated operating profit plan by 2.5 billion yen with steady progress of performances. The momentum of good cycle generated last year has continued.
- On the commercial side, we have seen benefits of our initiatives little by little from RGM in Supermarket positioned as the most critical challenge as well as revenue profitability enhancement in Vending.
- While making solid investments for future growth according to plans, we also did fundamental review of all activities and worked on completely reducing wasteful costs. As a result, we managed to save costs and helped operating profits to be in the positive.
- We will further drive the initiatives in the 2nd Quarter onwards and aim to deliver annual profits to exceed the plan by outperforming operating profit target of 16 billion yen as raised initially, with solid achievement of performance plans.

[Ref] Impacts from the Kumamoto Earthquake

(as of April 25)

Contribution to local communities	➤ 27,000 cases were donated to the disaster-hit regions with the help given by Coca-Cola (Japan) Co., Ltd. and other bottlers. → "Ayataka", "I Lohas", "Morinomizudayori" and others	
Damage status of CCW	➤ Plants	While production lines temporarily halted at Kumamoto & Kiyama Plants, they have resumed productions already. → Production resumed from April 25 at Kumamoto Plant and from April 20 at Kiyama Plant
	➤ Sales equipment	Vending machines and dispensers fell.
	➤ Products	Products damages at offices and Logistic Center (load shifting etc)

Sales volume has been on plan in our areas overall.

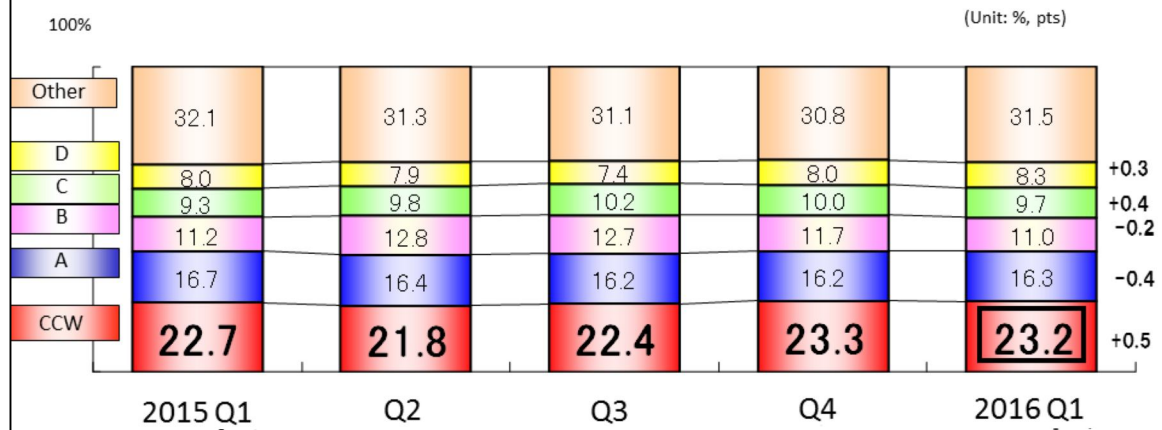
Therefore, we shall not revise performance forecasts due to impacts from the earthquakes.

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- Finally I would like to report you on the impacts from the Kumamoto Earthquake.
- Still many people are forced to live in evacuation centers in the disaster-hit areas.
First I would like to express my deep condolences to those who are in the region and all the parties involved.
I believe it gives you tremendous concerns as well since the disaster hit our areas. I appreciate very much for your thoughts and considerations.
- By placing top priority to support the disaster-hit areas, we donated our products as a company closely tied to local communities. We will continue to help people affected by the disaster in those areas.
- On the other hand in updating our damage status, some of our production lines that were forced to halt temporarily at Kumamoto and Kiyama plants have already been resumed production thanks to quick responses.
- We have also responded to the recovery of sales equipment including vending machines and dispensers where possible one by one although we have not yet grasped the whole picture of the damages due to some off-limit areas.
- Please note that we do not revise performance plans at this point since the sales volume of CCW areas in total have been delivered as planned and damages were limited, while the impacts from the disaster on performances after the 2nd Quarter are still under estimation.
- With that, I would like to close my briefing.
Thank you very much for listening.

[References]

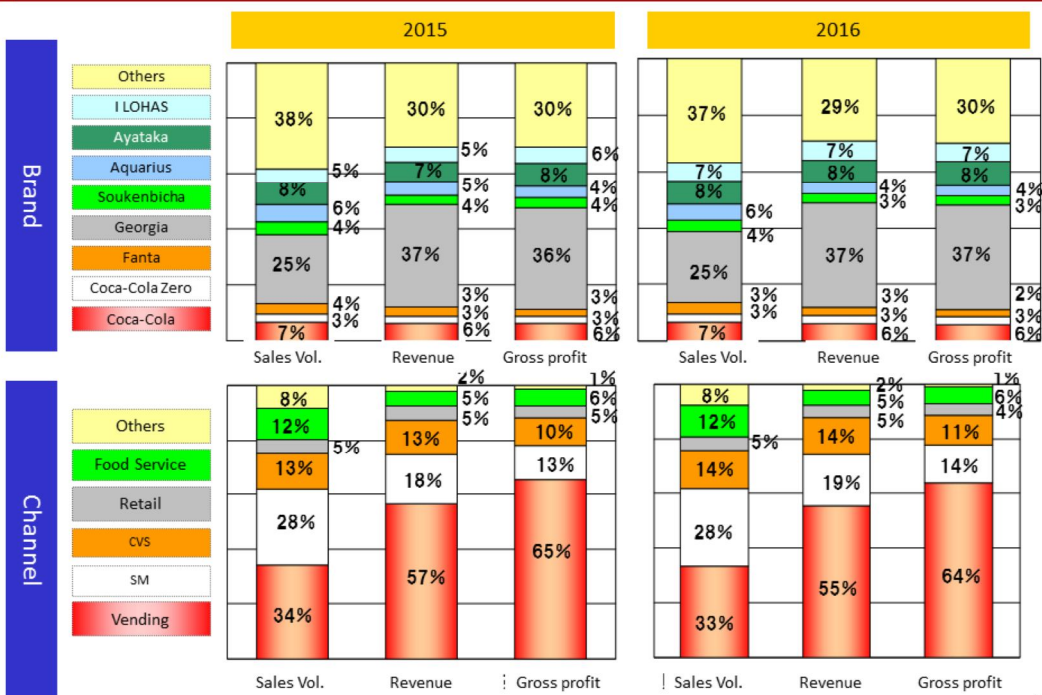
OTC market share trends (excl. VM)



• Values outside the graph show gap vs. PY same period

(Source: Intage)

Q1 (Jan – Mar) – Mix by brand/channel



Sales update on vending machines by cluster

Vending machine full service CAN VPM* V. PY

[CCW Area]

	Vs. PY (%)			
	Jan	Feb	Mar	YTD total
At-work (office)	-2.2	+2.1	+0.0	-0.0
At-work (plant)	-2.8	+1.9	+1.8	+0.4
Mass retailer	-2.4	+1.6	-2.6	-1.3
Transportation	+1.2	+3.8	+1.3	+2.0
School	-0.8	+5.7	+3.2	+2.6
Leisure	-3.7	+0.6	-3.4	-2.3
Pachinko	-5.8	-1.8	-6.8	-4.9
Sports	-4.2	+0.6	-1.0	-1.5
Hospital	-3.0	+3.0	+1.1	+0.3
Accommodation	-4.2	+2.8	-1.9	-1.3
Other (Indoor)	-2.7	+0.9	+0.8	-0.4
Outdoor	-1.6	+1.3	+2.6	+0.8
Total	-2.5	+1.5	-0.1	-0.4

*Sales Vol. per vending machine

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Q1 (Jan – Mar) – Sales Volume by channel/package

Chain store (Unit: Kcases, %)	Q1 actual	Vs. Plan		Vs. PY	
		Diff	%	Diff	%
SS PET (smaller than 1,000ml)	7,434	+504	+7.3	+667	+9.9
Midi PET (less than 1,500ml)	341	+69	+25.1	+106	+45.4
LS PET (1,500ml or larger)	7,883	+391	+5.2	+485	+6.6
Can (incl. bottle CAN)	3,833	+176	+4.8	+453	+13.4
Other	196	+33	+20.5	+3	+1.5
CCW total (excl. Shikoku CCBC)	19,687	+1,173	+6.3	+1,714	+9.5

Vending (Unit: Kcases, %)	Q1 actual	Vs. Plan		Vs. PY	
		Diff	%	Diff	%
SS PET (smaller than 1,000ml)	4,698	+69	+1.5	+289	+6.6
LS PET (1,500ml or larger)	29	+1	+3.5	-5	-14.3
Can (incl. bottle CAN)	7,999	+302	+3.9	-121	-1.5
Other	2,062	-5	-0.2	+190	+10.1
Syrup/Powder	752	+52	+7.4	+8	+1.0
CCW total (excl. Shikoku CCBC)	15,541	+419	+2.8	+361	+2.4

Retail & Food service (Unit: Kcases, %)	Q1 actual	Vs. Plan		Vs. PY	
		Diff	%	Diff	%
SS PET (smaller than 1,000ml)	1,141	+124	+12.2	+8	+0.7
Midi PET (less than 1,500ml)	27	+1	+4.6	+2	+7.8
LS PET (1,500ml or larger)	531	-15	-2.8	+36	+7.3
Can (incl. bottle CAN)	753	+34	+4.7	-30	-3.8
Other	400	-65	-14.1	+15	+3.8
Syrup/Powder	4,855	+58	+1.2	+206	+4.4
CCW total (excl. Shikoku CCBC)	7,706	+137	+1.8	+238	+3.2

Q2 (Apr – Jun) – Sales Volume Plan by package

(Unit: K cases, %)		Q2 plan	Vs. PY [※]	
			Diff	%
PET	SS (1,000ml or smaller)	16,674	+864	+5.5
	Midi(smaller than 1,500ml)	638	+237	+59.0
	LS (1,500ml or larger)	11,683	+25	+0.2
	Total	28,996	+1,126	+4.0
Can (incl. bottle can)		13,410	-476	-3.4
Others		3,755	+207	+5.8
Syrup, powder		9,675	+163	+1.7
CCW total (excl. Shikoku CCBC)		55,836	+1,020	+1.9
CCW + Shikoku CCBC total		60,881	+6,065	+11.1

* PY actual does not include actual performances of Shikoku CCBC

Q2 (Apr – Jun) – Sales Volume Plan by channel/package

Chain store (Unit: K cases, %)	Q2 plan	Vs. PY	
		Diff	%
SS PET (smaller than 1,000ml)	9,241	+517	+5.9
Midi PET (less than 1,500ml)	599	+236	+64.9
LS PET (1,500ml or larger)	10,880	-3	-0.0
Can (incl. bottle CAN)	4,446	+424	+10.5
Other	368	-49	-11.8
CCW total (excl. Shikoku CCBC)	25,534	+1,125	+4.6

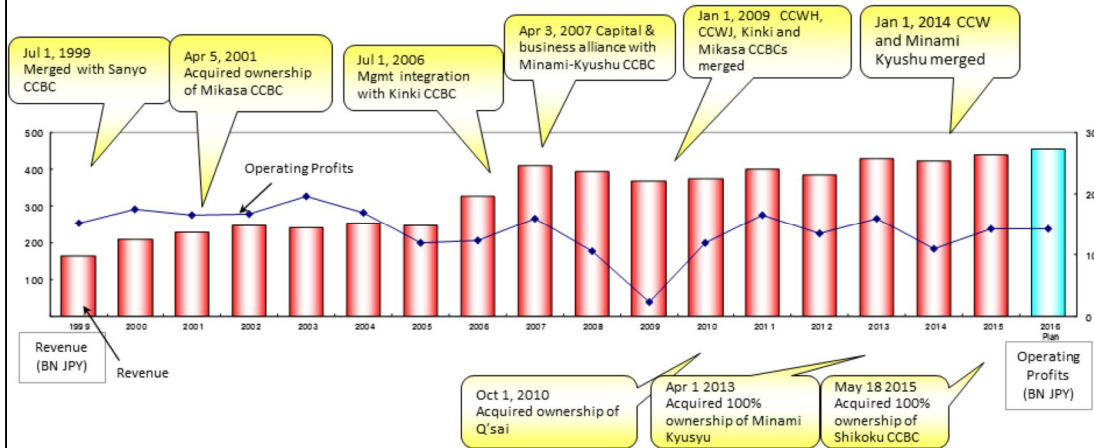
Vending (Unit: K cases, %)	Q2 plan	Vs. PY	
		Diff	%
SS PET (smaller than 1,000ml)	5,867	+392	+7.2
LS PET (1,500ml or larger)	38	-4	-8.6
Can (incl. bottle CAN)	8,162	-829	-9.2
Other	2,467	+200	+8.8
Syrup/Powder	475	-335	-41.4
CCW total (excl. Shikoku CCBC)	17,009	-576	-3.3

Retail & Food service (Unit: K cases, %)	Q2 plan	Vs. PY	
		Diff	%
SS PET (smaller than 1,000ml)	1,567	-46	-2.8
Midi PET (less than 1,500ml)	38	+2	+6.3
LS PET (1,500ml or larger)	765	+31	+4.3
Can (incl. bottle CAN)	802	-68	-7.8
Other	565	+90	+18.9
Syrup/Powder	5,470	-64	-1.2
CCW total (excl. Shikoku CCBC)	9,206	-54	-0.6

Performance Trend

(Unit: MM JPY)

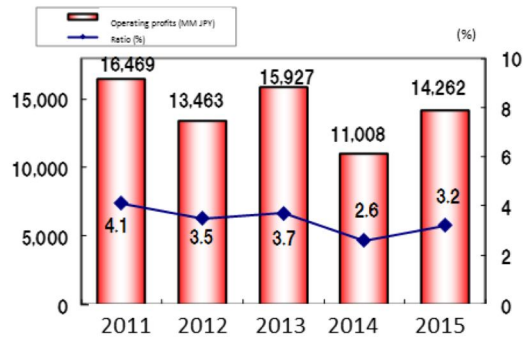
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Plan
Revenue	164,731	207,827	226,111	247,737	240,825	253,248	245,874	327,821	409,521	395,556	369,698	375,764	399,717	386,637	431,711	424,406	440,476	455,200
Operating Profit	15,160	17,449	16,634	16,704	19,638	16,860	11,830	12,321	16,056	10,521	2,242	12,003	16,469	13,463	15,927	11,008	14,262	16,000
Ordinary Profit	15,889	18,516	16,021	17,005	19,895	17,065	12,256	13,225	17,493	11,048	2,085	12,659	16,044	13,845	16,606	10,609	13,723	15,000
Net Profit	6,823	5,700	1,420	7,086	9,380	8,564	7,305	7,570	9,375	129	△7,594	7,582	6,997	6,031	13,625	4,482	9,970	8,800



KBI Trend

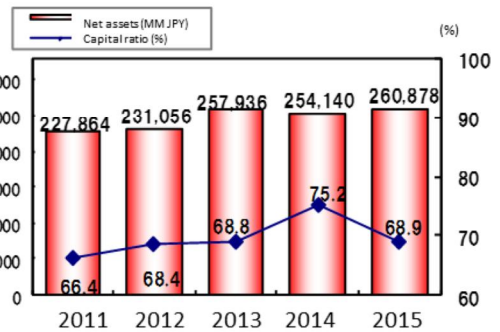
<Operating income & its ratio>

(MM JPY)



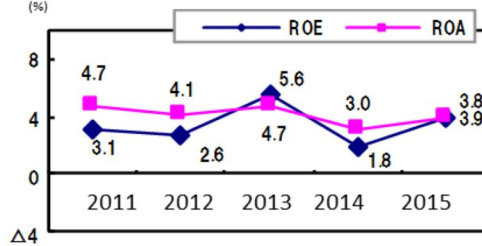
<Net asset/capital ratio>

(MM JPY)



<ROA/ROE>

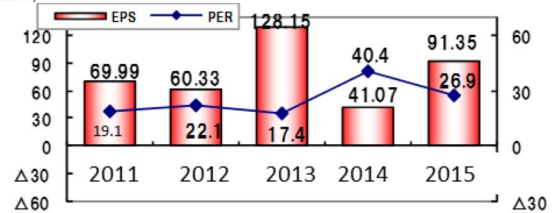
(%)



<EPS/PER>

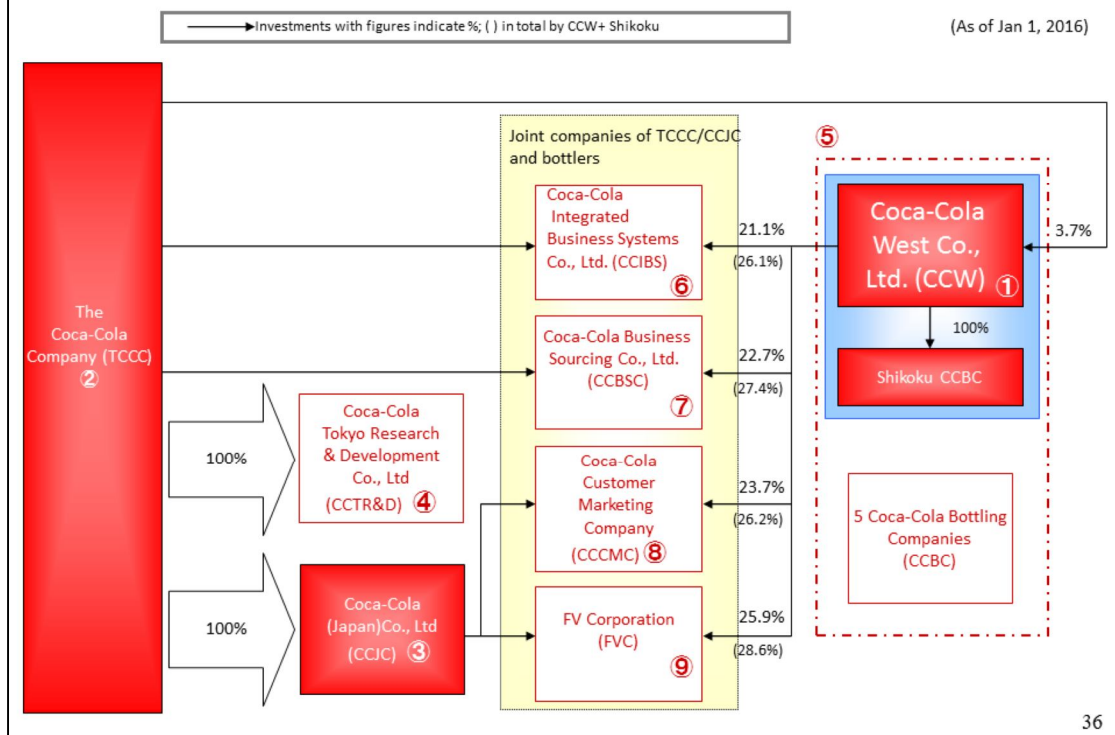
(EPS: JPY)

(PER: times)



EPS = net profit for the year/average # of shares in the term
PER = term-end stock price/EPS

Coca-Cola System in Japan – Capital Relationship



Coca-Cola affiliated companies and their roles

1. Coca-Cola West Co., Ltd. (CCW)

Coca-Cola West Japan (CCWJ) was established in 1999 by merging Kitakyushu CCBC and Sanyo CCBC. CCWJ acquired ownership of Mikasa CCBC in 2001. In 2006, CCWJ and Kinki CCBC merged the management of both companies, and in 2009 Coca-Cola West Co., Ltd. was established. CCW acquired 100% ownership of Minami Kyushu CCBC on April 1 2013 and merged on January 1 2014. Furthermore, CCW made Shikoku CCBC its wholly-owned subsidiary as of May 18, 2015.

2. The Coca-Cola Company (TCCC)

Established in 1892 in Atlanta, Georgia of the U.S.A. It carries the rights to grant a license to manufacture and sell Coca-Cola products to the bottlers. TCCC (or its subsidiary) makes franchise agreements with the bottlers.

3. Coca-Cola (Japan) Co., Ltd. (CCJC)

Established in 1957 in Tokyo, as "Nihon Inryo Kogyo K.K.," a wholly-owned subsidiary of The Coca-Cola Company. The company name was changed in 1958 to Coca-Cola (Japan) Company, Limited. CCJC is responsible for marketing, product planning as well as manufacturing of beverage base in Japan.

4. Coca-Cola Tokyo Research & Development Co., Ltd. (CTR&D)

Established in January 1993 as a wholly-owned subsidiary of The Coca-Cola Company. After separating and becoming independent from the traditional R&D department that revolved around the headquarters in the U.S., it handles product development and technical support to respond to the needs of Japan.

5. Coca-Cola bottlers (CCBCs)

There are 7 bottlers in Japan responsible for manufacturing and selling products in the respective commercial territories.

6. Coca-Cola IBS Co., Ltd. (CCIBS)

Established through joint investments by TCCC and all bottlers in Japan in June 1999. It assumes business consulting to the Coca-Cola system in Japan, as well as development of the supporting information systems and the overall maintenance operations.

7. Coca-Cola Business Service Co., Ltd. (CCBSC)

Established through joint investments by TCCC and all bottlers in Japan in August 2015. It is in charge of overall procurement operations of raw materials, packaging materials, equipment and indirect materials.

8. Coca-Cola Customer Marketing Company (CCCMC)

Established through joint investments by Coca-Cola (Japan) Co., Ltd. and all bottlers in Japan in January 2007. In addition to handling sales negotiations with major retailers such as nationwide supermarkets and convenience stores as a main window, it makes propositions for sales promotions and in-store activities.

9. FV Corporation Co., Ltd. (FVC)

Established through joint investments by Coca-Cola (Japan) Co., Ltd. and all bottlers in Japan in May 2001. FVC conducts sales to key accounts in vending machine operation, handling non Coca-Cola products also.

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Glossary

Term	Explanation
Channel (Business unit)	
Vending	Retail sale business to distribute products through vending machines to consumers
Chain store	Wholesale business for supermarket chain
Convenience Store (CVS)	Wholesale business for convenience store chains
Retail	Wholesale business for grocery stores, liquor shops, and other over-the-counter outlets
Food Service	Syrup sale business for restaurants, movie theaters, sports areas and theme parks
Vending	
Regular vending machine	A vending machine offered free of charge to a customer who supervises its operation and uses it to sell products purchased from us
Full service vending machine	A vending machine installed and managed directly by us
Out-market vending machine	An outdoor machine whose users are relatively unspecific
In-market vending machine	An indoor machine whose users are relatively specific
VPM	Volume Per Machine
VPPM	Volume and Profit Per Machine
Chain store	
National chain	National chain supermarket that CCCMC are responsible for negotiating
Regional chain	Chain supermarket that owns its stores in the two or more bottlers' territories
Local chain	Chain supermarket that owns its stores in the single bottler's territory
Other	
Trade marketing	Trade marketing is a specific function that uses shopper and retail knowledge to develop in-store strategies that ultimately result in higher brand equity and an increase in the quantity and value of shopper purchases
OBPPC	Occasion, Brand, Package, Price, Channel
PicOS	Picture Of Success
HORECA	Hotel, Restaurant, Café, etc

Forward-looking statement

The plans, performance forecasts, and strategies appearing in this material are based on the judgment of the management in view of data obtained as of the date this material was released. Please note that these forecasts may differ materially from actual performance due to risks and uncertain factors such as those listed below.

- Intensification of market price competition
- Change in economic trends affecting business climate
- Major fluctuations in capital markets
- Uncertain factors other than those above