

Paint it RED! Let's repaint our future.

Setting a new Company mission and starting the first year of the mid-term strategic plan



Calin Dragan
Representative Director and President
Calin Dragan

On behalf of the Company, I would like to express our condolences for those who have lost their lives due to the novel coronavirus (COVID-19) and our wish for a full recovery to those suffering from the disease. Also, we would like to express our sincere gratitude and appreciation to the health institutions and medical staff who are making every effort to prevent the spread of the infection and provide treatment.

Review of 2019

The Japanese soft drink market in 2019 saw a slight volume decrease from the previous fiscal year due to the impacts of long rains and low temperatures in July.

Positioning 2019 as a turning-point year for recovery from product supply constraints caused by disaster in the previous year and for reconstruction of our platform for future growth, we have made investments aimed at the recovery of our supply network and the progressive expansion of our manufacturing capacity. Our strengthening of manufacturing capacity in 2019 included the commissioning of three new production lines at our Kyoto and Kumamoto plants. We increased the wholesale price of large PET products in April, and worked to establish a foundation for improved profitability and growth. In August, we announced a five-year mid-term strategic plan that spans 2020 to 2024. Formulated in close cooperation with the management teams of The Coca-Cola Company and Coca-Cola Japan, the plan seeks to achieve best-in-class innovation and operations by carrying out fundamental transformation with our mantra of "Business as usual is not an option."

Looking at financial results for 2019, the Company was hit by a decline in beverage business sales volume due to a longer rainy season and cool weather during the peak season, as well as ongoing manufacturing- and product-distribution cost increases amid efforts to restore the product supply network, with the subsequent recording of a goodwill impairment loss. However, due to factors including thorough cost reductions, our Business Income exceeded the revised forecast announced in May 2019 for our core beverage business, and consolidated results were roughly in-line with the plan.

"Paint it RED! Let's repaint our future."

In 2019 we renewed our Company mission, vision, and values, in support of the mid-term strategic plan. Calling upon the Company to "Deliver happy moments to everyone while creating value," we unified our mission, vision, and values under the words "Paint it RED! Let's repaint our future." This slogan uses RED, our corporate color and a color representing passion, to express our strong will to create sustainable value for our company and our stakeholders.

Our mission, vision, and values reflect the results of organizational health surveys and insights from communication between employees and top management. They clearly state that we intend to continue as the partner of choice of our many stakeholders, including consumers, customers, communities and shareholders. They also reflect the importance that we place on integrity, agility, a commitment to learning by employees and the Company, and a solid results-orientation in order to fulfil our vision of sustainable growth.



Mission

Deliver happy moments to everyone while creating value

Vision

- We are the preferred partner for our customers
- We win in the market through sustainable growth
- We lead a learning culture with commitment to grow
- We are the best place to work with pride for Coca-Cola

Values

- Learning
- Agility
- Result-orientation
- Integrity

The outlook for 2020

Amid expectations for a rebound in demand from the decline during the cool summer of 2019, the 2020 soft drink market in Japan was expected to be on par with the level of 2019, with a plan of 3% volume growth for Coca-Cola Bottlers Japan. However, due to the novel coronavirus pandemic and countermeasures such as working-from-home and social-distancing announced as part of the Japan government's emergency declaration, the current business environment has worsened and the outlook for the year has become uncertain. We had also planned an active summer marketing campaign aligned with The Coca-Cola Company, as a Worldwide Partner of the Tokyo 2020 Olympic and Paralympic Games, but are now reevaluating our marketing calendar in light of the decision to move the events to 2021.

Under these circumstances, in the short term we are responding quickly to changes in the business environment caused by the pandemic with a variety of measures to mitigate the impact on our business. We are also looking ahead to the business environment post COVID-19, and are accelerating transformation initiatives with a focus on driving significant effects from a medium- to long-term perspective. Under the "Business as usual is not an option" theme reflected in our mid-term strategic plan, we are transforming our cost structure including, in the core vending channel and across support functions, enhancing our manufacturing capacity, investing in customer-facing initiatives such as expanding selling space and growing market share, and investing in people capability and career planning as we pursue major transformation in our business with the aim of returning to a sustainable growth trajectory.

In our core beverage business, we will work to grow sales through focused investment in select "Big Bets" brand innovation and by strengthening our core portfolio of products in 2020. We will also work to achieve best-in-class customer management and expand sales opportunities by improving our market execution and strengthening our relationships with customers. We will respond promptly to rapid changes in consumer behavior due to the current

coronavirus situation as well as longer-term trends, and will strive to offer products with packaging and pricing suited to consumption opportunities. To achieve sustainable growth in the vending channel, we have been expanding the operational process transformation that we launched in 2019, from the initial Kinki region pilot to a nationwide rollout. We also have been making efforts to expand in untapped domains, including further development of the Lemon-dou alcohol brand that was launched nationwide in October 2019.

In manufacturing, we are on track for commissioning four new production lines in 2020, including the opening of the new Hiroshima plant, as we fully recover from the disruption from natural disasters and set a solid foundation for future growth. In distribution, we will continue to optimize our logistics and distribution network with the construction of large-scale distribution facilities, including the Saitama mega-DC. As a cost reduction initiative across support functions, we will continue to standardize and consolidate routine back-office work using a shared services model. Moreover, we have increased our focus on achieving specific ESG targets based on creating shared value with communities, including the execution of a human resource strategy based on our new mission, vision, and values, and our 2030 Packaging Vision that aims for a "World Without Waste."

While we continue to face an uncertain and unprecedented business environment during the novel coronavirus pandemic, our first priority is to protect the safety and health of our employees, including those working on the front-lines to ensure safe and reliable supply of products and services that are essential to people's daily lives. While putting in place measures to minimize effects of the pandemic on our business, we will forge ahead with important transformational initiatives that will create a platform for medium- to long-term growth.

To all of our stakeholders, we ask for your continued understanding and we thank you for your longstanding support for our efforts.

(This message was written as of the end of May 2020.)