



Coca-Cola Bottlers Japan Holdings Inc.

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Annual Review 2019



Coca-Cola Bottlers Japan Holdings Inc.

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.)

Message from the CFO

Executing a flexible financial strategy to improve corporate value from a mid- to long-term perspective



Representative Director, Vice President, Chief Financial Officer

Bjorn Ulgenes

The strategic financial framework of our mid-term strategic plan

My name is Bjorn Ulgenes. I assumed the role of Vice President and CFO after the Annual Shareholders Meeting held in March 2019. As CFO, I have responsibility for the Company's financial strategies for sustainable growth. In our mid-term strategic plan that runs through 2024, our Company is working to improve its corporate value under three key financial strategies: Investing for growth, good stewardship of capital, and creating shareholder value.

Investing for growth

Our mid-term strategic plan calls for investments aimed at recovery from the disaster of July 2018 and building a solid foundation for future growth. Under the theme of "Business as usual is not an option," we intend to fundamentally transform our business and improve profitability. Specifically, we will focus on investing in efficient and scaled-up manufacturing and distribution infrastructure that meets market needs, driving business transformation in the important and profitable vending channel, investing in IT to streamline back-office work and transform working practices, and emphasizing human resources and capability development.

Good stewardship of capital

To procure the funding needed for these necessary investments for growth, we issued 150 billion yen in bonds in September 2019. Faced with the challenges posed by the novel coronavirus outbreak in 2020, we are even more focused on maintaining good stewardship of capital in order to ensure a solid financial position, sufficient liquidity and appropriate cash flows while re-evaluating priorities for capital allocation, including capital expenditure and dividends. In the short term, we are putting in place

flexible measures to maintain a stable financial position, even amid the rapidly changing business environment caused by the novel coronavirus pandemic.

Toward the creation of shareholder value

From 2018 to 2019, we raised the dividend, initiated share repurchase programs, and introduced other measures aimed at improving shareholder value. We also employ a performance-linked stock-based compensation program for executives. Up to two-thirds of compensation, including performance-based bonuses, are tied to Company performance.

Due to the ongoing uncertainties of the coronavirus situation, we have decided to withdraw our full-year 2020 forecast until we can appropriately estimate the outlook for the full year. Also, we have decided not to pay an interim dividend in 2020, which will be the period most impacted by the COVID-19 situation. And we have withdrawn our full-year dividend outlook.

We are evaluating multiple scenarios for the 2020 plan, as well as potential impacts to our mid-term strategic plan assumptions, while at the same time, urgently implementing mitigation plans to help protect the top line and aggressively looking at cost-saving opportunities.

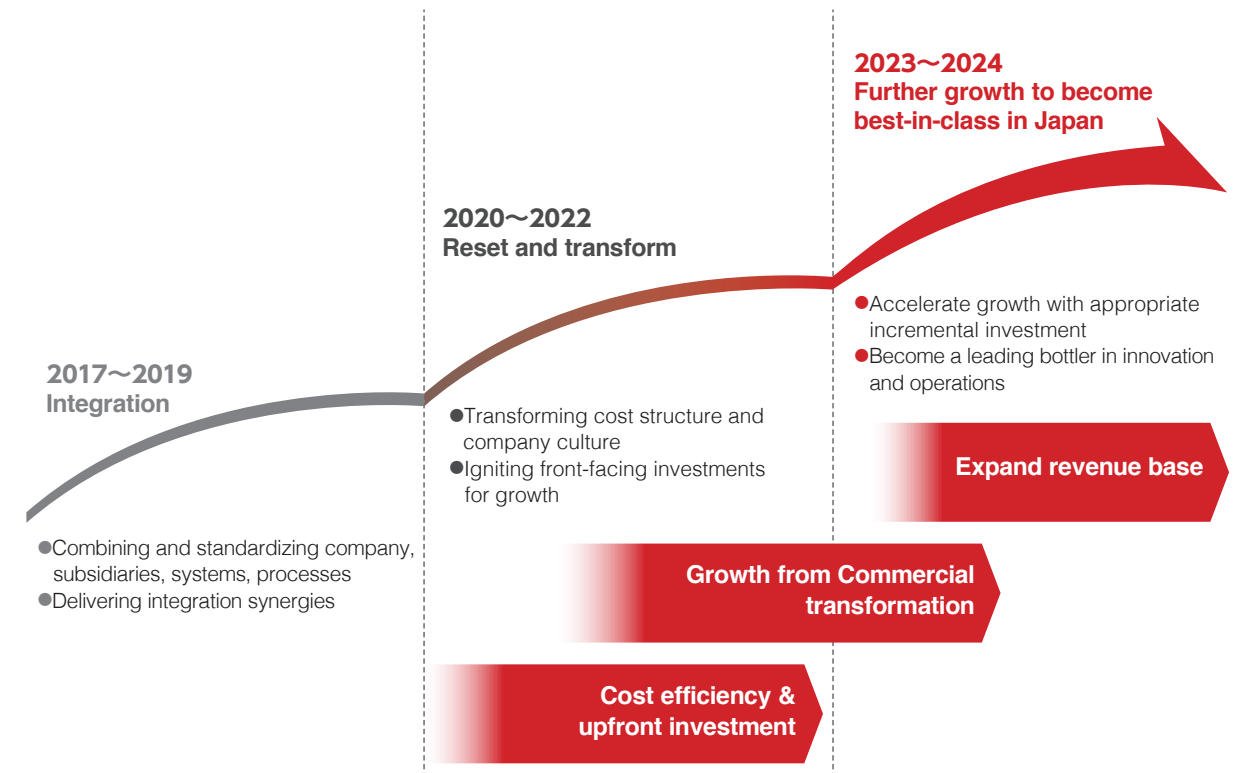
Although this unprecedented business environment is expected to remain for some time, we will continue our efforts aimed at the improvement of profitability and ROE through fundamental transformation of our business while maintaining good stewardship of capital in this period of uncertainty.

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

Topics

FY2020-2024 mid-term Strategic Plan

In August 2019, we announced a mid-term strategic plan from 2020 to 2024. Our aim is to achieve best-in-class innovation and operations by transforming the business under the maxim "Business as usual is not an option."



Wholesale Price Increase for Large PET Bottle Products

We were the first in the Japanese beverage industry to announce and implement a wholesale price increase for large PET products in April 2019, the first time in over 25 years. We are always working to improve production and operational efficiency in order to reduce costs, but we are also faced with increasing distribution costs and fluctuations in raw material prices. We continue to implement commercial initiatives such as introducing higher value-added products and selling appropriate products (brand, package, etc.) at the optimal wholesale price. In addition to these initiatives, we announced a revision to the wholesale price of large PET products and the suggested retail price on April 1, 2019. We continue to promote Revenue Growth Management (RGM) initiatives that are focused on improving our profitability.



150 billion yen Bonds Issuance

In September 2019, we issued 150 billion yen of straight bonds. In our mid-term strategic business plan, we plan investments to build a solid foundation for sustainable growth and we will use it for strategic investment as well as redemption of issued bonds, etc.

We have AA- long-term issuer credit rating from Japan Credit Rating Agency, Ltd. and A+ issuer rating from Rating & Investment Inc. We believe these represent the positive evaluation of our financial position. (JCR rating as of Jan.15,2020 and R&I rating as of Feb.28,2020)

Topics

Toward the Expansion of our Production Capacity

To respond promptly to a rapidly changing market environment and the diversifying needs of consumers and customers, the Company is working to expand manufacturing capacity and optimize our distribution system. In terms of production, we are launching seven production lines in 2019 and 2020, including operations at the new Hiroshima Plant, to address the rapid increase in demand for PET bottle coffee drinks and other aseptically filled still beverages as well as to restore production capacity lost due to damage from heavy rains in July 2018.

Launching two new lines scheduled in 2020

Launched two new lines in February and October 2019

Launching new line scheduled in 2020

Launched new line in March 2019

Launched new line in January 2020

Hiroshima Plant (Hiroshima Prefecture)

Kyoto Plant (Kyoto Prefecture)

Zao Plant (Miyagi Prefecture)

Ibaraki Plant (Ibaraki Prefecture)

Saitama Plant (Saitama Prefecture)

Iwatsuki Plant (Saitama Prefecture)

Tama Plant (Tokyo)

Tokai Plant (Aichi Prefecture)

Ebina Plant (Kanagawa Prefecture)

Tosu Plant (Saga Prefecture)

Daisen Plant (Tottori Prefecture)

Komatsu Plant (Ehime Prefecture)

Akashi Plant (Hyogo Prefecture)

Kiyama Plant (Saga Prefecture)

Ebino Plant (Miyazaki Prefecture)

Hakushu Plant (Yamanashi Prefecture)

Kumamoto Plant (Kumamoto Prefecture)

Toward the Optimization of our Distribution Network

In the area of distribution, the Company is advancing projects to build a supply chain network that will achieve high quality, low cost, and stable supply. As a component of these projects, in 2019 we began the construction of the Saitama mega-DC, a modern, automated distribution center on the grounds of our Saitama Plant. The Saitama mega-DC will have a storage capacity of 60,000 pallets and a product shipping capacity of 81 million cases per year, the greatest respective capacities within the Coca-Cola system in Japan. Scheduled for completion in February 2021, the Saitama mega-DC will serve as a core distribution center for Tokyo and Saitama Prefecture. We also launched new warehouses at the Hakushu Plant and Kumamoto Plant. These use a high-density storage system to store products in only half the space of conventional warehouses.



Saitama mega-DC

Our Response to COVID-19



During this outbreak of COVID-19, the safety and health of our employees, our customers and our communities is our number one priority. Our mission is to deliver happy, refreshing moments to everyone, even in challenging times, and we have been working with comprehensive business continuity actions in place to ensure safe and secure product supply as essential goods and services. We are supporting various local communities through our products, and we continue these actions.

- Hygiene guidance in line with Japan government advice reinforced across the organization
- Clear advice and information sharing to support employees experiencing potential symptoms or concerned about exposure to the virus
- Proactive large-scale work-from-home routines for all roles that can be done remotely
- Restrictions on international travel
- Support for employees who need child-care assistance during school closures
- Cancellation of large-scale face-to-face meetings
- Suspension of production plant tours and tight restrictions on visitors to our sites
- Strengthened business continuity planning and scenario analysis for every CCBJI location

Donation of beverages to Designated Medical Institutions for Infectious Diseases and others through Japan Medical Association

To back up the medical personnel who are engaged in the response to the COVID-19 outbreak, Japan Coca-Cola System, which includes Coca-Cola Bottlers Japan has started the "Refresh Japan" program to donate about 1.3 million bottles of beverages to medical institutions and frontline medical professionals. Deliveries from each CCBJI sales center to the designated medical institutions for infectious diseases have started from mid-May through the Japan Medical Association.



Donating products through food banks*

Due to the spread of COVID-19 infection, schools have closed, events are canceled, and many people are asked to work from home. These changes in our lifestyles in order to reduce contact with people can have a significant effect on children's lives. In response, CCBJI has taken prompt action to support communities in need during this challenging time by expanding our product donation program. We have agreed to donate 4,153 cases (76,422 individual beverages) to facilities such as children's cafeterias and children's centers via 16 Food Bank organizations in 11 prefectures in our sales territory.



Since 2016, CCBJI has partnered with Second Harvest Japan (member of Alliance of Japan Food Banks), which is Japan's first Food Bank organization, and the All-Japan Food Bank Association to donate beverage products to those in need. In 2019, we delivered approximately 10,000 cases of beverages to various social welfare facilities through 22 Food Bank organizations in cities across Japan.

*Food Banks are organizations where stocks of food, typically basic provisions and non-perishable items, are supplied free of charge to people in need. The Food Loss Reduction Promotion Act was enacted last year in Japan, and the activities of Food Banks are attracting more attention.

And more:

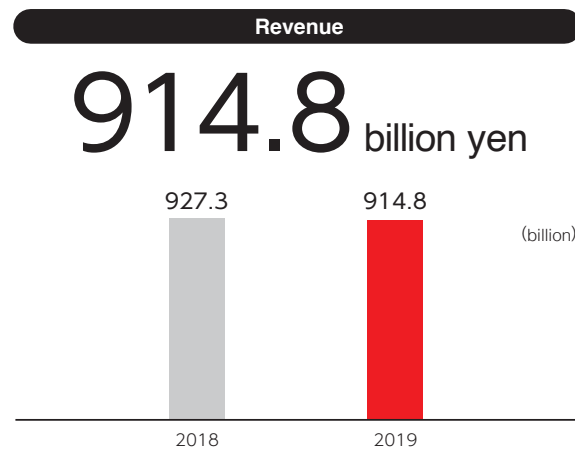
We have launched the "Refresh at Home" program, offering indoor exercise videos and offering free drink tickets upon completion of exercise goals to a total of one million people through Coke ON, the official Coca-Cola smartphone app. In addition, to help address the issue of personal protective equipment shortages for medical personnel, our company rugby team, the Coca-Cola Red Sparks, donated 3,000 plastic raincoats in response to a request from Osaka City. The team has also launched "Refreshing training at home" exercise and training videos featuring Coca-Cola Red Sparks players, which can be viewed on YouTube.

Finally, in June we announced the introduction of an additional layer of protection to sales equipment by covering touch points on vending machines with antivirus/antibacterial film.

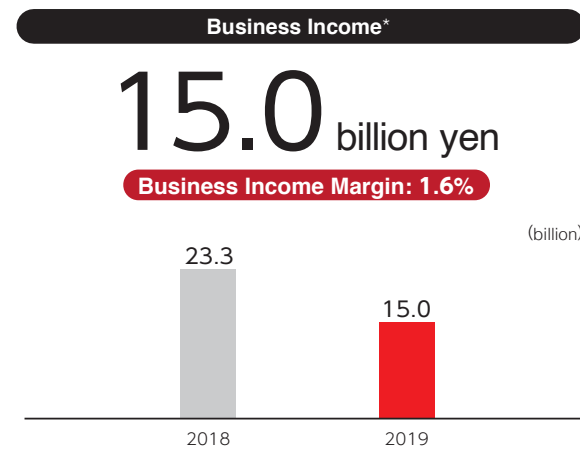


Financial and Non-Financial Highlights (2019 results)

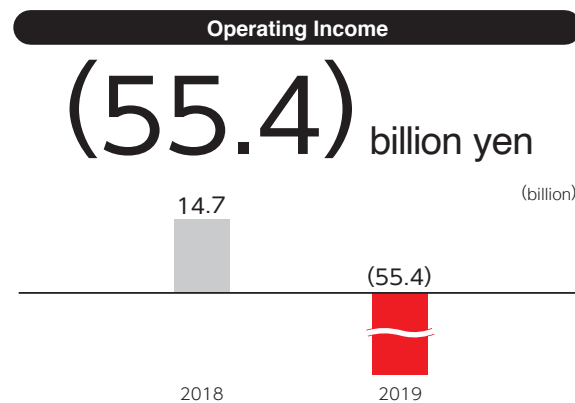
Financial highlights



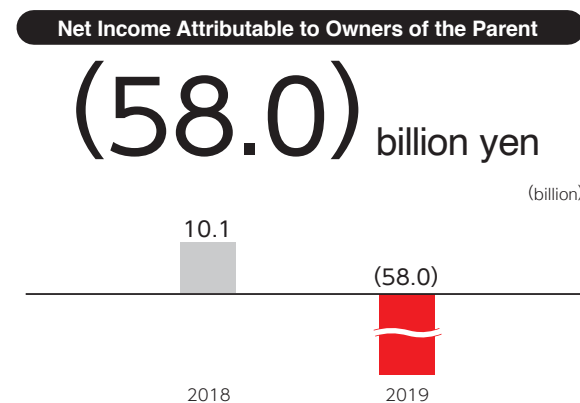
Revenue declined by 12.5 billion yen from the previous fiscal year to 914.8 billion yen, as the wholesale price rise of large PET bottle products in April 2019 and initial contribution of Lemon-dou alcoholic beverage were offset by sales volume decline.



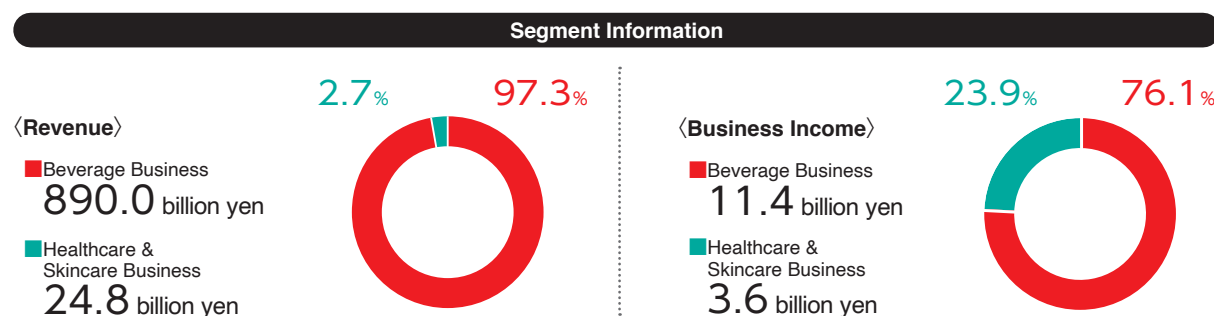
Business Income declined by 8.2 billion yen from the previous fiscal year to 15.0 billion yen due to the decline in revenue, lower manufacturing efficiencies and elevated logistics/distribution expenses as we recover from supply disruption, and decline in profit in the Healthcare & Skincare Business, which were partially offset by a decline in labor expenses led by voluntary retirement programs and the consolidation of retirement benefit systems, as well as thorough cost-cutting initiatives.



Operating income declined by 70.1 billion yen from the previous fiscal year to a loss of 55.4 billion yen, driven by the impairment of goodwill, recorded in Q2, and a special retirement allowance due to the implementation of a voluntary retirement program in addition to the decline of Business Income.



Net income attributable to owners of the parent declined by 68.1 billion yen from the previous fiscal year to a loss of 58.0 billion yen driven by the decline in operating income.



*We introduce "Business Income" as a measure of our underlying or recurring business performance after the adoption of IFRS. Business Income deducts cost of goods and SG&A from revenue and includes other income and expenses which we believe are recurring in nature.

Non-Financial Highlights

Inclusion

We regard the promotion of diversity and inclusion as an important business challenge and we respect the diversity of our workforce in order to provide a working environment that allows all employees to leverage their full potential, regardless of gender, age, disability, nationality or sexual orientation.

| | | | | | | | |
|-----------------------------------------|----|--------------------------------------------------------|-----|-------------------------------------------|-------|----------------------------------------------|-----|
| Women in manager and leader positions*1 | 8% | Women on the Board of Directors (As of March 26, 2020) | 22% | Employment of persons with disabilities*2 | 2.59% | Number of employees who used childcare leave | 144 |
|-----------------------------------------|----|--------------------------------------------------------|-----|-------------------------------------------|-------|----------------------------------------------|-----|

*1 Women in manager positions: 4.6%
*2 Figures for CCBJI in the "Employment Report for Persons with Disabilities" (June 1, 2019) submitted to the Director of Public Employment Security Office, 2019.

Communities

| | | | |
|--------------------------------------------------------------------------------|------------------------|--------------------------------------------------------------|----------------------|
| Number of participants in plant tours | 5 plants About 170,000 | Number of hydration seminars/number of participants | 38 times About 6,100 |
| Number of participants in company sports clinics, and rugby and hockey classes | About 5,400 | Number of beverage education seminars/number of participants | 20 times About 1,900 |

Resources

| | | | | | |
|-------------------------------------|------------------------------------|----------------------------------------------|------------------------------|------------------------------------|-------------|
| Water usage in production processes | 13,316 km ³ -4.9% (YoY) | Energy consumption in production processes*3 | 5,654 million MJ -3.4% (YoY) | Recycling rate of industrial waste | About 99.7% |
| Water used to produce 1L of product | 3.26 L/L -2.2% (YoY) | Energy used to produce 1L of product | 0.87 MJ/L -1.9% (YoY) | CFC-free vending machine ratio | About 77% |

*3 The calculation base for data was changed in 2019. Year-on-year figures are based on comparisons with 2018 figures set to the same base as 2019 figures.

External recognition of CCBJH and/or group companies

Also received the Director's Award for Excellence in Disability Hiring from the Bureau of Industrial and Labor Affairs

For more details on our CSV priorities and progress, please refer to our CSV report and company website.

Beverage Business

Overview of Coca-Cola Bottlers Japan Inc. (CCBJI)

Sales area

Tokyo, Kyoto, Osaka and
35 prefectures

Consumers in sales area

About **112** million
(About 51 million households)

Population and number of households in areas of coverage



Brands

Over **50**



SKUs

Over **800**

Sales volume

Over **500** million cases



*2019 results

Plants

17 plants



*Including the Hiroshima Plant, which is scheduled to start operations in 2020.

Vending machines

About **700** K



*As of end of 2019

Customer outlets

About **240** K



*As of end of 2019

Sales and distribution centers

About **350**



*As of end of 2019

Fleet vehicles

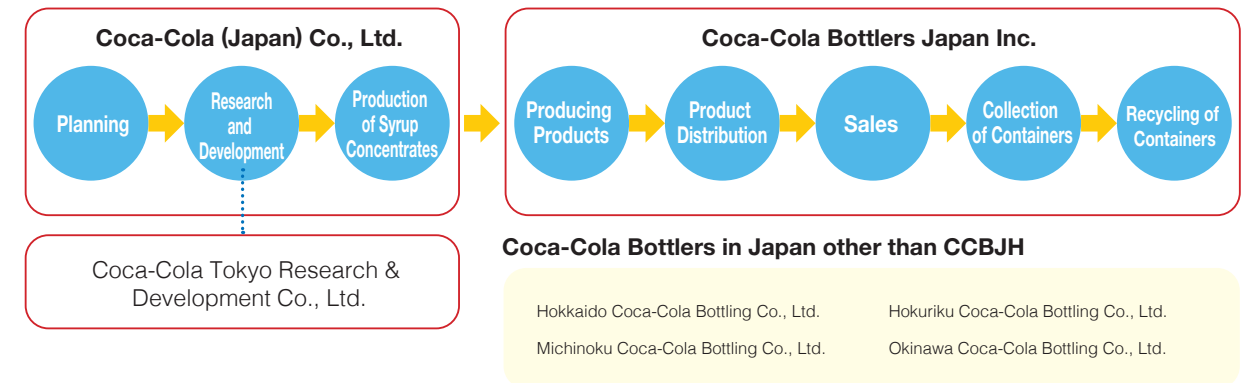
About **16,000**



*As of end of 2019

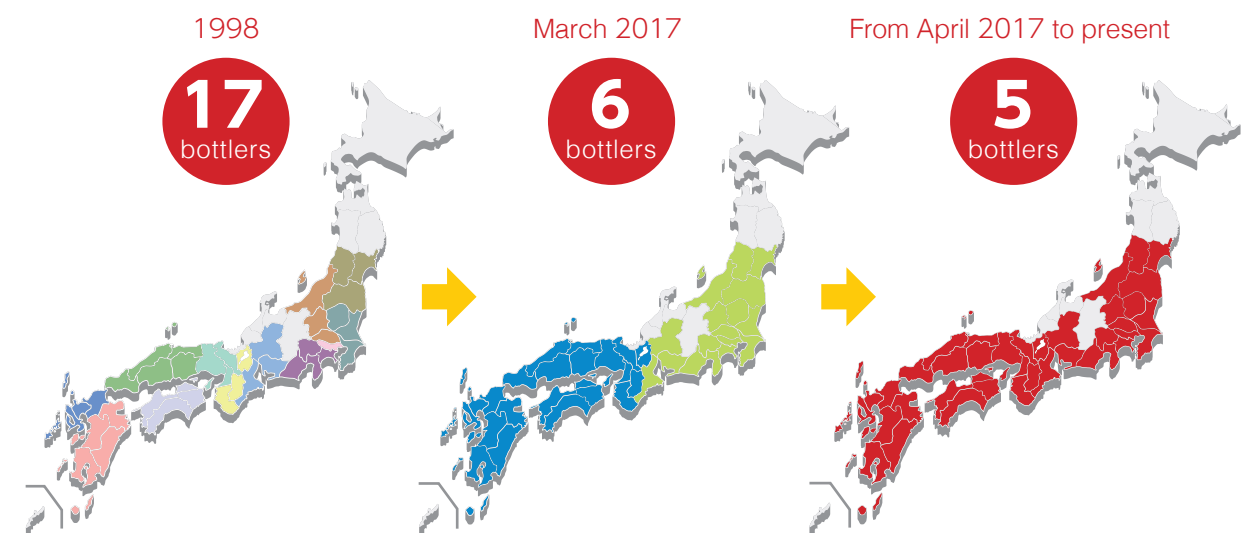
The Role of CCBJI in the Coca-Cola System in Japan

The Coca-Cola system in Japan consists of Coca-Cola (Japan) Company, Ltd., responsible for supplying concentrate, product planning/development, and marketing activities including advertising, etc., and bottler companies that produce and sell the finished products, as well as other affiliated companies. Our company and other bottler entities produce beverages under strict quality management in the respective plants and deliver Coca-Cola products to the customers through business outlets and vending machines.



History of our Company (Background to major mergers and consolidation)

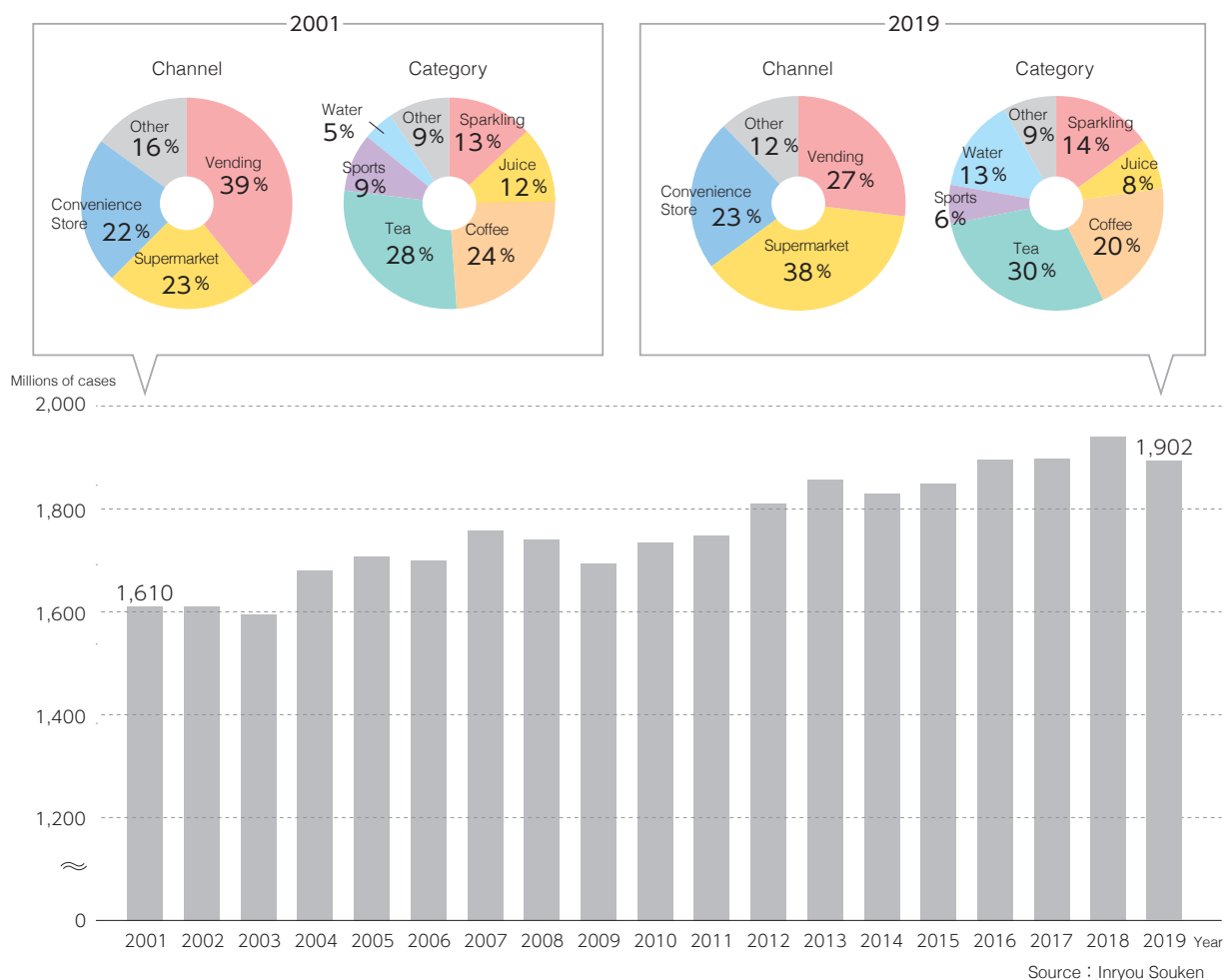
Five bottlers, including our Company, currently produce and sell Coca-Cola products in Japan. Since 1999, we have expanded the scale of our business through business integration to become Japan's largest Coca-Cola bottler handling about 90% of the sales volume in Japan.



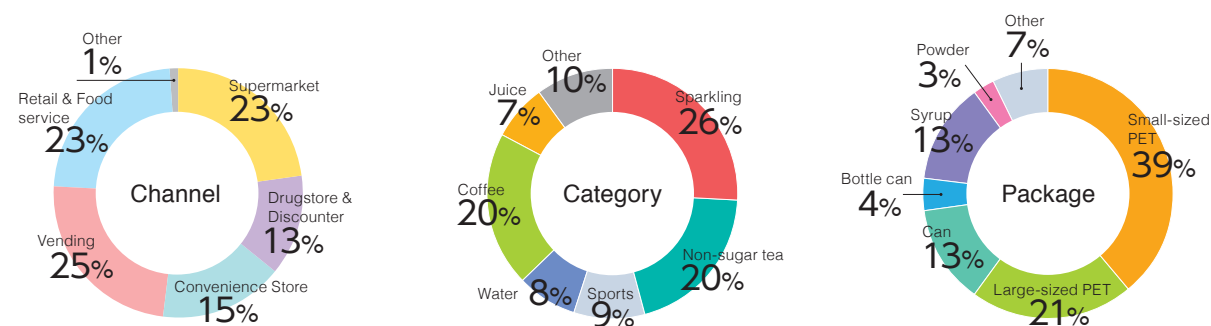
The NARTD Market in Japan

The NARTD market in Japan has been growing steadily, with market scale expanding by 20% over the past 18 years.

■ Trends in Market Size (Shipment volume - physical case)



CCBJI Sales Volume (2019 results)



Channel Overview

Chain Stores (Supermarkets, Drugstores & Discounters, Convenience Stores)

In supermarkets, we are working to energize sales floors by actively rolling out new products and conducting campaigns geared to seasons and events. Additionally, we are undertaking careful sales activities, including selling the right products (brand, volume, etc.) at optimal wholesale prices to satisfy customers' circumstances and consumer demand. At convenience stores, we are driving sales growth by introducing new products and products that meet the needs of convenience store users.



Vending (Vending Machines)

We are preparing product lineups optimized for the locations of vending machines, and are rolling out new products and campaigns exclusive to vending machines. We are carrying out exclusive campaigns through our Coke ON smartphone app, while providing new value to consumers through Coke ON Walk, which lets users earn drinks just by walking, and Coke ON Pay, which enables cashless settlement.



Making Coca-Cola vending machines more beloved. "Smiles begin here." Campaign

In the vending channel, one of the cornerstones of our business, we launched the "Smiles begin here" campaign in October 2019. In commercials and promotions, the campaign expresses life's "happy moments" that take place around Coca-Cola vending machines. Through our 700,000 vending machines found in every region, we will continue offering a full lineup of products, convenient cashless payment, campaigns through the Coke ON smartphone app, and other forms of value that our vending machines make possible.



Retail & Food Service (Restaurants, Kiosks, Online etc.)

In restaurants, we are expanding our product lineup by proposing drinks using our products, such as "mocktail" non-alcohol cocktails. At kiosks and hotels, we are working with customers to improve services to consumers, offering new and core brand products and proposing sales approaches tailored to customers' businesses. In addition, we are focusing on sales activities to online shops in response to growing consumer demand.



Product Overview

As a "Total Beverage Company", we offer products across a wide variety of categories such as Sparkling, Non-sugar tea, Coffee, Water, Sports and more.

Key brands by beverage category:



Sparkling

Coca-Cola
Coca-Cola is the number one brand in the carbonated soft drinks market. In 2019, we launched "Coca-Cola Energy" which is the first energy drink from brand Coca-Cola and we worked to revitalize the brand by launching campaigns to build excitement ahead of the planned Tokyo 2020 Olympic Games as well as seasonal marketing communications. In 2020, we launched in the Tokyo region Coca-Cola 350 ml and 700 ml PET bottles as new container sizes suitable for take-out at supermarkets, drug stores and discount stores. And also, we launched "Coca-Cola Frozen Lemon" that allows consumers to enjoy a special taste with a new texture.



Non-sugar Tea

Ayataka
Made with carefully selected domestic tea leaves, Ayataka is a tea with the authentic flavor of cloudy, teapot-brewed green tea. In 2019, we strengthened sales by renewing Ayataka sub brands and launched the "Ayataka Tokyo 2020 Olympic Memorial Design Bottle" to commemorate Ayataka's status as the official green tea for the Tokyo 2020 Olympic Games. In 2020, we launched "Wagara Design" bottles for the brand featuring traditional, colorful Japanese motifs, along with Ayataka Koi Ryokucha, which features a rich taste and cloudy goodness from matcha tea. We also renewed Ayataka Tokusencha, a Food for Specified Health Use (FOSHU) that works on fat and sugar in foods.



Coffee

Georgia
Georgia is a coffee brand which is beloved by a wide range of consumers. The brand delivers distinctive and varied tastes through its commitment to high-quality coffee beans and manufacturing processes. In 2019, we launched new products including Georgia Japan Craftsman Bito, which offers cold-brew deliciousness in a PET bottle. We also marked 25 years of our core brand Georgia Emerald Mountain Blend by launching Georgia Emerald Mountain Blend Premium, along with canned coffee featuring a design made in collaboration with the popular comic Mobile Suit Gundam, as efforts to energize the brand. Also in 2020, we launched Georgia Latte Nista, a latte specialty coffee with the milky taste of café drinks.



For details on label permissions and submitted claims of FOSHU beverages, see <https://www.cocacola.co.jp/inryoguide/lineup> (in Japanese only).

Marketing Topics

Launched Coca-Cola Olympic Games Tokyo 2020 Design Bottles

Together with the Coca-Cola Company, a Worldwide Olympic Partner and Worldwide Paralympic partner, we are working to revitalize the market through marketing campaigns that leverage the assets of the Tokyo 2020 Games. Although the Olympic and Paralympic Games Tokyo 2020 have been postponed to 2021, we will continue to promote the Games through our sales activities.



Company-wide launch of "Lemon-dou" lemon sour



We launched four flavors of Lemon-dou, a lemon sour alcohol brand inspired by the deliciousness of sours in bars, across all our sales territories. Adopting a preparation method that soaks whole, grated lemon in alcohol ahead of serving, we have created a lineup of four lemon sours in flavors popular at bars, differing by percentage of alcohol and lemon juice.

New Products in 2020

Fanta Premier Grape



Fanta is the number one* brand in the fruit carbonated soft drink category and remains much loved especially among teens. We launched Fanta Premier Grape, specially made with grape juice pressed within 24 hours of harvesting and with mashed grape puree for a taste that adults love.

*Survey by INTAGE Inc. SRI® (Nationwide Retail Store Panel Survey): Most recent 12-month (February 2019 to January 2020) aggregate sales share and unit share of fruit carbonated soft drink category

Georgia Latte Nista Cafe Latte and Bitter Latte



We launched Georgia Latte Nista Cafe Latte and Georgia Latte Nista Bitter Latte, latte specialty coffee in PET bottles with the milky taste of café drinks. These products offer a rich milk taste in a simple, smaller-sized bottle for latte enjoyment whenever and wherever consumers like.

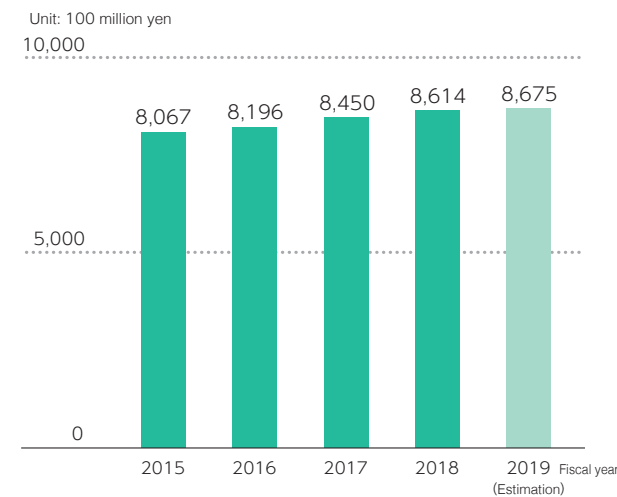
Healthcare & Skincare Business

The operation of our healthcare and skincare business is centered on Q'SAI Co., Ltd., our wholly-owned subsidiary.

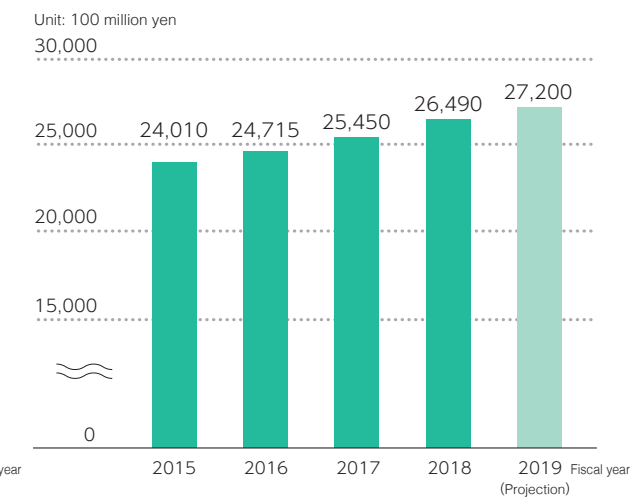
Market Size for Health Food and Cosmetics Products in Japan

Driven by consumers' increased consciousness toward health and beauty, the market size for health food and cosmetics products in Japan has seen steady growth.

■ Trends in Market Size of Health Food



■ Trends in Market Size of Cosmetics



*The market size is based on the shipment values at makers. 2019 estimation is as of December 2019. Source: Survey on the Health Food Market, 2020, Yano Research Institute Ltd.

*The market size is based on the shipment values at brand makers. 2019 projection is as of September 2019. Source: Survey on the Cosmetics Market, 2019, Yano Research Institute Ltd.

TOPICS

Celebrating our 55th Anniversary with a New Logo and Corporate Slogan!

In October 2019, Q'SAI unveiled a new logo and corporate slogan. Through this, the brand is shifting its image from that of a kale juice (aojiru) company to one that enables and supports consumers' flexible lifestyles.

Q'SAI also launched a new skincare brand Skinkalede, refreshed the names and packaging of core products, and renewed the design of its website. Q'SAI will continue providing new value to ever more consumers.



New logo, new corporate slogan



THE KALE (Kale Aojiru) Series new packaging

Channel Overview

Home Shopping

In the home shopping channel, which accounts for about 90% of revenue, we made efforts to enhance consumer attraction through television infomercials and the official shopping site. Also, we are working to expand our sales channel by launching channel-exclusive products as well as selling our products to the food service industry such as hotels and restaurants, and retail channels such as supermarkets and drugstores.

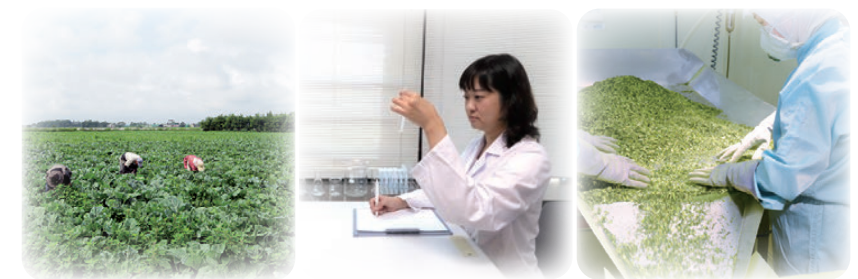
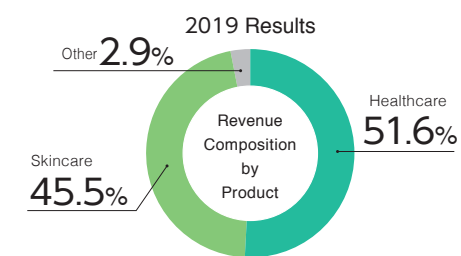


Infomercial program

Official shopping site

Aojiru server for food service industry

Product Overview



Healthcare Products

THE KALE Series

Made with 100% domestic kale grown without agricultural chemicals and chemical fertilizers, this product is rich in beta-carotene, calcium, potassium, vitamin C, dietary fiber, and other nutrients often lacking in diets. Consumers can choose not only powder type but also frozen type and tablet type according to their preference.



Major new products

Launched April 1, 2020

Kale de Kirei

- ✓ Delicious, fun and easy to drink for those who dislike kale juice
- ✓ Supporting inner beauty in a sustainable way
- ✓ Four themes and tastes: probiotic health, muscle development, body warming and beauty support, all with the power of kale

Skincare Products

Cola-rich Series

The "Cola-rich" series is a skin care series developed under the strict standard fostered in the health food field. We are enriching the line-up with beauty products such as BB Cream and the all-in-one Cola-rich beauty gel cream that brings together the functions of lotion, milky lotion, serum, moisturizing serum and cream.



Major new products

Skinkalede Balancing Lotion

Launched October 16, 2019

- ✓ With extract* of kale leaves
- ✓ Made with luxurious beauty-enhancing ingredients that keep skin healthy
- ✓ A fresh and refreshing Mediterranean aroma

*Moisturizing ingredients



Order by phone ☎ 0120-09-5555 [Time] 9:00~21:00 Open all-year-round

Official shopping site <https://www.kyusai.co.jp/>



(Japanese language only)

Initiatives Aimed at Creating Shared Value (CSV) with Society

Our CSV Policy

Placing Creating Shared Value (CSV) at the core of our management, and taking the respective importance of society and our business into account, our Group has identified three key themes that we will address over the coming 10 years: inclusion, local communities, and resources. As part of the Coca-Cola system in Japan, we are committed to create a sustainable business and shared future that makes a difference on important challenges facing Japan, including the environment, people's lives and our communities.

As an important element of our mid-term strategic plan, we formulated and are working to achieve CSV goals that demonstrate our group commitment to ESG (Environment, Social and Governance) priorities.

Three Platforms and Nine Priority Issues of Coca-Cola System Sustainability Activities



CCBJH initiative examples

- Promotion of diversity & inclusion**
 - Promotion of active participation by women
 - Promotion of employment of persons with disabilities
 - Promotion of work/life balance
- Regional contribution leveraging vending machines (support during disasters, etc.)**
 - Seminars on hydration
 - Let's Learn from the Forest Project
 - Sports clinics through company rugby and field hockey teams, etc.
- Water resource protection activities**
 - Reduction of greenhouse gas emissions
 - Promotion of recycling
 - Adoption of containers with low environmental impact, etc.

CSV Goals

| Areas | Target | Fiscal year achieved |
|-----------------------|-----------------------------------------------------------------------------|-----------------------|
| Products | Zero/low-calorie options for core brands | 100% 2025 |
| | FOSHU/functional product growth | 300% 2025 |
| | Front-of-pack calorie label and straightforward nutritional information | 100% 2025 |
| | Observation of The Coca-Cola Company Responsible Marketing Policy | 100% 2025 |
| Water | Water source replenishment. Focus on watersheds near our plants | 200% 2025 |
| | Water usage reduction | 30% 2030 |
| Climate change | Reduction in greenhouse gas emissions | 25% 2030 |
| | Promotion of renewable energy | — 2025 |
| Diversity & inclusion | Female managers | 6% 2025 |
| Society | Employee volunteers | 10% 2025 |
| | Participants in community programs | 1 million people 2025 |
| World Without Waste | Content of recycled PET in PET bottles | 50% 2022 90% 2030 |
| | Sustainable PET without fossil fuel use | 100% 2030 |
| | Adoption of recyclable packaging | 100% 2025 |
| | Further lightweight PET packaging (compared to 2004) | 35% 2030 |
| | Collection percentage compared to sales volume | 100% 2030 |
| Procurement | Extensive partnerships across industry and environmental organizations | — 2030 |
| Human rights | Sustainable sourcing | 100% 2025 |
| | Adherence to Supplier Guiding Principles across the CCBJH Group value chain | 100% 2025 |

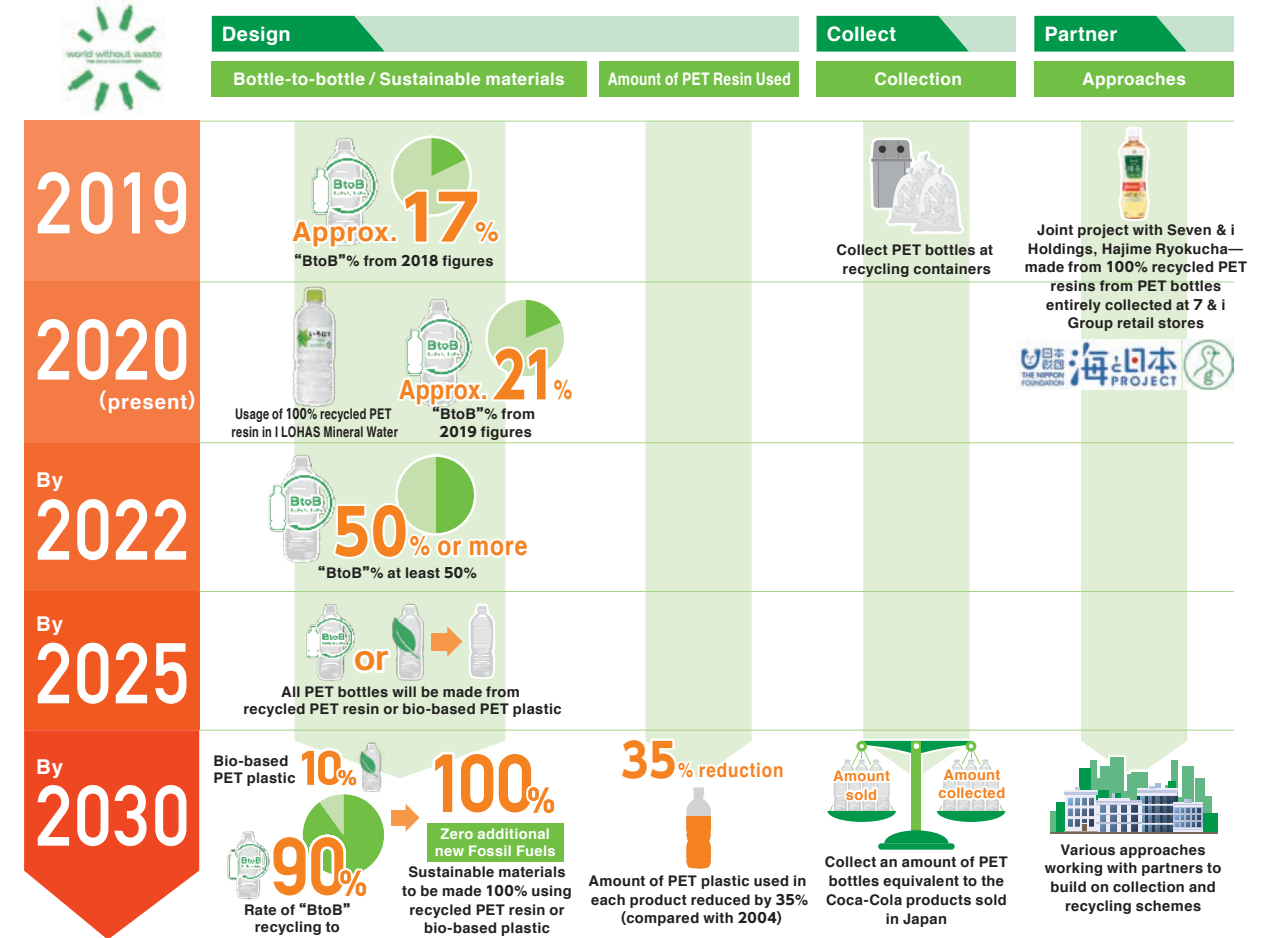
(Base year is 2015)

For more details on our CSV priorities and progress, please refer to our CSV report and company website.

Topics Toward a World Without Waste

The targets outlined in our CSV Goals are aligned with our strong commitment toward a World Without Waste, including our sustainable packaging program "2030 Packaging Vision" developed jointly with the Coca-Cola (Japan) Company. While accelerating initiatives to create shared value (CSV), we aim to achieve the "2030 Packaging Vision" to make "World Without Waste" a reality as a member of the Coca-Cola system and to demonstrate leadership in the beverage industry.

2030 Packaging Vision



(Bottle-to-bottle means collecting and recycling used PET bottles for use in new PET bottles.)

Launch of 100% recycled PET bottle*1 product "I LOHAS Natural Mineral Water"

We launched the I LOHAS Natural Mineral Water 100% recycled PET bottle made with 100% recycled PET in March 2020. Until now, I LOHAS Natural Mineral Water had used bottles made with 30% recycled PET. By achieving the difficult technology for enhancing the transparency of conventional recycled PET bottles and by enabling mass production of bottles in cooperation with partner companies, we achieved the introduction of 100% recycled PET bottle.

*1 100% recycled PET content



Expanded usage of closed-loop bottle-to-bottle recycled PET packaging to the "Hajime Green Tea" series in collaboration with Seven Premium and Hajime Green Tea Brand

Hajime green tea brand "Ichi Niichi Ippon" series, launched in June 2019 in collaboration with Seven Premium, is a product that uses closed-loop bottle-to-bottle recycled PET packaging. This means that we sell products made from 100% recycled PET resin, which is sourced exclusively from PET bottles collected at Seven & i Group stores. In April 2020, in order to further advance our sustainable packaging goals, we introduced three new products to the Hajime Ichi Niichi Ippon brand series: "Hajime green tea with Shizuoka tea", "Hajime green tea with Uji tea" and "Hajime green tea with Yame tea", all of which also use closed-loop bottle-to-bottle recycled PET. This switch to closed-loop recycling has the added benefit of helping to reduce CO₂ emissions per bottle by approximately 25%*2.

*2 Research by Coca-Cola (Japan) Company



Launched I LOHAS Natural Mineral Water Labelless, a first for the Coca-Cola system

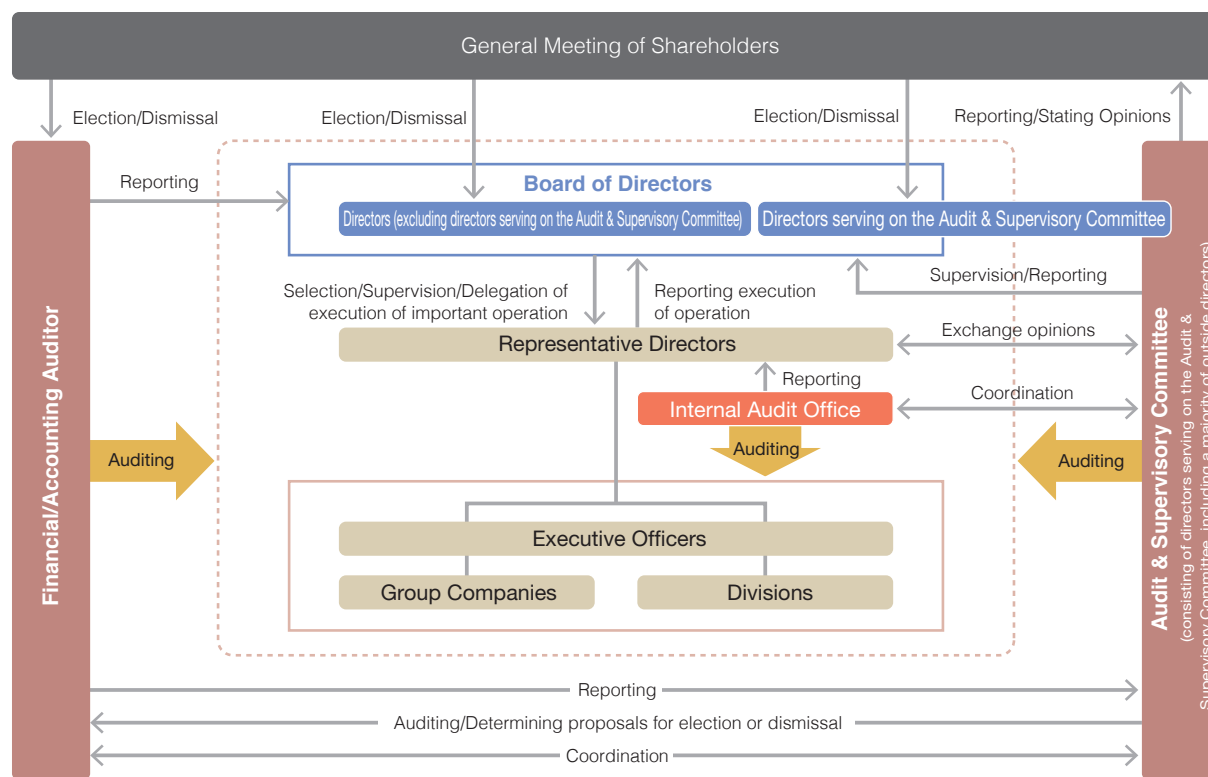
"I LOHAS Natural Mineral Water Labelless" is a product that eliminates the need to remove the label when separating trash. In addition, the container uses 100% recycled PET bottles, making it an environment-friendly product. This product was introduced for the first time in the Coca-Cola system and has been sold through online channels, etc. from April 2020.



Basic Stance on Corporate Governance

Our basic stance on corporate governance is to seek improvement of management quality, efficiency and transparency in order to increase mid- to long-term corporate value and shareholder value. We have established the Audit and Supervisory Committee to further strengthen our governance system. The Audit and Supervisory Committee, which takes a lead role in audits, is composed entirely of outside directors (Audit and Supervisory Committee members), including multiple independent outside directors. The Audit and Supervisory Committee members have voting rights at the Board of Directors meetings and the right to express opinions on directors' nominations and compensation at the General Meeting of Shareholders. As a result, our management oversight functions have been further strengthened. In addition, we have adopted the executive officer system to separate decision-making and management oversight functions from business execution functions. Certain important business execution decisions are entrusted to directors, so that the Board of Directors can deliberate on matters of particular importance. For other matters, we place emphasis on speed of management decisions by the Executive Leadership Team.

[Chart of Corporate Governance Structure]



Audit & Supervisory Committee

The Audit & Supervisory Committee is composed of four outside directors including multiple independent outside directors. Meetings of the Audit & Supervisory Committee shall be held once every three months in principle and may be held as necessary. The directors who are members of the Audit & Supervisory Committee conduct audits aimed at checking the status of business execution by the directors, executive officers and employees in accordance with related laws and regulations, the articles of incorporation, and the audit standards and guidelines established for and by the Audit & Supervisory Committee, by participating in the Board of Directors meeting and reviewing the results of the audits conducted by the Internal Audit Office and Accounting Auditor. A system to ensure sufficient oversight of business execution by executive officers is established, which includes the regular exchange of opinions between the Representative Director and the members of the Audit & Supervisory Committee on the results of the aforesaid audit activities. The tenure of directors who are members of the Audit & Supervisory Committee is two years or less as stipulated in the Companies Act in Japan (i.e., until the conclusion of the General Meeting of Shareholders in the last fiscal year of tenure).

Board of Directors (As of March 26, 2020)



Calin Dragan
Representative Director and President

Has worked with Coca-Cola bottlers, including in Japan, for about 20 years. Most recently, served as President of The Coca-Cola Company's Bottling Investments Group.



Bjorn Ulgenes
Representative Director, Vice President, Chief Financial Officer

Has experience with finance in the Coca-Cola system in Europe, the Middle East, Africa, and Japan. Most recently, served as Deputy Finance Director of The Coca-Cola Company's Europe, Africa and Middle East (EMEA) Group.



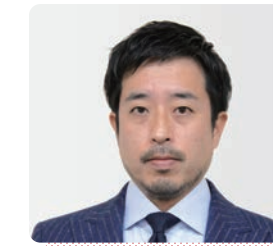
Hiroshi Yoshioka
Outside Director, Independent Director

Has management experience with Sony Corporation and global insights. Previously served as an outside director of Coca-Cola East Japan.



Hiroko Wada
Outside Director, Independent Director

Has abundant experience in marketing, management, and organization and human resource development in the consumer goods industry. Has served as a director of The Procter & Gamble Company, representative director and president of Dyson and of Toys "R" Us-Japan, Ltd.



Hirokazu Yamura
Outside Director, Independent Director

Has worked with Coca-Cola bottlers in Japan for about 15 years. Currently serves as Representative Director & President, Michinoku Coca-Cola Bottling Co., Ltd.



Irial Finan
Outside Director (serving on the Audit & Supervisory Committee)

Has extensive management experience, with many years of involvement in the management of The Coca-Cola Company and in the Coca-Cola business as the representative of the Bottling Investments Group supervising Coca-Cola bottlers worldwide. Currently serves as Director of Coca-Cola European Partners.



Celso Guiotoko
Outside Director (serving on the Audit & Supervisory Committee), Independent Director

Has IT and supply chain experience in multinational corporations, as well as a wealth of management and auditing experience at Nissan Motor Co., Ltd.



Nami Hamada
Outside Director (serving on the Audit & Supervisory Committee), Independent Director

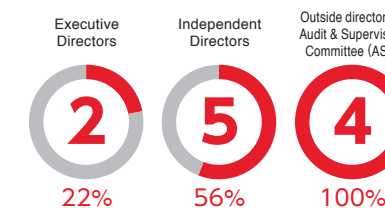
Has a wealth of experience in finance and accounting, including managing her own finance consulting company as well as management experience in Lehman Brothers Japan Inc.



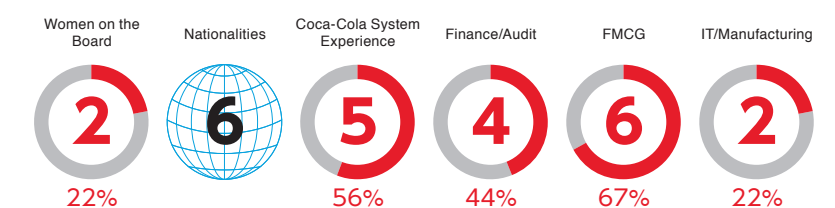
Enrique Rapetti
Outside Director (serving on the Audit & Supervisory Committee)

Has extensive experience related to finance and accounting in the Coca-Cola system. Currently serves as CFO, Latin America Group and is scheduled to assume a new role as CFO, Asia Pacific Group, The Coca-Cola Company.

Governance & Independence



Diversity and Professional Skillset



Figures in circles represent the number of corresponding directors. The figure for nationality represents the number of nationalities of directors.

Board of Directors

The Board of Directors consists of up to 10 directors (the number specified in the Articles of Incorporation, excluding directors serving as Audit & Supervisory Committee members) and up to 7 directors serving as Audit & Supervisory Committee members. The composition reflects an appropriate balance of diverse knowledge and expertise of company management, financial strategy, risk management, legal compliance, and other matters. In addition, in light of the important role of outside directors in corporate governance, we have elected several independent outside directors based on the Company's standards for independence. In order to determine candidates for director, the Company judges candidates' future potential and degree of contribution in accordance with the Company's evaluation system for the internal directors. In the nomination of outside directors, the Company nominates persons who are considered to contribute significantly to increasing the corporate value of the Company.

[Overview of Board of Directors]



| | Gender | Assumption of office | Term of office (Year) | Outside Director | Audit & Supervisory Committee members | Independent directors | Attendance in 2019 | |
|------------------|--------|----------------------|-----------------------|------------------|---------------------------------------|-----------------------|-----------------------------|----------------------------------------|
| | | | | | | | Board of Directors meetings | Audit & Supervisory Committee meetings |
| Calin Dragan | Male | March 2019 | 1 | — | — | — | 6/6 | — |
| Bjorn Ulgenes | Male | March 2019 | 1 | — | — | — | 6/6 | — |
| Hiroshi Yoshioka | Male | April 2017 | 1 | ○ | — | ○ | 8/8 | — |
| Hiroko Wada | Female | March 2019 | 1 | ○ | — | ○ | 6/6 | — |
| Hirokazu Yamura | Male | March 2020 | 1 | ○ | — | ○ | — | — |
| Irial Finan | Male | April 2017 | 2 | ○ | ○ | — | 8/8 | 8/8 |
| Celso Guiotoko | Male | March 2019 | 2 | ○ | ○ | ○ | 6/6 | 6/6 |
| Nami Hamada | Female | March 2019 | 2 | ○ | ○ | ○ | 6/6 | 6/6 |
| Enrique Rapetti | Male | March 2020 | 2 | ○ | ○ | — | — | — |

Appointment of Outside Directors

In the nomination of outside directors, the Company nominates persons who are considered to contribute significantly to increasing the corporate value of the Company. Also, the Company deems that outside directors possess sufficient independence from the Company if the outside director or candidate does NOT fall under any of the following requirements through investigation by the Company.

Reasons for appointment of outside directors

| Category/Name | Reasons for appointment (Positions etc. are at the time of appointment) | Independent Director |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Outside Director Hiroshi Yoshioka | Appointed to leverage his extensive managerial experience and global insights, cultivated through experience as a Coca-Cola bottler outside director and at Sony Corporation, on behalf of our Group's management. | ○ |
| Outside Director Hiroko Wada | Appointed to leverage her extensive management experience and global insights, cultivated as director of The Procter & Gamble Company and representative director of Dyson and of Toys 'R' Us-Japan. | ○ |
| Outside Director Hirokazu Yamura | Hirokazu Yamura was appointed to enable the Company to leverage his extensive managerial experience and insights cultivated through experience as Representative Director & President of Michinoku Coca-Cola Bottling Co., Ltd. | ○ |
| Outside director (Audit & Supervisory Committee member) Irial Finan | Appointed for his extensive experience and global insights as a corporate manager, with many years of involvement in the Coca-Cola business as an outside director of a Coca-Cola bottler in Japan, as part of management of The Coca-Cola Company, and as representative of the Bottling Investments Group supervising Coca-Cola bottlers worldwide, and for auditing experience as a Director and Audit & Supervisory Committee member of the Company. | ○ |
| Outside director (Audit & Supervisory Committee member) Celso Guiotoko | Appointed for abundant management experience and global insights cultivated at Nissan Motor Co., Ltd., and auditing experience as a corporate auditor at that company. | ○ |
| Outside director (Audit & Supervisory Committee member) Nami Hamada | Appointed for extensive experience in finance and accounting, including managing a finance-related consulting company herself, and for abundant experience and global insights cultivated on the corporate management team of Lehman Brothers Japan. | ○ |
| Outside director (Audit & Supervisory Committee member) Enrique Rapetti | Enrique Rapetti was appointed for his extensive management experience and extensive knowledge of finance and accounting cultivated as CFO, Latin America Group, The Coca-Cola Company. | ○ |

The Company considers the directors have sufficient independence if the directors shall NOT fall in any of the criteria listed below;

- Employee and/or executive of the Company and/or subsidiary within past 10 years
 - Person and/or executive who had significant business relationship with the Company within past 1 year*1
 - Employee and/or executive of the company who had significant business relationship with the Company within past 1 year*1
 - Consultant, certified public accountant, attorney, etc. receiving significant compensation from the Company other than executive compensation within past 1 year*2
 - Entity or its executive who received significant donation from the Company within past 1 year*2
 - Close relatives corresponding to the above*3
- *1 If the transaction between the Company and the person and/or the company exceed 2% of the Company's revenue of the latest fiscal year, it shall be considered as significant
*2 If the annual amount of compensation or donation to the person/entity exceeds JPY 10 million, it shall be considered as significant
*3 Within second-degree of relationship

Evaluation of the Effectiveness of the Board of Directors

The Company evaluates the effectiveness of the Board of Directors based on self-evaluation by Directors concerning operation of the Board of Directors, its support structure, composition, etc. In the 2019 evaluation of effectiveness, the following issues were identified.

- Enhancement of discussions on topics involving changes in the management environment that could impact the Group's business
- Securing of sufficient time and number of meetings for discussions by the Board of Directors
- Provision of Board of Directors meeting materials in appropriate form and volume, organized and analyzed or ease of understanding
- Provision of Board of Directors meeting materials at the appropriate time to enable advance consideration
- Improvements in the timing and content of advance briefings on matters for discussion

Based on the results of the evaluation of effectiveness, we will actively and continuously work toward improvements in management to further enhance and deepen the Board of Directors' discussions according to changes in the business environment, and toward further sustainable growth and improvement of medium- to long-term corporate value.

Training for Directors

The Company provides directors, including outside directors, with training, outside seminars, and other opportunities considered necessary for fulfilling the roles and legal responsibilities required of directors, while acquiring necessary knowledge of the Group's business, finances, organizations, etc.

The Company also provides executive officers, including internal directors, with internal and outside training opportunities considered necessary for the development of successors who can display higher levels of leadership.

Compensation for Directors and Executive Officers

Overview of the compensation system for executive directors and executive officers

Basic policy on compensation

- Compensation level and structure that enable hiring and retaining high-quality talents from the perspective of diverse nationalities and experiences.
- Compensation composition ratio emphasizing performance-linked compensation, resulting in providing sufficient incentives for profitable growth.
- Introduce the system to further improve mid-to-long-term corporate value and reinforce alignment of interests with the shareholders.

Process for determining compensation

Compensation for Executive Directors shall be deliberated by an Audit & Supervisory Committee composed solely of Outside Directors to enhance the transparency and objectivity of procedures for determining compensation. Then, the Company's Board of Directors meeting resolves and delegates the determination of the compensation including the amount of performance-linked compensation for each Executive Director to a Representative Director in accordance with the "Compensation Framework for Directors and Executive Officers" approved by the Company's Board of Directors Meeting as well as within the total amount of executive compensation resolved by the General Meeting of Shareholders. The compensation for Executive Officers shall also be determined through deliberations by the Audit & Supervisory Committee.

Compensation level

Compensation is decided according to the responsibilities by utilizing data from compensation surveys performed by external research organizations and taking into account the level of compensation provided at companies such as domestic and overseas companies of similar scale in similar industries with the intent to provide a level of compensation that enables recruitment and retention of talented people who are highly diverse in terms of nationality, experience, etc.

Overview of the compensation system for Supervisory Officers

The compensation for Supervisory Officers (Directors serving on the Audit & Supervisory Committee and Outside Directors not serving on the Audit & Supervisory Committee) consists of only base salary, taking into account their roles in managerial supervision and audit.

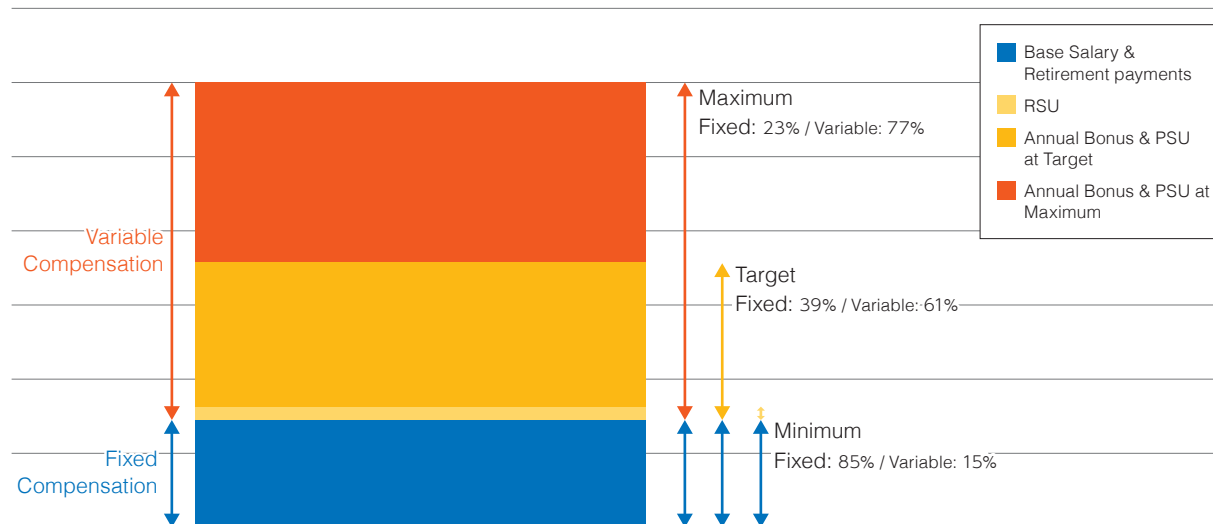
Compensation levels are set according to the role of the Director by utilizing data from compensation surveys performed by external research organizations and taking into account the level of compensation provided at domestic companies of similar scale.

The compensation for Directors serving on the Audit & Supervisory Committee is proposed to the Audit & Supervisory Committee and determined upon consultation with Directors serving on the Audit & Supervisory Committee within the total amount determined by the resolution of the General Meeting of Shareholders. The compensation for Outside Directors not serving on the Audit & Supervisory Committee shall be delegated to a Representative Director upon resolution by the Company's Board of Directors Meeting, and the amount shall be determined by the Representative Director in accordance with the "Compensation Framework for Directors and Executive Officers" approved by the Company's Board of Directors Meeting after the terms of compensation are deliberated by an Audit & Supervisory Committee.

■ Compensation structure (FY2020 onwards)

| Compensation | Fixed compensation | | Notes |
|-----------------------|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Item | Description | |
| Variable compensation | Base salary | ● Monthly payment of an amount determined based on responsibilities. | Compensation limit for Directors: Maximum 850 million yen per year (approved by resolution no. 5 of FY2019 Annual General Meeting of Shareholders). (the number of directors at the time of the resolution excluding directors who were Audit and Supervisory Committee members was 5). * In case where the Audit and Supervisory Committee has deliberated and deemed it necessary, housing allowances others may be paid within this 850 million yen. |
| | Retirement Payment (Annual deferral for retirement remiunications) | ● 10% of annual base salary is retained each year and the cumulative amount is paid upon retirement. If the Director has caused significant damage to the CCBJH Group or been subjected to disciplinary action, this payment may be reduced or withheld altogether. | |
| | Annual bonus | ● Provided as an incentive for achieving performance targets for each fiscal year. ● The target amount is set in the range of 35% to 75% of base salary depending on their responsibilities. ● The amount of payment varies in the range of 0% to 225% of the target amount depending on the achievement of performance targets in each fiscal year (companywide performance and individual evaluations). ● Business income, sales volume, and net sales have been adopted as measures for evaluating companywide performance in accordance with the policy for determining compensation for Executive Directors and Executive Officers, etc. | |
| | Long-term incentives | ● Two types of stock-based compensation systems, (1) PSU and (2) RSU, are adopted as long-term incentives. ● The basic amount of all long-term incentives (1) PSU + (2) RSU is set in the range of 40% to 100% of base salary based on the responsibilities. ● 80% of this basic amount is set as the basic PSU amount, and 20% is set as the basic RSU amount. ● With regard to (2) RSU, additional grants for the purpose of retention may be made in addition to the above-mentioned basic RSU amount up to the compensation limit detailed on the right if deemed necessary by the Audit and Supervisory Committee. | |
| | (1) PSU (Performance Share Units) | ● Provided as an incentive for achieving mid to long term performance targets. ● The number of shares to be issued shall be determined within the range of 0% to 150% of the basic PSU amount depending on the achievement of performance targets (only considering companywide performance) over the three years after the share units have been granted (half of the shares to be issued shall be paid in cash for the purpose of allocating funds for the payment of tax obligations). ● Consolidated ROE and growth rate of consolidated net sales are used as measures of performance in accordance with the policy for determining compensation for Executive Directors and Executive Officers, etc. | Compensation limit for Directors: Maximum amount of 200,000 shares per year (approved by resolution No. 5 of FY2019 Annual General Meeting of Shareholders). (the number of directors at the time of the resolution excluding directors who were Audit and Supervisory Committee members was 5). |
| | (2) RSU (Restricted Stock Units) | ● Provided for the purpose of aligning interests with shareholders, creating incentives to increase corporate value, and strengthening retention of talented people. ● Issued predetermined number of shares three years after shares have been granted (half of the shares to be issued shall be paid in cash for the purpose of allocating funds for the payment of tax obligations). | |

■ Image of compensation structure (in case of Representative Director & President)

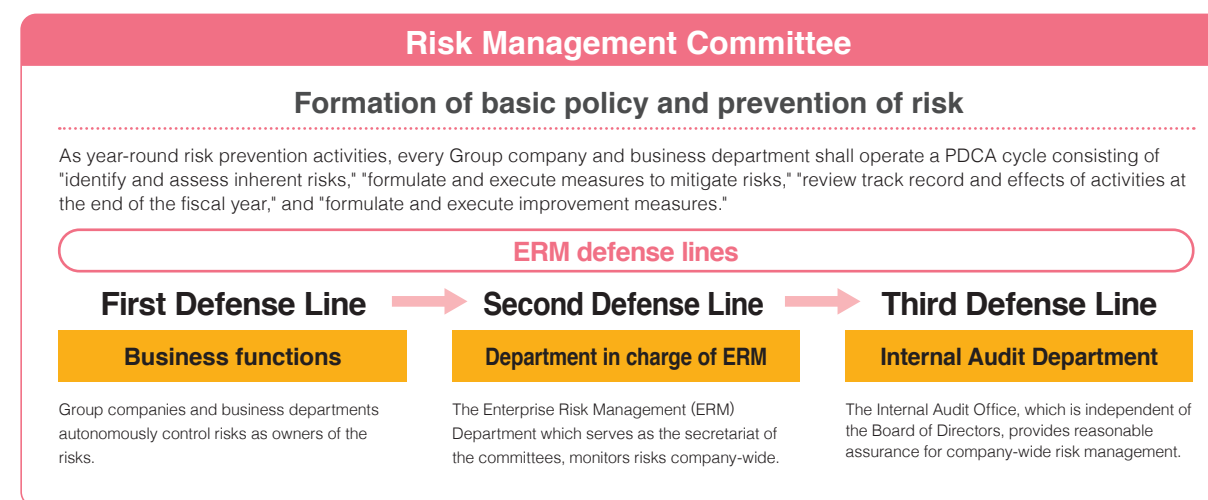


■ Directors' Compensation (2019 results)

| Executive category | Total amount of compensation, etc. (Million yen) | Total amount by type of compensation, etc. (Million yen) | | | Number of eligible directors |
|--------------------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------------|-------------------------|--------------------------------------|------------------------------|
| | | Basic compensation | Bonus | Performance-based stock compensation | |
| Directors (Of which, paid to outside directors) | 582 (23) | 436 (23) | 96 (-) | 50 (-) | 8 (2) |
| Directors (Audit & Supervisory Committee members) (Of which, paid to outside directors) | 71 (62) | 71 (62) | - (-) | - (-) | 7 (6) |
| Total (Of which, paid to outside directors) | 653 (85) | 508 (85) | 96 (-) | 50 (-) | 15 (8) |

Risk Management System

In order to gain the trust of society and stakeholders and to enable sound and sustainable corporate management, the Group is working to construct and operate an effective risk management system that is integrated with internal controls. The risk management system of the Company consists of a Risk Management Committee that performs deliberation and decision-making on formulation of company-wide basic risk management policies and risk prevention activities; a Crisis Management Committee that performs decision-making and instruction for crisis management response in the event of serious incidents or accidents; and a Disaster Countermeasures Task Force that performs deliberation and decision-making on the invoking of business continuity plans (BCP) in the event of a large-area, large-scale disaster that has a significant impact on our business activities.



- #### ■ List of risks the Company identifies
1. Risks related to changes in assets
 2. Risks related to retirement benefit obligations
 3. Risks related to increased costs of raw materials, etc.
 4. Risks related to competition and changes in markets
 5. Risks related to changes in consumer preferences and health concerns
 6. Risks related to economic conditions
 7. Risks related to infrastructure investment
 8. Risks related to the supply chain
 9. Risks related to changes in the retail environment
 10. Risks related to water resources
 11. Risks related to agreements with The Coca-Cola Company and to trademarks and trust in the brand
 12. Risks related to relevant laws and regulations
 13. Risks related to alcoholic beverages
 14. Risks related to tax reform
 15. Risks related to product safety and quality
 16. Risks related to business integration
 17. Risks related to litigation
 18. Risks related to the business of affiliated companies
 19. Risks related to weather
 20. Risks related to natural disasters, accidents, etc.
 21. Risks related to information security
 22. Risks related to securing and developing human resources
- (For details of each risk, please refer to Annual Securities Report.)

Status of Internal Control System

We have established an internal control system for ensuring the appropriate performance of the Company and Group companies.

● System to ensure that the execution of duties of Directors and employees of the Group conforms to laws and ordinances and to the Articles of Incorporation

- The code of conduct shall be established in order to ensure that all the Directors, Executive Officers, and employees of the Company's group comply with laws and regulations and the Articles of Incorporation to act in conformity with social norms. The Ethics and Compliance Committee shall be convened periodically in order to reinforce the compliance system and to prevent non-compliance.
- An internal whistle-blowing system against non-compliance, namely, a reporting and consultation contact separate from the reporting line to immediate managers, shall be set up.
- The Company shall strengthen the supervisory functions of the Board of Directors by adopting a system with an Audit & Supervisory Committee, where audits are conducted by an Audit and Supervisory Committee consisting entirely of outside directors.
- The department in charge of internal auditing shall be established in order to audit whether business activities are conducted appropriately and effectively in conformity with laws and regulations, the Articles of Incorporation, Company Rules and Regulations, etc.
- The Company clearly identifies the firm stance against anti-social forces and organizations that cause threats to the order and safety of civil society and that the Company never associates with such entities. The Company shall never accede to any illegal request and deal with any such request in cooperation with the police, attorneys, etc.

● Matters related to the preservation and management of information involving the execution of duties by Directors

- The Company shall record information regarding minutes of General Shareholders meetings, minutes of Board of Directors meetings, documents and other materials related to important decision-making and Directors' performance of their duties in documents or electronic media and retain it in accordance with the Rules of Documentation Handling and Information Security Policy in a manner similar to that for statutory documents.
- The Company's Directors may inspect such documents, etc. at any time.

● Regulations and other systems concerning management of the risk of losses to the Group

- In accordance with our group policy on responding to material business risks and from the viewpoint of management of other risks, significant items shall be reported to the Risk Management Committee, and the Risk Management Committee shall determine policies to accommodate the risks as required.
- The Company establishes rules/guidelines and maintains an organization to execute effective response to material risks, and ensure the matters to be passed down by establishing manuals and implementing training for the entire Group.
- The department in charge of risk management in the Company or its subsidiaries is to monitor the condition of company-wide risks, and take appropriate measures on a group-wide basis. The Company shall appoint a person responsible for prompt response to newly emerging risks.

● System for ensuring the efficient execution of duties by Directors of the Group

- The Board of Directors of the Company shall establish management policy and objectives for the Group to be shared among Directors, executive officers, and employees of the Group, and shall establish efficient methods for achieving the objectives, including the allocation of authority based on rules for decision-making in the Group.
- The Company shall organize and deliberate on appropriate meeting structures in its operating companies in addition to the Board of Directors of the Company to deliberate significant matters affecting the entire Company Group, thereby ensuring that decisions are reached based on considerations of multi-dimensional aspects.

● System to ensure the appropriateness of operations in a corporate group consists of the Company and its subsidiaries

The Company will ensure the unification of management through establishment of a corporate philosophy, management policy, code of business conduct and Chart of Authority shared across the Group, and supervise and manage the performance of the subsidiaries' operations.

● System concerning employees requested by the Audit & Supervisory Committee to assist with its duties, and matters concerning the independence of said employees from Directors and the ensuring of the effectiveness of instructions to said employees

The Company shall assign employees to assist the Audit & Supervisory Committee. These employees shall assist the execution of duties of the Audit & Supervisory Committee under the direction and command of the Audit & Supervisory Committee, and shall not accept instruction and command from Directors (excluding members of the Audit & Supervisory Committee).

● System for reporting to the Audit & Supervisory Committee by Directors and employees of the Group, and system for preventing disadvantageous treatment for reason of having reported

- Directors (excluding Directors who are members of the Audit & Supervisory Committee), executive officers, employees, etc. of the Group shall promptly report to the Audit & Supervisory Committee upon discovering any facts that may cause serious damage to the Group, such as violations of laws and ordinances.
- The department in charge of internal audits shall regularly report to the Audit & Supervisory Committee on the findings of internal audits and the status of other activities in the Group.
- The department in charge of compliance shall regularly report to the Audit & Supervisory Committee on the status of whistleblowing in the Group.
- The Company shall prohibit disadvantageous treatment of persons for reason of having reported to the Audit & Supervisory Committee, and shall make this prohibition known to Directors, executive officers, employees, etc. of the Group.

● Matters concerning procedures for the prepayment or reimbursement of expenses incurred in the execution of duties of Audit & Supervisory Committee members, and policies involving the handling of expenses or obligations incurred in the execution of other duties

Every year, the Company shall allocate necessary budget for the execution of duties by Directors who are Audit & Supervisory Committee members.

● Other systems to ensure that the Audit and Supervisory Committee's audit is conducted effectively

- The Representative Director and the Audit & Supervisory Committee members shall hold a meeting on a regular basis to exchange opinions in order to communicate with each other.
- The Representative Director shall prepare an environment to enable coordination with attorneys, certified public accountants, and other external experts when recognized as necessary by Audit & Supervisory Committee members for the execution of their duties.
- The Audit & Supervisory Committee shall establish opportunities for the exchange of opinions with the department in charge of internal audits and accounting auditors periodically.

Basic Principles, Policies, and Code of Ethics and Conduct

The Company has created basic principles and policies for matters involving operation of the company; has established a code of ethics and conduct as guidelines for the actions to be taken by group employees in order to realize these principles and policies; and works to ensure that these are made known to executives and employees.

Moreover, to further foster and instill awareness of ethics and compliance awareness in employees, and to promote a corporate culture that emphasizes ethics and compliance, we work primarily through the Ethics and Compliance Committee to promote activities including awareness and education activities, the operation of a consultation desk, response to other compliance cases, and examination and implementation of measures to prevent recurrence.



Policy regarding Cross-shareholdings

In principle, it is the Company's policy to refrain from cross-shareholdings.

However, the Company does hold shares acquired for the purpose of creating business opportunities and establishing, maintaining, and strengthening relationships with customers and local communities. We evaluate and report on the cost of ownership of these major cross-shareholdings shares and the return on investment. We have been working to reduce the cross-share holdings based on those evaluations.

■ Number of cross-shareholding companies and book value of these shares

| | Number of companies | Total book value of shares (Millions of yen) |
|-----------------------------------|---------------------|----------------------------------------------|
| Unlisted stocks | 123 | 4,797 |
| Stocks other than unlisted stocks | 99 | 22,012 |

(Stocks for which number of shares increased during the fiscal year)

| | Number of companies | Total amount spent to increase the number of shares held (Millions of yen) | Reason for increase in number of shares |
|-----------------------------------|---------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Unlisted stocks | — | — | — |
| Stocks other than unlisted stocks | 23 | 47 | The Company increased the number of shares of these companies by purchasing through suppliers' share ownership association of these companies |

(Stocks for which number of shares decreased during the fiscal year)

| | Number of companies | Total amount by selling and decreasing the number of shares (Millions of yen) |
|-----------------------------------|---------------------|-------------------------------------------------------------------------------|
| Unlisted stocks | 2 | 2 |
| Stocks other than unlisted stocks | 7 | 2,242 |

See the Annual Securities Report for details.

Promotion of Information Disclosure and Constructive Dialog through IR Activities

With the goal of timely and appropriate information disclosure and constructive dialog with shareholders and investors, we engage in a variety of Investor Relations (IR) activities in which we explain our business strategies, business activities, financial and non-financial information, and other information through quarterly earnings presentation and IR meetings.

■ Main IR activities in 2019

| Activity | Number of times | Details |
|-------------------------------------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Earnings Presentation | 4 times | Held quarterly earnings presentation hosted by President and CFO. The content is available via Webcast on the Company's website. (https://en.ccbj-holdings.com/ir/library/presentation.php) |
| IR meetings with analysts and institutional investors | More than 200 companies | Held face-to-face and phone meetings with analysts and institutional investors, with top management participation as needed. |
| Participation in domestic and overseas conferences | 8 times | Domestic: 6 times; overseas: 2 times. With top management participation as needed. |
| Presentation for individual investors | 2 times | Held briefings by IR manager. |
| Other IR briefings | 2 times | Held briefings by top management for analysts and institutional investors. |

Historical Financial Data

Financial data through fiscal 2016 indicates results for Coca-Cola West Co., Ltd. prior to the business integration.
Financial data for fiscal 2017 indicates results for Coca-Cola Bottlers Japan Holdings Inc. from 2Q.

| JGAAP | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------------------------------------------------------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Revenue | (Millions of yen) | 369,698 | 375,764 | 399,717 | 386,637 | 431,711 | 424,406 | 440,476 | 460,455 | 872,623 |
| Revenue YoY | (%) | (6.5) | 1.6 | 6.4 | (3.3) | 11.7 | (1.7) | 3.8 | 4.5 | 89.5 |
| Operating Income | (Millions of yen) | 2,242 | 12,003 | 16,469 | 13,463 | 15,927 | 11,008 | 14,262 | 21,143 | 40,579 |
| Operating Income Margin | (%) | 0.6 | 3.2 | 4.1 | 3.5 | 3.7 | 2.6 | 3.2 | 4.6 | 4.7 |
| Net Income before Income Taxes | (Millions of yen) | (10,446) | 12,982 | 14,013 | 12,186 | 18,730 | 8,409 | 15,228 | 12,707 | 39,240 |
| Net Income Before Taxes Margin | (%) | (2.8) | 3.5 | 3.5 | 3.2 | 4.3 | 2.0 | 3.5 | 2.8 | 4.5 |
| Net Income Attributable to Owners of Parent | (Millions of yen) | (7,594) | 7,582 | 6,997 | 6,031 | 13,625 | 4,482 | 9,970 | 5,245 | 25,244 |
| Net Income Margin | (%) | (2.1) | 2.0 | 1.8 | 1.6 | 3.2 | 1.1 | 2.3 | 1.1 | 2.9 |
| Comprehensive Income | (Millions of yen) | — | — | 5,605 | 7,326 | 16,332 | 6,931 | 11,217 | 5,022 | 31,976 |
| Net Profit per Share | (Yen) | (75.96) | 75.84 | 69.99 | 60.33 | 128.15 | 41.07 | 91.35 | 48.05 | 144.26 |
| Return on Equity (ROE) | (%) | (3.3) | 3.4 | 3.1 | 2.6 | 5.6 | 1.8 | 3.9 | 2.0 | 5.7 |
| Return on Assets | (%) | 0.7 | 3.8 | 4.7 | 4.1 | 4.7 | 3.0 | 3.8 | 5.5 | 6.3 |
| Total Assets | (Millions of yen) | 326,818 | 346,032 | 342,560 | 337,348 | 374,418 | 337,260 | 378,105 | 377,468 | 883,918 |
| Net Assets | (Millions of yen) | 222,816 | 226,267 | 227,864 | 231,056 | 257,936 | 254,150 | 260,878 | 261,173 | 627,485 |
| Equity Ratio | (%) | 68.2 | 65.3 | 66.4 | 68.4 | 68.8 | 75.2 | 68.9 | 69.1 | 70.9 |
| Net Assets per Share | (Yen) | 2,227.96 | 2,260.03 | 2,275.55 | 2,307.44 | 2,359.82 | 2,325.19 | 2,386.81 | 2,389.28 | 3,070.01 |
| Price Book Value Ratio (PBR) | (Times) | 0.7 | 0.7 | 0.6 | 0.6 | 0.9 | 0.7 | 1.0 | 1.4 | 1.3 |
| Price Earnings Ratio (PER) | (Times) | (21.6) | 19.4 | 19.1 | 22.1 | 17.4 | 40.4 | 26.9 | 71.7 | 28.5 |
| Cash Flow from Operating Activities | (Millions of yen) | 28,747 | 31,732 | 39,960 | 26,324 | 40,082 | 28,628 | 40,422 | 34,388 | 72,450 |
| Cash Flow from Investing Activities | (Millions of yen) | (23,447) | (49,203) | (34,050) | (14,243) | (16,493) | (9,590) | (24,994) | (19,921) | (41,090) |
| Cash Flow from Financing Activities | (Millions of yen) | 43,297 | (16,316) | (8,780) | (7,149) | (8,286) | (37,498) | 22,416 | (7,546) | (26,159) |
| Cash and Cash Equivalents at End of Fiscal Year | (Millions of yen) | 71,221 | 37,434 | 34,564 | 39,495 | 60,275 | 41,830 | 79,828 | 86,727 | 118,741 |
| Dividend Payout Ratio | (%) | — | 52.7 | 58.6 | 68.0 | 32.0 | 99.8 | 44.9 | 95.7 | 30.5 |
| Dividend per Share Interim Dividend | (Yen) | 42.00 21.00 | 40.00 20.00 | 41.00 20.00 | 41.00 20.00 | 41.00 20.00 | 41.00 20.00 | 41.00 20.00 | 46.00 22.00 | 44.00 22.00 |
| Depreciation and Amortization | (Millions of yen) | 24,069 | 22,405 | 21,371 | 20,643 | 23,758 | 22,943 | 24,048 | 17,491 | 37,352 |
| Capital Expenditure | (Millions of yen) | 25,201 | 16,524 | 21,201 | 20,031 | 20,242 | 22,783 | 16,181 | 25,728 | 42,539 |
| Number of The Employees Average number of temporary workers not included in the above | | 8,172 2,289 | 8,331 2,009 | 8,105 2,073 | 7,877 1,890 | 9,650 2,059 | 8,324 1,949 | 8,837 2,613 | 8,616 2,499 | 17,197 4,403 |

| IFRS | | 2017 | 2018 | 2019 |
|------------------------------------------------------------------------------------------|-------------------|-----------------|-----------------|-----------------|
| Revenue | (Millions of yen) | 837,069 | 927,307 | 914,783 |
| Revenue YoY | (%) | — | 10.8 | (1.4) |
| Business Income | (Millions of yen) | 40,177 | 23,276 | 15,042 |
| Business Income Margin | (%) | 4.8 | 2.5 | 1.6 |
| Operating Income | (Millions of yen) | 37,594 | 14,682 | (55,389) |
| Operating Margin | (%) | 4.5 | 1.6 | (6.1) |
| Net Income Attributable to Owners of The Company | (Millions of yen) | 21,967 | 10,117 | (57,952) |
| Net Income Margin | (%) | 2.6 | 1.1 | (6.3) |
| Total Comprehensive Income | (Millions of yen) | 30,065 | 3,197 | (52,108) |
| Basic Earnings per Share | (Yen) | 125.53 | 52.68 | (322.22) |
| Return on Equity Attributable to Owners of The Parent (ROE) | (%) | 4.6 | 1.6 | (10.7) |
| Return on Assets | (%) | 5.6 | 1.6 | (6.1) |
| Total Assets | (Millions of yen) | 929,304 | 877,472 | 952,444 |
| Total Equity | (Millions of yen) | 655,038 | 580,906 | 506,491 |
| Ratio of Equity Attributable to Parent Owners | (%) | 70.4 | 66.2 | 53.1 |
| Equity Attributable to Owners of The Parent per Share | (Yen) | 3,204.90 | 3,163.63 | 2,821.27 |
| Price Book Value Ratio (PBR) | (Times) | 1.3 | 1.0 | 1.0 |
| Price Earnings Ratio (PER) | (Times) | 32.8 | 62.4 | (8.7) |
| Cash Flow from Operating Activities | (Millions of yen) | 73,014 | 51,244 | 42,629 |
| Cash Flow from Investing Activities | (Millions of yen) | (14,299) | (48,628) | (68,308) |
| Cash Flow from Financing Activities | (Millions of yen) | (26,717) | (55,835) | 73,994 |
| Cash and Cash Equivalents at End of Fiscal Year | (Millions of yen) | 118,742 | 65,510 | 113,825 |
| Dividend Payout Ratio | (%) | 35.1 | 94.9 | — |
| Dividend per Share Interim Dividend | (Yen) | 44.00 22.00 | 50.00 25.00 | 50.00 25.00 |
| Depreciation and amortization expense | (Millions of yen) | 41,383 | 47,531 | 56,951 |
| Capital Expenditure | (Millions of yen) | 42,800 | 53,136 | 103,882 |
| Number of The Employees Average number of temporary workers not included in the above | | 17,197 4,403 | 17,100 3,957 | 16,959 3,578 |

Note: As for the amount, JGAAP is rounded down and IFRS is rounded off. The ratio is rounded off.

Analysis of Operating Results

In the fiscal year ending on December 31, 2019 (January 1, 2019 to December 31, 2019), total non-alcoholic ready-to-drink (NARTD) beverage industry volume performance is estimated to be slightly negative versus prior year mainly due to cycling of strong demand driven by hot summer weather last year as well as longer rainy and cool weather in July. The health food and cosmetics industries continue to grow, driven by demand from health-conscious consumers and inbound tourism, while the competitive environment has been marked by successive product launches by various industry players.

For the Company, 2019 has been a transition year focused on recovery from the flooding damage and disruption to product supply in 2018 and building a solid foundation for future growth. We have been making major investments to recover our supply network and progressively expand production capacity, and will continue to do so through second quarter 2020. We were the first in the beverage industry to announce and implement a wholesale price increase for large PET products in April, the first time in 27 years, as an important initiative toward achieving more balanced volume and revenue growth.

We developed and announced a new five-year strategic business plan in August 2019 with targets for both Business Income margin and ROE in 2024 of 5 to 6%. The new five-year strategic business plan includes focused investments to reignite sales growth in close collaboration with Coca-Cola (Japan) Company, Limited as well as fundamental transformation to drive cost savings. Over the course of the five-year plan, we expect net cost savings of approximately 35 billion yen, representing ongoing savings initiatives and incremental programs focused on transforming our vending channel operations, evolving our frontline salesforce capabilities and identifying opportunities across procurement and our supply chain.

Our full-year results were impacted by a decline of topline revenue due to lower beverage business sales volume, reflecting supply constraints of higher-growth aseptic PET products and continued lower manufacturing efficiencies and elevated logistics and distribution expenses as we recover our supply and distribution infrastructure after the flooding in 2018. Business income for our core beverage business was ahead of the plan we announced in May 2019, offset by weaker performance in the health and skincare segment. Consolidated year-to-date results also reflect impairment of goodwill recorded in the second quarter.

Full-year 2019 Highlights

- Full-year NARTD beverage volume declined 2%, reflecting unseasonably cool and rainy weather in July and the wholesale price increase in April, recovering to 1% growth in the fourth quarter (October to December). Full-year beverage business revenue declined 1% and grew 1% in the fourth quarter.
- Beverage business market share improved, with value share growth ahead of volume share in the fourth quarter led by coffee, non-sugar tea and sports category performance. Premium-priced new products contributed to value share growth
- Business Income was substantially in-line with the full-year plan announced in May 2019 led by ahead-of-plan core beverage performance despite underachievement of the health care & skin care business. Full-year Business Income decreased 35% versus prior year as we continue to recover from the supply disruption of 2018.
- Full-year operating loss of 55 billion yen reflects the goodwill impairment recorded in the second-quarter.
- Continued investment for recovery of supply network, expanding production capacity and improving infrastructure. Capital investments of close to 90 billion yen in 2019, with three new manufacturing lines and two new automated warehouses, as well as completion of company-wide deployment of a new ERP system, "CokeOne".
- Major transformational initiatives ongoing. Announced new organizational structure aligned with the strategic business plan and grounded in new corporate mission, vision and value statement. Executing transformation in vending business and investing in people capability development to achieve sustainable growth.

(Unit: Billions of yen)

| | 2018 | 2019 | YoY |
|----------------------------------------------------|-------|--------|---------|
| Net Revenue | 927.3 | 914.8 | (1.4%) |
| Business Income | 23.3 | 15.0 | (35.4%) |
| Net Income (Loss) Attributable to Owners of Parent | 10.1 | (58.0) | — |

*We introduce "Business Income" as a measure of our underlying or recurring business performance after the adoption of IFRS. Business Income deducts cost of goods and SG&A from revenue, and includes other income and expenses which we believe are recurring in nature.

Full-year 2019 net revenue was 914.8 billion yen, a decrease of 12.5 billion yen, or 1.4% compared to the prior-year period. Net revenue of the beverage business decreased 9.9 billion yen (1.1%) versus the prior-year period, to 890 billion yen, reflecting a 2% volume decline offset by improved price/mix from the wholesale price increase of large PET packages in April and the national launch of Lemon-dou "chu-hi" alcohol beverage in the fourth quarter. Net revenue of the healthcare & skincare business declined 2.7 billion yen (9.7%) year-on-year to 24.8 billion yen, reflecting continued weakness of mail/web order sales with some recovery in the fourth quarter due to new product launches and marketing activities.

Full-year Business Income was 15.0 billion yen, a decrease of 8.2 billion, or 35.4% year-on-year, and roughly in line with full-year expectations. Business Income of the core beverage business was 11.4 billion yen (down 6.5 billion yen or 36.2% year-on-year), which was slightly above the revised plan target announced in May driven by tight control of expenses. The beverage business performance reflects weaker topline revenue due to the sales volume decline of 2% and continued lower manufacturing efficiencies and elevated logistics and distribution expenses this year as we recover and expand supply capacity after the disruption in the second half of 2018. Partly offsetting this pressure, we achieved labor savings as a result of integrating retirement benefit programs in the first quarter and completing a voluntary employee retirement program in the second quarter. Promotional expenses in the period were also lower, in line with volume performance. Business Income in the healthcare & skincare business was 3.6 billion yen, a decrease of 1.7 billion yen or 32.7% year-on-year, reflecting lower revenues while we continue to focus on promotional expense control and other cost savings opportunities.

We reported a consolidated operating loss for the fiscal year of 55.4 billion yen (14.7 billion yen operating income in prior year period), mainly driven by the impairment of goodwill recorded in the second quarter. As a reference, other expenses (non-recurring) in the prior-year period include loss on disaster of 8.9 billion yen from the flooding damage in our Hongo Plant in Mihara-city, Hiroshima Prefecture in July 2018. Other expenses (non-recurring) in 2019 include 9.2 billion yen of special retirement allowance and 655 million yen of transformation-related expenses to drive fundamental transformation of our business for sustainable growth, further value creation and efficiency improvement following our newly developed strategic business plan announced in August 2019. Net income attributable to owners of parent was a loss of 58.0 billion yen (10.1 billion yen in the prior-year period).

Analysis of Financial Position

The ratio of the Group's equity attributable to owners of the parent to total assets at the end of the fiscal year was 53.1%, and we believe that our financial position remains sound.

Assets at the end of the fiscal year were JPY 952.4 billion yen, an increase of 75.0 billion yen from the end of the previous fiscal year. This is mainly attributable to an increase of Cash and cash equivalents by bond issuance in the third quarter, increase of fixed assets as a result of commissioning three new production lines in Kumamoto and Kyoto plant, and two new automated warehouses in Hakushu and Kumamoto plant as well as non-current assets by newly including Right-of-use assets as a result of the implementation of IFRS 16 starting from this fiscal year, which are partially offset by decrease of goodwill by goodwill impairment in the second quarter.

Liabilities at the end of the quarter were 446.0 billion yen, an increase of 149.4 billion yen from the end of previous fiscal year. This is mainly due to an increase of Bonds and debt in non-current liabilities due to issuance of the bond, and an increase of Lease liabilities in conjunction with including Right-of-use assets.

Net assets at the end of the quarter were 506.5 billion yen, a decrease of 74.4 billion yen. This is mainly due to a decrease of Retained Earnings as a result of the goodwill impairment and an increase of Treasury Shares due to the completion of the share buyback program in February 2019.

Analysis of Cash Flows

<Cash Flows from Operations>

Net cash used for operations was 42.6 billion yen (51.2 billion net cash generated from operations in the previous year period). This results mainly from the 55.4 billion yen net loss before tax, loss due to impairment of goodwill, depreciation expenses, increase of notes and account payable-trade, etc. offset by an increase of trade and other receivable, inventories, payment of taxes, etc.

<Cash Flows from Investment Activities>

Net cash used for investment activities was 68.3 billion yen (48.6 billion yen in the previous year period), due to purchases of fixed assets as we recover our supply network and progressively expand production capacity, etc.

<Cash Flows from Financing Activities>

Net cash generated from financing activities was 74.0 billion yen (55.8 billion yen net cash used for financing activities in the previous year period), driven by an issuance of 150 billion yen of straight bond, etc., partially offset by cash spent for share buyback, payment of year-end dividends, etc.

As a result of these activities, cash and cash equivalents at the end of the fiscal year was 113.8 billion yen, an increase of 48.3 billion yen versus the prior year period.

Capital Expenditures

During the consolidated fiscal year, the Group made total 103,882 million yen capital expenditures primarily in its core segment, the Beverage Business.

Expenditures were primarily for installing vending machines and other sales equipment to the market to strengthen sales capabilities, as well as manufacturing equipment to improve productivity and to adapt production to new products.

Research and Development

Although the Company is engaged in research and development activities in the healthcare and skincare businesses, the amounts involved are small with no particular items of note.

Policies for Profit Distribution and Dividends

We periodically review our capital structure and dividend payout ratio to maximize shareholder returns while maintaining the flexibility to pursue expansion opportunities. We will utilize retained earnings for sustainable growth investments, and to pursue business growth and the further enhancement of corporate value.

The Company sets the active redistribution of profits as its basic policy regarding dividends, placing the highest priority on the stable payment of dividends. The Company has set a payout ratio target of 30% or more for net profit attributable to owners of the parent, and pays dividends, comprehensively taking business performance and retained earnings into account.

For the year ended December 2019, we paid interim dividend of 25 yen per share and a year-end dividend of 25 yen, which yields an annual dividend of 50 yen per share.

Consolidated Statement of Financial Position (As of December 31)

| | (Millions of yen) | |
|---------------------------------------------------|-------------------|---------|
| | 2018 | 2019 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 65,510 | 113,825 |
| Trade and other receivables | 92,402 | 98,528 |
| Inventories | 68,781 | 74,120 |
| Other financial assets | 645 | 752 |
| Other current assets | 10,740 | 17,587 |
| Total current assets | 238,078 | 304,812 |
| Non-current assets | | |
| Property, plant and equipment | 435,305 | 467,136 |
| Right-of-use assets | — | 39,629 |
| Goodwill | 88,880 | 27,021 |
| Intangible assets | 66,539 | 67,123 |
| Investments accounted for using the equity method | 298 | 310 |
| Other financial assets | 34,796 | 33,499 |
| Defined benefit asset | 38 | — |
| Deferred tax assets | 6,264 | 6,093 |
| Other non-current assets | 7,274 | 6,820 |
| Total non-current assets | 639,394 | 647,632 |
| Total assets | 877,472 | 952,444 |

| | (Millions of yen) | |
|---------------------------------------------|-------------------|----------|
| | 2018 | 2019 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 105,701 | 122,364 |
| Bonds and loans payable | 45,512 | 17,261 |
| Lease liabilities | — | 6,634 |
| Other financial liabilities | 993 | 916 |
| Income taxes payable | 3,069 | 1,104 |
| Provisions | 18 | 20 |
| Other current liabilities | 22,230 | 19,886 |
| Total current liabilities | 177,524 | 168,186 |
| Non-current liabilities | | |
| Bonds and loans payable | 56,401 | 188,487 |
| Lease liabilities | — | 34,138 |
| Other financial liabilities | 749 | — |
| Defined benefit liabilities | 33,712 | 24,908 |
| Provisions | 2,191 | 2,104 |
| Deferred tax liabilities | 23,082 | 24,876 |
| Other non-current liabilities | 2,907 | 3,254 |
| Total non-current liabilities | 119,042 | 277,767 |
| Total liabilities | 296,566 | 445,953 |
| Equity | | |
| Capital stock | 15,232 | 15,232 |
| Capital surplus | 450,533 | 450,526 |
| Retained earnings | 182,418 | 121,372 |
| Treasury stock | (72,651) | (85,649) |
| Accumulated other comprehensive income | 4,915 | 4,517 |
| Equity attributable to owners of the parent | 580,448 | 505,999 |
| Non-controlling interests | 458 | 492 |
| Total equity | 580,906 | 506,491 |
| Total liabilities and equity | 877,472 | 952,444 |

Consolidated Statements of Income and Comprehensive Income (January 1 to December 31)

| Consolidated statements of profit or loss | | |
|---------------------------------------------------|---------|----------|
| | 2018 | 2019 |
| Revenue | 927,307 | 914,783 |
| Cost of sales | 475,156 | 473,723 |
| Gross profit | 452,151 | 441,060 |
| Selling general, and administrative expenses | 426,195 | 423,685 |
| Goodwill Impairment Loss | — | 61,859 |
| Other income | 2,116 | 4,127 |
| Other expense | 13,385 | 15,076 |
| Share of income (loss) of equity method investees | (5) | 43 |
| Operating profit | 14,682 | (55,389) |
| Financial income | 830 | 1,145 |
| Finance expense | 745 | 1,175 |
| Net Income (loss) before Income Taxes | 14,767 | (55,419) |
| Income tax expense | 4,605 | 2,476 |
| Net Income (loss) | 10,162 | (57,895) |
| Net Income ("-" indicates loss) attributable to: | | |
| Owners of the parent | 10,117 | (57,952) |
| Non-controlling interests | 45 | 56 |
| Basic Earnings per Share (loss) (Yen) | 52.68 | (322.22) |

| Consolidated statements of comprehensive income | | |
|-------------------------------------------------------------------------------------------|---------|----------|
| | 2018 | 2019 |
| Net Income (loss) | 10,162 | (57,895) |
| Other comprehensive income | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurements of defined benefit plans | (2,889) | 5,596 |
| Share of other comprehensive income of equity method investees | (4) | 4 |
| Net changes in financial assets measured at fair value through other comprehensive income | (3,344) | 621 |
| Subtotal | (6,236) | 6,221 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Foreign currency translation differences of foreign operations | (12) | — |
| Cash flow hedges | (716) | (434) |
| Subtotal | (728) | (434) |
| Total other comprehensive income for the year | (6,965) | 5,788 |
| Total comprehensive income for the year | 3,197 | (52,108) |
| Comprehensive income attributable to: | | |
| Owners of the parent | 3,152 | (52,164) |
| Non-controlling interests | 45 | 56 |

About Business Income

We introduce "Business Income" as a measure of our underlying or recurring business performance after the adoption of IFRS. Business Income deducts cost of goods and SG&A from revenue and includes other income and expenses which we believe are recurring in nature. The following table shows a bridge between Business Income and Operating income in IFRS.

| | 2018 | 2019 |
|--------------------------------------------|---------|----------|
| Gross Profit | 452,151 | 441,060 |
| Selling, General & Administrative Expenses | 426,195 | 423,685 |
| Other income (Recurring) | 1,635 | 1,083 |
| Other expenses (Recurring) | 4,310 | 3,459 |
| Equity in Earnings of Associates (loss) | (5) | 43 |
| Business Income | 23,276 | 15,042 |
| Goodwill Impairment Loss | — | 61,859 |
| Other income (Non-recurring) | 481 | 3,045 |
| Other expenses (Non-recurring) | 9,075 | 11,617 |
| Operating Income (loss) | 14,682 | (55,389) |

Segment Information (January 1 to December 31)

<Reportable segments>

The Group has established organizational management systems for each of its products and services. Based on the types and nature of its products and the markets in which it sells its products, the Group's operating segment and reportable segment businesses are "Beverage business" and "Healthcare & Skin Care business".

| | 2018 | | | 2019 | | |
|-----------------|-------------------|--------------------------------|---------|-------------------|--------------------------------|----------|
| | Beverage business | Healthcare & Skincare business | Total | Beverage business | Healthcare & Skincare business | Total |
| Revenue | 899,863 | 27,444 | 927,307 | 890,009 | 24,774 | 914,783 |
| Segment profit* | 8,864 | 5,818 | 14,682 | (58,904) | 3,515 | (55,389) |

*Segment profit is operating income on consolidated statements of income.

Consolidated Statements of Changes in Equity (January 1 to December 31)

| 2018 | (Millions of yen) | | | | | | | |
|--------------------------------------------------------------------------------------|---------------------------------------------|-----------------|-------------------|----------------|----------------------------------------|----------|---------------------------|----------|
| | Equity attributable to owners of the parent | | | | | | Non-controlling interests | Total |
| | Capital stock | Capital surplus | Retained earnings | Treasury Stock | Accumulated other comprehensive income | Total | | |
| Balance as of January 1, 2018 | 15,232 | 450,498 | 184,317 | (4,693) | 9,258 | 654,611 | 427 | 655,038 |
| Comprehensive income for the year | | | | | | | | |
| Net profit for the year | — | — | 10,117 | — | — | 10,117 | 45 | 10,162 |
| Other comprehensive income | — | — | — | — | (6,965) | (6,965) | — | (6,965) |
| Total comprehensive income for the year | — | — | 10,117 | — | (6,965) | 3,152 | 45 | 3,197 |
| Transactions with owners, etc. | | | | | | | | |
| Dividends of surplus | — | — | (9,173) | — | — | (9,173) | (21) | (9,194) |
| Purchase of treasury stock | — | (25) | — | (67,961) | — | (67,987) | — | (67,987) |
| Disposal of treasury stock | — | 1 | — | 4 | — | 4 | — | 4 |
| Transactions of share-based payment | — | 67 | — | — | — | 67 | — | 67 |
| Reclassification from accumulated other comprehensive income to retained earnings | — | — | (2,843) | — | 2,843 | — | — | — |
| Reclassification from accumulated other comprehensive income to non-financial assets | — | — | — | — | (221) | (221) | — | (221) |
| Other changes | — | (7) | — | — | — | (7) | 7 | — |
| Total transactions with owners, etc. | — | 36 | (12,016) | (67,958) | 2,622 | (77,316) | (14) | (77,329) |
| Balance as of December 31, 2018 | 15,232 | 450,533 | 182,418 | (72,651) | 4,915 | 580,448 | 458 | 580,906 |

| 2019 | (Millions of yen) | | | | | | | |
|--------------------------------------------------------------------------------------|---------------------------------------------|-----------------|-------------------|----------------|----------------------------------------|----------|---------------------------|----------|
| | Equity attributable to owners of the parent | | | | | | Non-controlling interests | Total |
| | Capital stock | Capital surplus | Retained earnings | Treasury Stock | Accumulated other comprehensive income | Total | | |
| Balance as of January 1, 2019 (Before restatement) | 15,232 | 450,533 | 182,418 | (72,651) | 4,915 | 580,448 | 458 | 580,906 |
| Adjustments due to application of IFRS 16 | — | — | (338) | — | — | (338) | — | (338) |
| Balance as of January 1, 2019 (After restatement) | 15,232 | 450,533 | 182,080 | (72,651) | 4,915 | 580,110 | 458 | 580,568 |
| Comprehensive income for the year | | | | | | | | |
| Net income (loss) | — | — | (57,952) | — | — | (57,952) | 56 | (57,895) |
| Other comprehensive income | — | — | — | — | 5,788 | 5,788 | — | 5,788 |
| Total comprehensive income for the year | — | — | (57,952) | — | 5,788 | (52,164) | 56 | (52,108) |
| Transactions with owners, etc. | | | | | | | | |
| Dividends of surplus | — | — | (9,071) | — | — | (9,071) | (22) | (9,093) |
| Purchase of treasury stock | — | (64) | — | (13,002) | — | (13,066) | — | (13,066) |
| Disposal of treasury stock | — | (1) | — | 3 | — | 3 | — | 3 |
| Transactions of share-based payment | — | 57 | — | — | — | 57 | — | 57 |
| Reclassification from accumulated other comprehensive income to retained earnings | — | — | 6,315 | — | (6,315) | — | — | — |
| Reclassification from accumulated other comprehensive income to non-financial assets | — | — | — | — | 129 | 129 | — | 129 |
| Total transactions with owners, etc. | — | (7) | (2,756) | (12,999) | (6,186) | (21,947) | (22) | (21,970) |
| Balance as of December 31, 2019 | 15,232 | 450,526 | 121,372 | (85,649) | 4,517 | 505,999 | 492 | 506,491 |

Consolidated Statements of Cash Flows (January 1 to December 31)

| | 2018 | 2019 |
|----------------------------------------------------------------------------|----------|----------|
| Cash flows from operating activities | | |
| Net Income (loss) before Income Taxes | 14,767 | (55,419) |
| Adjustments for: | | |
| Depreciation and amortisation | 47,531 | 56,951 |
| Impairment losses | 202 | 62,870 |
| Change in allowance for credit losses | 255 | (515) |
| Interest and dividends income | (516) | (509) |
| Interest expense | 612 | 1,175 |
| Share of loss (profit) of equity method investees | 5 | (43) |
| Gain on sale of property, plant and equipment | (215) | (2,183) |
| Loss on disposal and sale of property, plant and equipment | 9,399 | 2,513 |
| Decrease (increase) in trade and other receivables | (4,355) | (6,149) |
| Decrease (increase) in inventories | (6,869) | (5,339) |
| Decrease (increase) in other assets | 393 | (266) |
| Increase (decrease) in trade and other payables | 2,234 | 6,259 |
| Increase (decrease) in net defined benefit liabilities | 491 | (213) |
| Increase (decrease) in other liabilities | 1,148 | (3,543) |
| Other | 501 | (451) |
| Subtotal | 65,579 | 55,138 |
| Interest received | 3 | 1 |
| Dividend received | 487 | 508 |
| Interest paid | (548) | (1,018) |
| Income taxes paid | (14,553) | (13,675) |
| Income taxes refund | 275 | 1,675 |
| Net cash provided by operating activities | 51,244 | 42,629 |
| Cash flows from investing activities | | |
| Acquisitions of property, plant and equipment and intangible assets | (49,752) | (78,213) |
| Proceeds from sales of property, plant and equipment and intangible assets | 658 | 7,621 |
| Purchases of other financial assets | (137) | (58) |
| Proceeds from sale of other financial assets | 273 | 2,255 |
| Proceeds from sale of a subsidiary | 406 | — |
| Other | (75) | 88 |
| Net cash used in investing activities | (48,628) | (68,308) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term loans payable | 24,000 | (24,000) |
| Repayments of long-term loans payable | (1,817) | (1,686) |
| Proceeds from long-term loans payable | — | 149,441 |
| Redemption of bonds | — | (20,000) |
| Dividends paid | (9,173) | (9,071) |
| Dividends paid to non-controlling interests | (21) | (22) |
| Proceeds from disposal of treasury stock | 4 | 3 |
| Purchases of treasury stock | (67,998) | (13,095) |
| Expenditures due to repayments of lease liabilities | — | (7,576) |
| Other | (830) | — |
| Net cash used in financing activities | (55,835) | 73,994 |
| Net foreign exchange differences on cash and cash equivalents | (12) | — |
| Net increase (decrease) in cash and cash equivalents | (53,231) | 48,315 |
| Cash and cash equivalents at the beginning of the year | 118,742 | 65,510 |
| Cash and cash equivalents at the end of the year | 65,510 | 113,825 |

Company Profile / Stock Information (As of December 31, 2019)

Company Profile

| | |
|------------------------------------|-------------------------------------------------------------|
| Company name | Coca-Cola Bottlers Japan Holdings Inc. |
| Headquarters | Tokyo Midtown Tower, 9-7-1 Akasaka, Minato-ku, Tokyo, Japan |
| Establishment | December 20, 1960 |
| Paid-in capital | JPY 15,232 million |
| Number of employees (consolidated) | 16,959 |
| Securities Code | 2579 |
| Authorized Shares | 500,000 thousand shares |
| Outstanding Shares | 206,269 thousand shares (Common share)* |
| Number of Shareholders | 69,533 |
| Number of Shares per Trading Unit | 100 shares |

*Outstanding shares of the Company are common shares only. The Company has not issued preferred shares nor any other types of shares which entail rights different from those of common shares.

Rating Information

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------------------------------------------|------|------|------|------|------|
| Japan Credit Rating Agency, Ltd. (JCR) long-term issuer rating | AA- | AA- | AA- | AA- | AA- |
| Rating and Investment Information, Inc. (R&I) issuer rating | A+ | A+ | A+ | A+ | A+ |

Bond information

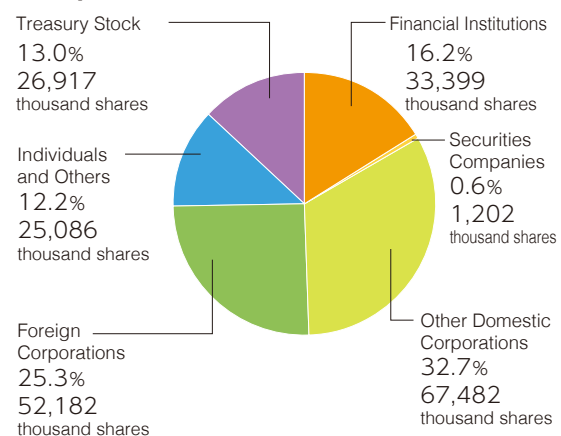
| | Date of issue | Total amount issued (Million yen) | Coupon rate (%) | Maturity date |
|-----------------------------------------------------------|--------------------|-----------------------------------|-----------------|--------------------|
| Coca-Cola West Co., Ltd. 3rd series | June 17, 2015 | 30,000 | 0.524 | June 17, 2022 |
| Coca-Cola East Japan Co., Ltd. 2nd series | December 14, 2015 | 16,000 | 0.276 | December 14, 2020 |
| Coca-Cola Bottlers Japan Holdings Inc. 1st debenture bond | September 19, 2019 | 40,000 | 0.100 | September 19, 2024 |
| Coca-Cola Bottlers Japan Holdings Inc. 2nd debenture bond | September 19, 2019 | 60,000 | 0.200 | September 18, 2026 |
| Coca-Cola Bottlers Japan Holdings Inc. 3rd debenture bond | September 19, 2019 | 50,000 | 0.270 | September 19, 2029 |

Major Shareholders

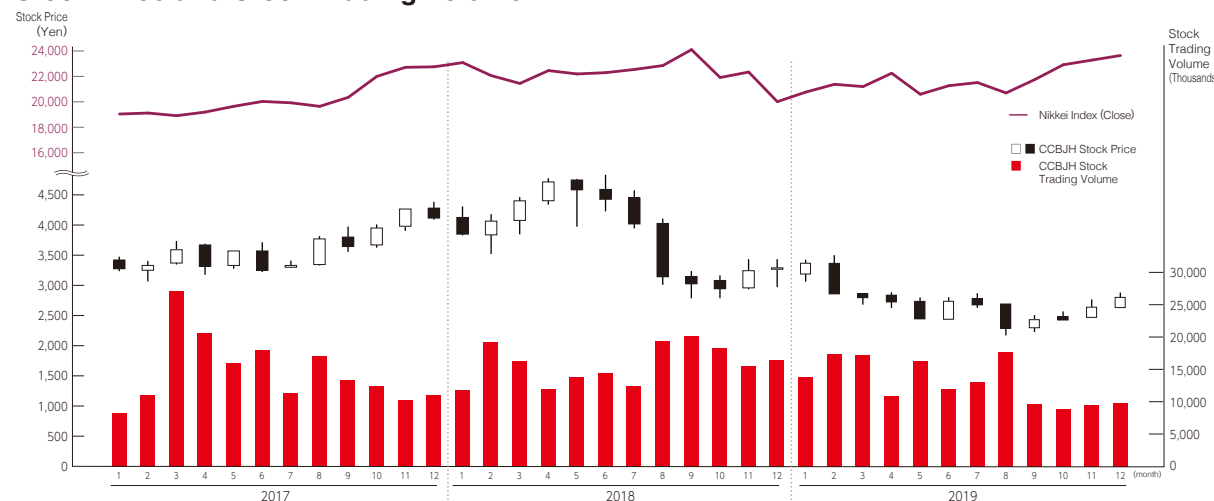
| Shareholder | Number of Shares Held (Thousands) | Shareholding Ratio (%) |
|------------------------------------------------------|-----------------------------------|------------------------|
| Coca-Cola (Japan) Co., Ltd. | 27,956 | 15.6 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 7,460 | 4.2 |
| Ichimura Foundation for New Technology | 5,295 | 3.0 |
| STATE STREET BANK AND TRUST COMPANY 505225 | 4,725 | 2.6 |
| Satsuma Shuzo Co., Ltd. | 4,699 | 2.6 |
| Senshusha Co., Ltd. | 4,088 | 2.3 |
| Coca-Cola Holdings West Japan, Inc. | 4,075 | 2.3 |
| Mitsubishi Heavy Industries Machinery Systems, Ltd. | 3,912 | 2.2 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 3,747 | 2.1 |
| MCA Holdings Co., Ltd. | 3,408 | 1.9 |

Note1: 26,917 thousand shares of treasury stock are not shown in the table above and are excluded from the calculation of shareholding ratios.
 Note2: The Coca-Cola Company holds 18.8% through Coca-Cola (Japan) Co., Ltd., Coca-Cola Holdings West Japan, Inc., and other subsidiaries.

Composition of Shareholders



Stock Price and Stock Trading Volume



Communication Tools

Through the timely and appropriate disclosure of information, we seek to be a company that is correctly understood and trusted by all of our stakeholders. We report financial information primarily using various IR tools, while reporting ESG information (non-financial information concerning the environment, society, and governance), the target of much attention in recent years, primarily through our CSV Report. We also report wide-ranging corporate information on our website.



CSV Report

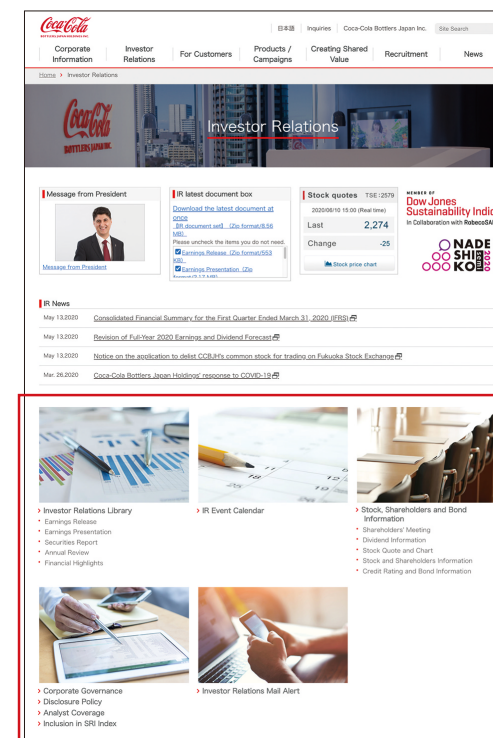


Annual Review



To Our Shareholders (Annual newsletter to individual shareholders, Japanese version only)

Website for shareholders and investors [<https://en.ccbj-holdings.com/ir/>]



Our website provides financial information, IR event schedules, IR materials, and other extensive IR information for shareholders and investors. We also provide timely earnings announcements, news releases, and other notifications to registered users. IR earnings presentations are conducted in both English and Japanese and archived for later review.

| Investor Relations Library | IR Event Calendar | Stock, Shareholders and Bond Information |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> Earnings Release Earnings Presentation Securities Report Annual Review Financial Highlights | | <ul style="list-style-type: none"> Shareholders' Meeting Dividend Information Stock Quote and Chart Stock and Shareholders Information Credit Rating and Bond Information |
| <ul style="list-style-type: none"> Corporate Governance Disclosure Policy Analyst Coverage Inclusion in SRI Index | Investor Relations Mail Alert | |

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