

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.

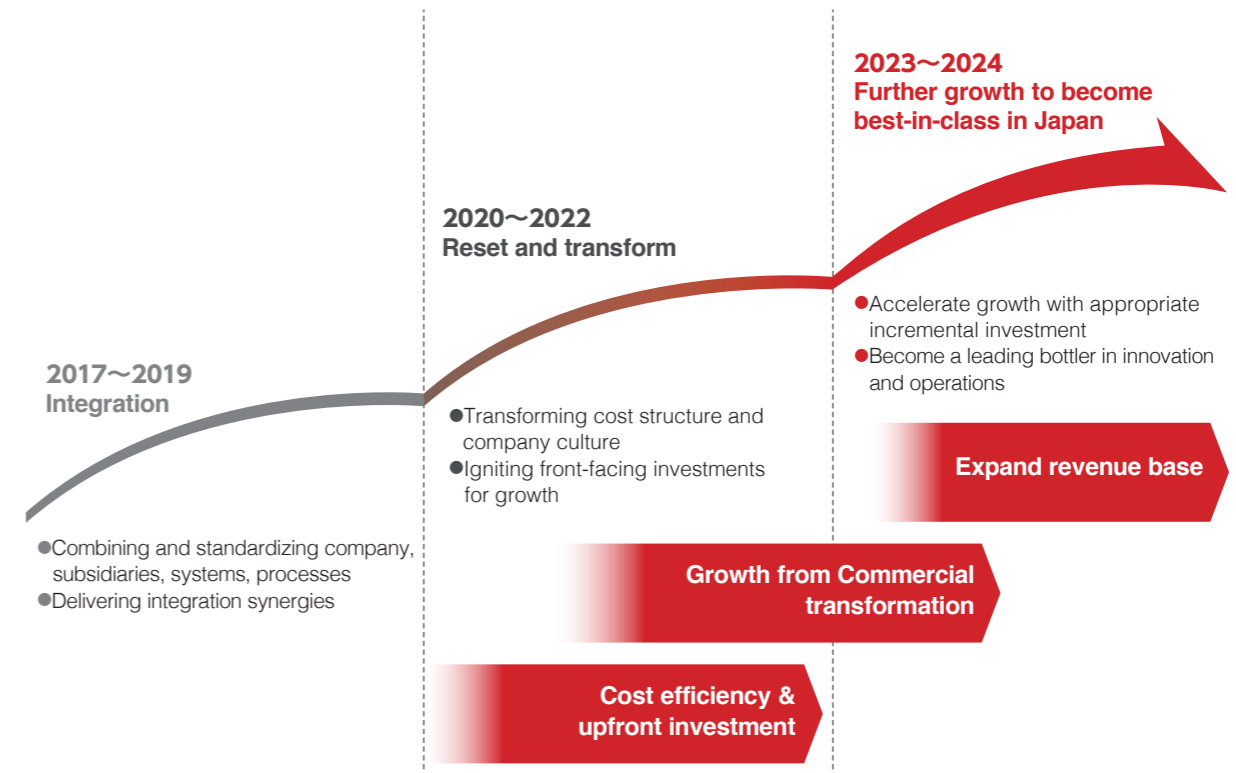
Although this unprecedented business environment is expected to remain for some time, we will continue our efforts aimed at the improvement of profitability and ROE through fundamental transformation of our business while maintaining good stewardship of capital in this period of uncertainty.

(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.