

# Corporate Philosophy



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## Mission

すべての人にハッピーなひとときをお届けし、  
価値を創造します

*Deliver happy moments to everyone  
while creating value*

## Vision

- すべてのお客さまから選ばれる  
パートナーであり続けます
- 持続可能な成長により、市場で勝ちます
- 常に学びながら成長します
- コカ・コーラに誇りを持ち、  
誰もが働きたいと思う職場をつくります
- 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

- 学ぶ向上心を忘れません
- 変化を恐れず機敏に行動します
- 結果を見据え最後までやりきります
- 誠実と信頼に基づいた気高い志で行動します
- Learning
- Agility
- Result-orientation
- Integrity

## Leverage the foundation we have built and focus on sustainable growth

Representative Director and President

**Calin Dragan**




The business environment of 2021 remained challenging due to limited numbers returning to Japanese streets as COVID-19 continued to spread. This resulted in a continued competitive environment with a slow recovery in overall demand. In this climate we focused on what we can control, and took measures to protect our business. We maintained market share and implemented cost-saving initiatives across all areas of the business. Despite a muted business performance, we focused on building a foundation for growth. Our transformation prepares us to achieve strong growth by capturing demand when consumer traffic returns. Currently traffic is on a recovery trend, following the end of government measures to control COVID-19; however, new challenges have emerged such as the global rise in commodity prices. The business environment is expected to remain challenging in 2022, but we will focus on activities that return us to a growth trajectory and achieve sustainable growth in the future. We continue to work toward achieving business growth and creating shared value with society through the value creation process of our mission.

### Deliver Happy Moments to Everyone while Creating Value

2021 saw the 135th anniversary of Coca-Cola's birth in Atlanta, Georgia, USA, and the 65th anniversary of its first sales in Japan. Then this April, Coca-Cola Bottlers Japan Holdings celebrated its fifth anniversary. We would like to express our sincere gratitude to all of our stakeholders who have supported our business.

Our mission is to deliver happy moments to everyone while creating value. Beverages are lifestyle necessities and also small luxuries to enjoy. The Coca-Cola system in Japan currently offers about 40 brands, and our

company has a product lineup of more than 600 SKUs. As a total beverage company we not only deliver safe products that consumers can drink with peace of mind, but work to create new market opportunities while meeting consumers' diversifying needs through innovation. The beverage market in Japan has changed dramatically since COVID-19. We have responded agilely to these changes while diligently conducting business activity in line with our mission to deliver happy moments to everyone through our products.

### Our Business Model and Value Creation Process

We are committed to leveraging our management resources to continue delivering value to stakeholders. Since our 2017 integration we have pursued a business strategy that leverages our scale as the largest Coca-Cola bottler in Japan and one of the biggest in the world. Furthermore, we are maximizing value provided by building a solid value chain from sales planning to procurement, product manufacturing, logistics, sales as well as recycling. The Coca-Cola Company and Coca-Cola (Japan) Company are essential to our value

chain. They supply concentrate from which our products are made and are responsible for product planning, development, and marketing. We work closely with Coca-Cola (Japan) Company in all areas to create an integrated value chain that maximizes the value of our offerings in the Japanese market. We believe that the deepening of our collaboration with the company since 2017 has contributed to faster decision-making, enhanced innovation, and strengthened strategy execution throughout the Coca-Cola system in Japan.

### Navigating Business in a Challenging Business Environment

The main occasions our customers enjoy our beverages are immediately on purchase and at-home consumption. In 2020 as COVID-19 curbed consumer traffic, we were acutely impacted in immediate consumption channels of vending and convenience stores. Infection prevention measures at restaurants and other establishments caused volume to drop in the retail & food service channel. In addition, intensified competition during a significant decline in overall demand had a strong repercussions on our earnings performance. In 2020, we lost over 100 billion yen in sales revenue. In 2021, while volume recovered slightly from the previous year, sales revenue declined somewhat due to the extended state of emergency declaration and other factors.

In this demanding business environment, we have focused on protecting our business while building a foundation for growth. We have continued transformation to enable us to achieve sustainable growth once the market normalizes. In 2020, we addressed an unprecedented situation with cost reductions in all aspects of the business. In 2021, amid the continued challenges, we maintained short-term cost control discipline, but also focused on making appropriate levels of marketing and human capital investment for medium- and long-term growth. Throughout these periods, we implement activities to capture at-home consumption demand growth that grew during COVID-19, and drove efforts to strengthen market share base and drastically transform our business model's high fixed costs, all based on the strategy of focusing on what we can control.

### Our Actions are Yielding Results

Initiatives implemented during COVID-19 are showing concrete results. As part of our innovation efforts, we introduced new products, such as Fanta Premium, Costa Coffee, Yakan no Mugicha from Hajime, Ayataka Cafe, and Yowanai Lemon-dou. These are all popular with customers and contributing to volume growth. In the profitable vending channel, we continued to achieve year-on-year value share increase for 37 consecutive months (as of April 2022). I am confident that we are well-positioned to capture demand recovery for growth as we saw strong volume growth in vending after the lifting of state of emergency in 2021.

Transformation efforts have resulted in a stronger business foundation. We have achieved over 20 billion yen of recurring cost savings in the past two years, predominantly in fixed costs.

We have been transforming our operation model for vending, expanding manufacturing capacity, reorganizing our logistics network through Mega DCs (distribution centers), streamlining supply chain and back-office, standardizing processes, and accelerating digitalization. We have effected transformation in all business areas, based on the principle that business as usual is not an option.

We have already achieved results in cost savings, and we are confident that these achievements will become an important foundation of sustainable growth.

With the lifting of COVID-19 restrictions in March 2022, consumer traffic is on a recovery trend. Our first quarter volume grew by 4% year-on-year, and we believe that our achieved volume growth exceeds the market. The initiatives we focused on in a challenging environment are gradually showing results.

### Further Action Needed for Sustainable Medium- and Long-term Growth

The beverage industry business environment continues to be challenging with changing consumer behavior on channels and packaging, and an increasingly competitive environment. These have all had a significant impact on our business from a profitability standpoint. We are also facing new challenges that need to be addressed, such as the rise in global commodity and crude oil prices, and Yen depreciation.

Under such circumstances, we are focused on implementing appropriate pricing and promotional activities to strengthen our earnings base. As part of this strategy, we

have decided and implemented shipment price revisions ahead of the industry for large PET bottle products in May 2022. In June, we announced that we will revise the suggested retail price of small packages for shipments starting from October 1, 2022.

We will communicate clearly with consumers and customers to ensure understanding of such changes. By rebuilding our revenue base, we will offer more value-added products and attractive promotions in the future.

**Shift Beyond Protecting the Business toward Growth**

During COVID-19, While prioritizing to protect our business, we have worked to build a foundation for the future. Going forward, we must shift management strategy toward growth. We position 2022 as the year of building a foundation of sustainable growth. We will

achieve sales growth by capturing the recovery in customer traffic, improve our profitability base and advance transformation. To show our way forward, we are developing a mid-term business plan and will announce this once details are finalized.

**Develop Human Resources that Support Business Growth**

I am certain that people and organizational strength constitute the principal foundations of our business. In addition to training sales representatives who meet our consumers and customers as beverage professionals, we are promoting and developing international talent in each function. We are building an organizational structure that allows each employee to maximize their

capabilities. We offer learning opportunities through human resource development programs, fostering a result-oriented culture, strengthening diversity and inclusion, and promoting diverse work styles. We continue to actively invest in our people to develop competitive human capital that is the strength and the future of our company.

**Commit to Creating Shared Value (CSV) and Sustainability**

We place Creating Shared Value (CSV) at the core of our management as we engage in initiatives that benefit society. Together with The Coca-Cola (Japan) Company, we formulated a Sustainability Framework that identified three platforms of Inclusion, Communities, and Resources, and nine priority issues to be addressed, as an aligned framework of the Coca-Cola system in Japan. We are working in all areas to achieve our unique non-financial goal CSV Goals. These targets are linked to the Sustainable Development Goals (SDGs) and we are actively working to achieving them.

World Without Waste. We achieved a 40% ratio of sustainable materials as of the end of 2021. We will further drive efforts to achieve the 50% target in 2022. Furthermore, we have set a reduction target for greenhouse gas (GHG) emissions, a critical global issue, throughout the Coca-Cola system in Japan. To achieve these targets, we will work on PET bottle related initiatives, efficient logistics and utilization of renewable energy.

In addition, we are improving the ratio of sustainable materials usage in PET bottles. This is to achieve our 2030 Packaging Vision of the Coca-Cola system in Japan and The Coca-Cola Company's global goal of a

We endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We will work to further enhance our analysis of the financial impact of risks and opportunities related to climate change, as well as our disclosure of measures to address them.

**Dialogue with Stakeholders Improves Management**

I would like to reflect the voices of our shareholders, investors, and other stakeholders to our business management. I view our interaction at events such as the Annual General Meeting of Shareholders, earnings presentations, individual meetings, domestic and overseas events, and other opportunities to be extremely

valuable. We will continue to deepen our engagement to make progress towards our mission to deliver happy moments to everyone while creating value.

I thank you for your continued support of our company.

**Message from the CFO**

Representative Director & Vice President,  
Chief Financial Officer

**Bjorn Ivar Ulgenes**



**Summary of 2021**

In 2021, domestic non-alcoholic ready-to-drink (NARTD) beverage industry growth was estimated to show only a slight increase on the previous year. Although there was improvement in people traffic when the COVID-19 state of emergency declaration was lifted, we did not see a full recovery. Prolonged state of emergency declarations and record heavy rainfall in our peak season all impacted demand. In these conditions we have begun a fundamental transformation of our business, based on the principles of focusing on what we can control while responding to the volatility in demand and channel trends triggered by COVID-19.

As for business performance in 2021, sales volumes increased from the previous year with traffic recovery following the lifting of the state of emergency declaration. However, business income decreased from the previous year with the lower revenue per case caused by changes in consumer behavior and severe competition. The implementation of appropriate marketing and human capital

investment, restrained in the previous year, also had an impact.

In this challenging business environment, we have taken measures to minimize the impact to our topline. Such measure include rolling out new products and responding to changing trends in each channel. In addition, we have pushed forward with our transformation to evolve the vending operation model, reallocate product inventories and consolidate distribution bases around the Saitama Mega DC to optimize distribution in the Kanto region. We have streamlined our supply chain structure to achieve low-cost operations, improved operational efficiency through company-wide digital transformation (DX), and promoted new work styles to build a foundation for profitable growth when the market normalizes. These efforts have produced steady results, mitigating COVID-19's impact and reducing short-term costs to protect our business and build a foundation for future growth.

**2022 Business Plan and Outlook**

In 2022, we expect a level of growth in the domestic beverage market with the traffic recovery of 2021. However, the challenging business environment is expected to continue due to the continued impact of changing consumer behavior. Such changes include the shift in drinking occasions from immediate consumption to at-home. Other factors include a shift in purchasing channels as well as continued intense competition and rising global commodity and crude oil prices, and Yen depreciation.

For our 2022 plan, we forecast 4.3% year-on-year growth in revenues to 819.7 billion yen and a business income loss of 14.6 billion yen. This is a similar level to the previous year. Although we expect a cost increase of more than 10 billion yen due to rising commodity prices, the continued challenging business environment, and the cycling of approximately 18 billion in temporary cost savings implemented in 2021. We aim to achieve 2% volume growth over the previous year by implementing sales activities to capture growth opportunities arising from returning traffic.

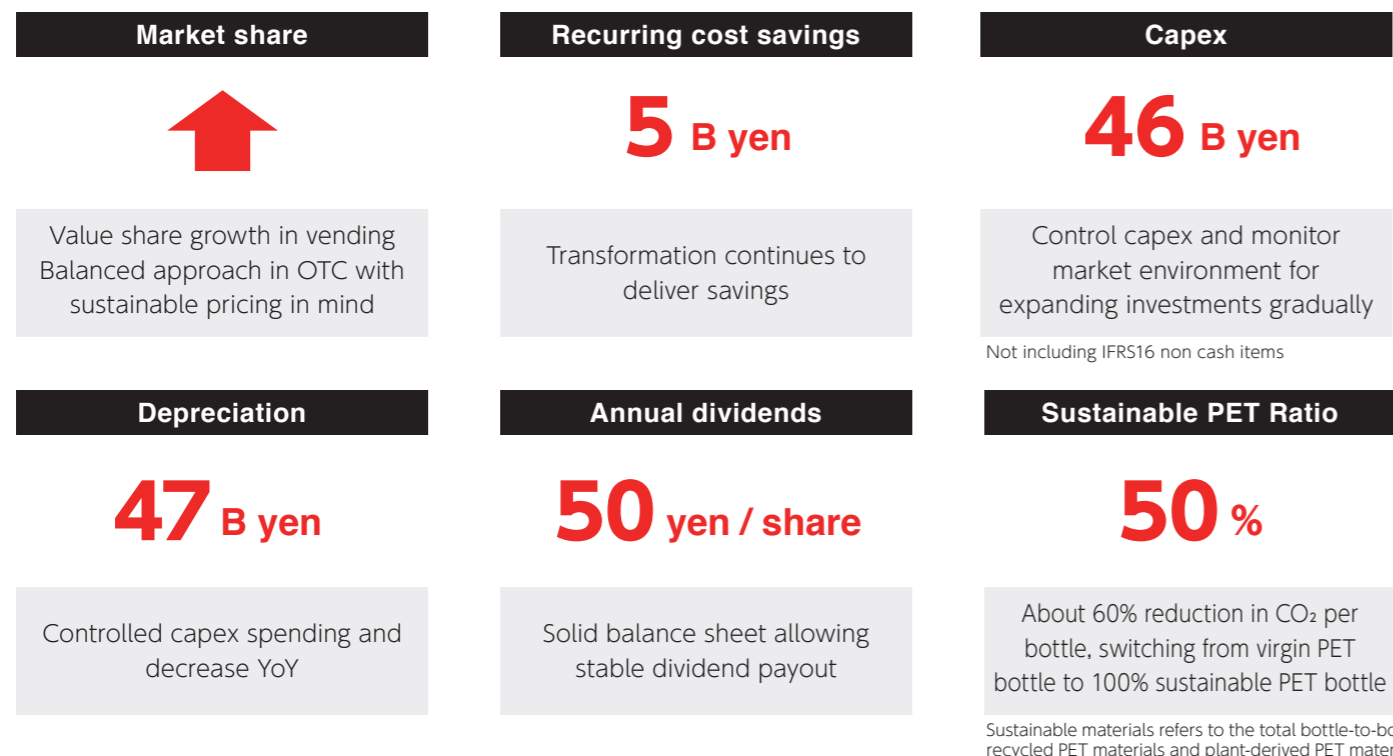
We aim to achieve the same level of business income as the previous year by further promoting transformation and implementing initiatives to improve the earnings base, such as price revisions and control of marketing expenses.

In commercial, we are rolling out new products and responding to diversifying consumer needs. We are focused on both growth and profitability. As part of such profitability-focused pricing strategy initiatives, we revised the shipping price of large PET bottle products in May. In manufacturing and logistics, we are working to reorganize our supply chain network, which will be the foundation for sustainable growth. We are realizing stable function in our Saitama Mega DC, which began operations in 2021. We expect a smooth launch of the Akashi Mega DC, scheduled to start operations in July 2022. In conjunction with our Mega DCs we are consolidating sales and logistics centers as well as reducing and optimizing product inventories.

The past few years have been a difficult period in terms of business performance. We believe that it is urgent to return to a growth trajectory. To achieve this, we have positioned 2022 as the Year of Establishing a Foundation for Sustainable Growth. We will focus on building a revenue

base that will allow steady, sustainable growth. Our business aims to achieve low-cost operations through further transformation. In addition, we are currently developing a mid-term business plan to achieve sustainable growth over the medium to long term in a post-COVID world.

<2022 Targets>



Financial Framework for Shareholder Value Creation

We are developing Investment for growth and Good stewardship of capital to create shareholder value. Based on this strategic direction, we are focusing on key initiatives such as investments toward a foundation for market share growth, establishing a resilient cost structure that enables us to respond to environment changes with agility, improving efficiency by standardizing business processes and promoting DX, and improving balance sheet as good stewards of capital.

For future growth, in addition to focusing management resources on the core beverage business, we would like to gradually return to the growth investment restrained during COVID-19. Capital investment in 2022 is forecast to increase by 7 billion yen from the previous year to 46 billion yen. We continue to invest in key transformation initiatives that will lead to mid-to long-term growth. We will look for opportunities to increase our investment in vending machines while monitoring the market environment. In addition, we have been selling off idle assets that emerge in the process of transformation, and the gradual sale of

cross-held shares in line with the Corporate Governance Code. In 2022, based on the idea of being Good stewards of capital, we will strive to maintain a strong financial structure, prioritize capital allocation, secure appropriate cash flows and execute capital investment with an ROI focus. For dividends, we will strive to maintain stable dividends and, in the future, aim to improve shareholder value in line with our growth. We will consider all measures that will lead to an increase in shareholder returns. In 2022, we plan to pay the same amount as in 2021 of 50 yen per share.

Since our integration in 2017, we have implemented financial initiatives such as stable dividend payments, share buybacks and issuance of corporate bonds. We are optimizing the balance sheet with the aim of improving shareholder value. Although the difficult business environment is expected to continue in 2022, we will further continue our transformation, strengthen the foundation of agile and resilient business, and continue efforts to improve profitability to enhance corporate value.

Working Toward Sustainable Growth Over the Medium to Long Term

Since the business integration in 2017, we have implemented our business operations amidst a challenging business environment symbolized by rapid changes in the market environment amid the sharp increase in aseptic products, the shutdown of plant operations due to damages incurred from the torrential rains that hit Western Japan, and the impacts of the COVID-19 pandemic. Since 2020 and the outbreak of the COVID-19 pandemic, in particular, we have carried out business activities with priority given to protecting our business while addressing the rapid changes in the business environment using swift decision making. Additionally, we have implemented a number of major measures for transformations that will contribute to future growth, mainly in commercial and supply chain, focusing on areas that can be controlled. We have also raised prices to shore up our earnings base.

In 2022 and beyond, we will shift our focus of business from protection to growth. Positioning creation of shareholder value, growth, and sustainability as core areas, we will show a roadmap for achieving sustainable growth.



Implemented price revision for large PET bottle products

We implemented price revisions of large PET bottle products (excluding some products) for shipments starting from May 1, 2022. At present, we are experiencing significant cost pressures from the soaring cost of raw materials, packaging materials and logistics worldwide, and monitoring the trend carefully as it could continue to rise. Although we are working diligently to streamline manufacturing and business operations, we will continue to find ways to address further cost increases, as improving our earnings base is an urgent task that must be addressed to achieve sustainable growth into the future. In response to these circumstances, in June, we announced the revision of the suggested retail price of small packages for shipments starting from October 1, 2022.

We continue working to provide safe and secure products and services with the highest level of quality in order to address the varied nature of consumer needs.

