



one+

*Coca-Cola East Japan*

**Second Quarter & YTD 2014  
Earnings Presentation**

Calin Dragan, Chief Executive Officer

Michael Coombs, Chief Financial Officer

August 8, 2014

(posted to CCEJ website August 6)



# Forward-Looking Statements

The plans, performance forecasts, and strategies appearing in this material are based on the assumptions and judgment of the management of Coca-Cola East Japan Co. Ltd. (CCEJ) in view of data obtained as of the date this material was released. These forecasts may differ materially from actual performance due to risks and uncertain factors such as those listed below.

Risks and uncertain factors are not limited to the items listed below. They are also included in our annual securities report, or “Yuka Shoken Houkokusho”.

- Intensification of price competition in the marketplace
- Change in economic trends surrounding our business
- Major fluctuations in capital markets
- Fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen and the U.S. dollar
- Increases in prices of raw materials
- Change in the tax environment
- CCEJ's ability to realize production efficiencies and to implement capital expenditures at the levels and times planned by management;
- CCEJ's ability to market and distribute effectively
- Uncertain factors other than those above

The information in this presentation is provided for informational purposes and should not be construed as a solicitation of an investment in our securities.

CCEJ undertakes no duty to update any statement in light of new information or future events. You should rely on your own independent examination of us before investing in any securities issued by our company.

one+  
Coca-Cola East Japan

# Ice-Cold Summer Refreshment

## Coca-Cola Ice Bottle TV commercial



コカ・コーラは  
キンキンに冷やすほど、  
おいしい

# Q2 & 1H 2014 Earnings Presentation

## *Introduction*

- Key Messages
- Our **one+** Roadmap for Sustainable Growth  
Coca-Cola East Japan

## *Delivering Results in 2014*

- Rapidly and Actively Integrating
- Q2 & 1H 2014 Results

## *Additional Details*

- Details on Change to Accounting Policy and Estimates
- Funding Options, Shareholder Returns, Q3 Milestones

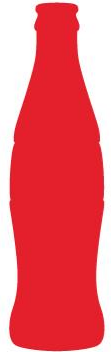
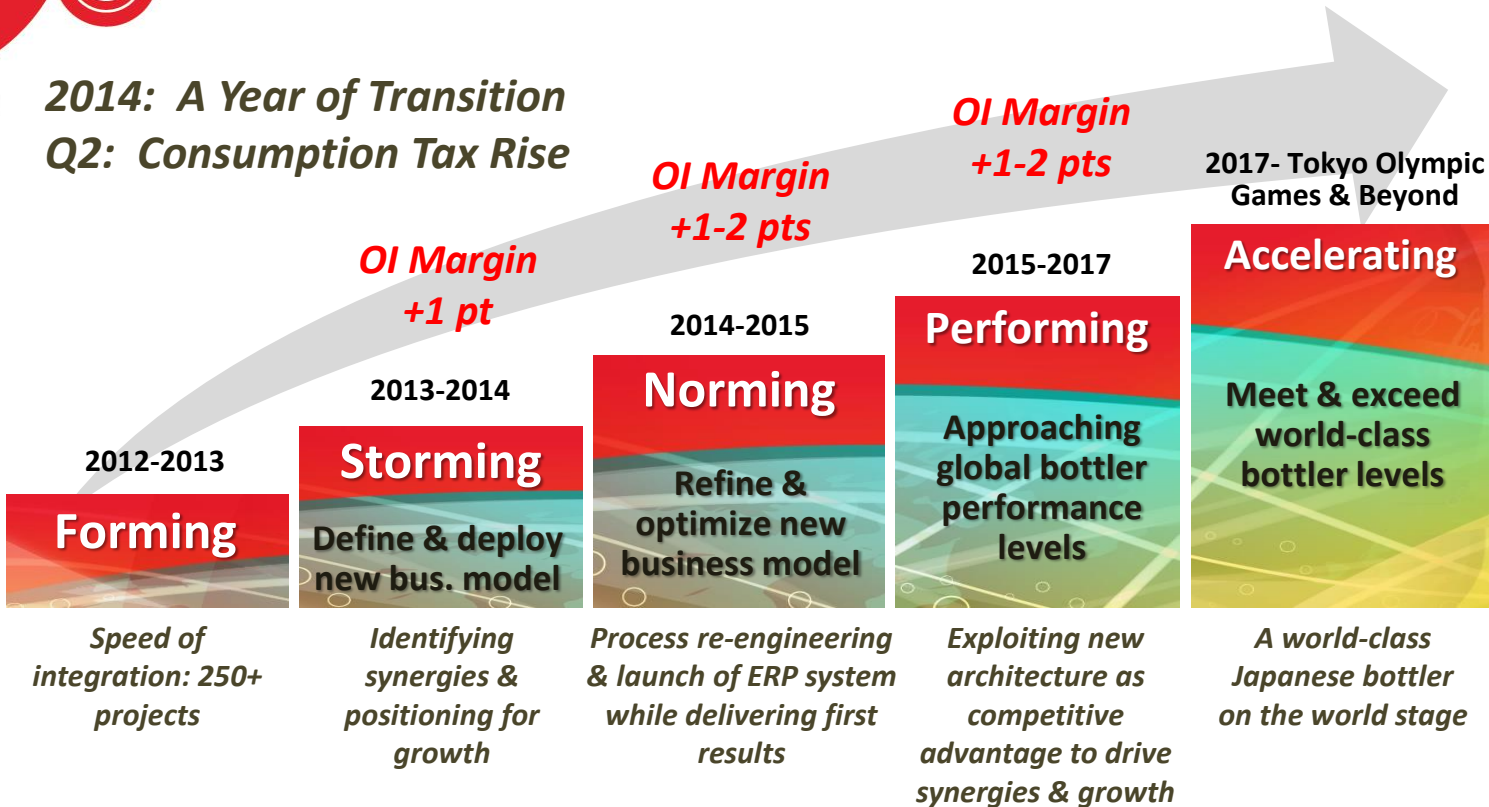
# Coca-Cola East Japan

## Starting Peak Season from a Position of Strength

- ✓ One full year of operations since integration on July 1, 2013
- ✓ Solid and **sequentially improving** top-line performance in a quarter marked by the consumption tax increase
- ✓ **Volume growth** of +3% year-to-date and +2% in the second quarter
- ✓ Third consecutive quarter of **share gains**. Q2 value share ahead of volume share growth
- ✓ **Regaining momentum** in coffee and convenience stores with successful “big bet” campaigns and product launches
- ✓ Q2 & YTD **revenue growth** include -1% impact of divesting non-core assets (Mikuni Wine)
- ✓ Continuing to capture **supply chain synergies**
- ✓ Q2 **operating income growth** of 28% includes the benefit of previously announced change in accounting policy for depreciation. OI quarterly phasing in line with historic seasonality
- ✓ **No change** to full-year estimates

# One+ Roadmap for Growth

**2014: A Year of Transition**  
**Q2: Consumption Tax Rise**



# DELIVERING RESULTS IN 2014



# Rapidly and Actively Integrating in 1H

## Delivering on our Commitments

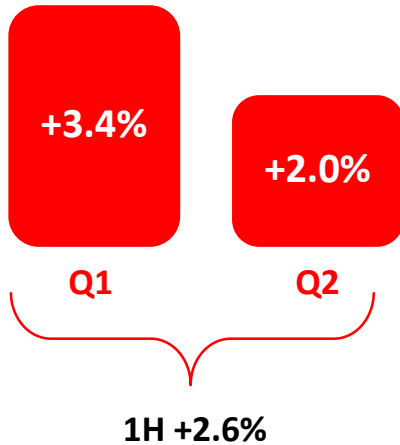
- ✓ Roll-out of new pricing and packaging for consumption tax increase completed on-plan
- ✓ Legal integration of 3 Logistics and 4 Equipment subsidiary companies into Coca-Cola East Japan Products (CCEJP) completed on-plan
- ✓ Four new production lines and two new in-line PET blowers installed
- ✓ New Route-to-Market deployment on track
- ✓ Call center consolidation from six to two
- ✓ Second employee voluntary separation plan complete
- ✓ Kick-off of Team GOLD with concrete targets related to gender diversity



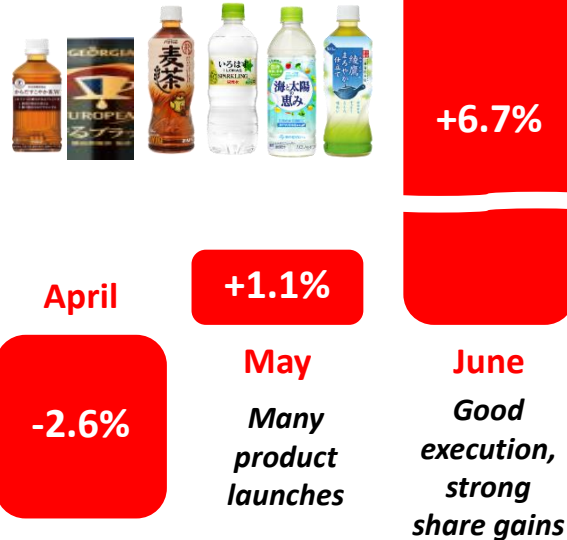
# 1H: Steady Quarterly Volume Growth

## Sequential Improvement during Q2 after Tax Rise

1H Volume Growth  
By Quarter



Q2 Volume Growth  
By Month



### Q2 Highlights

- Volume decline in April after tax rise
- Consumer behavior recovery during quarter
- Vending price rollout complete end of June

### Outlook

- Tough prior year volume cycling in July; 2014 rainy season into July
- Gaining share in July
- Q3 peak season for bottling business

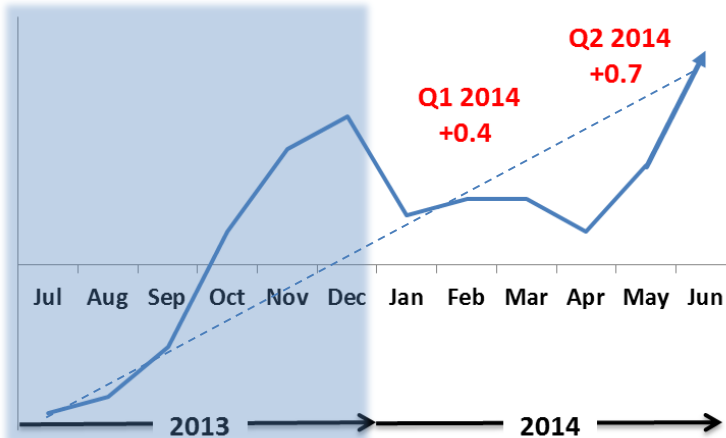
# Q2: Continuing Signs of Progress

## Value Share Growing Faster than Volume Share

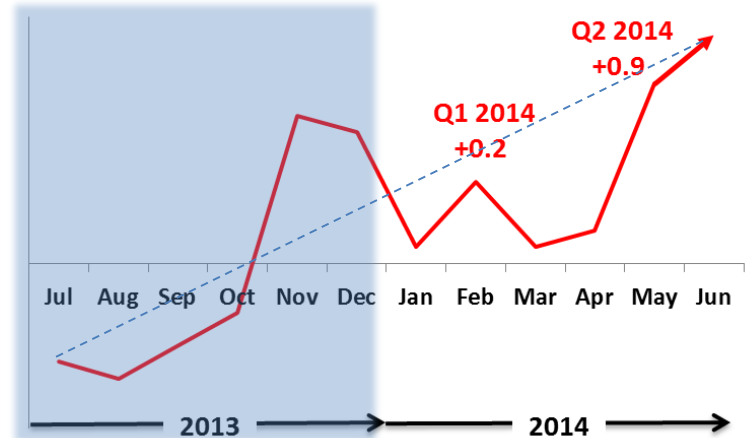
Q2 Market Share* (NARTD Beverages)	vs. Prior Year	
	Q2	YTD
Volume	+0.7	+0.6
Value	+0.9	+0.6

*Strong share gains in colas, coffee, teas & water*  
*Balanced growth of immediate consumption (IC) & future consumption (FC) packaging*  
*Volume composition: IC 74% vs. FC 26%*

**Volume Share vs. Prior Year**



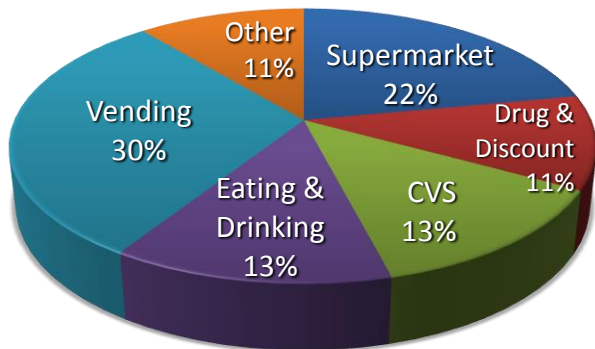
**Value Share vs. Prior Year**



# Q2: Normalizing Trends after Tax Rise

## Innovation Drives CVS Growth, VM Pricing Complete

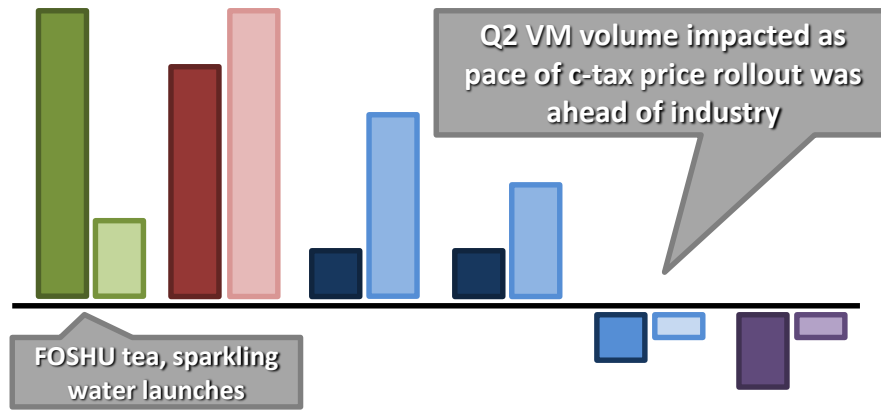
**Q2 2014 Volume By Channel**  
(% of total volume)



### Total BAPC\* Pro-Forma Volume Growth

- Q2 2014 +2.0%
- YTD 2014 +2.6%

**Channel Volume Growth**



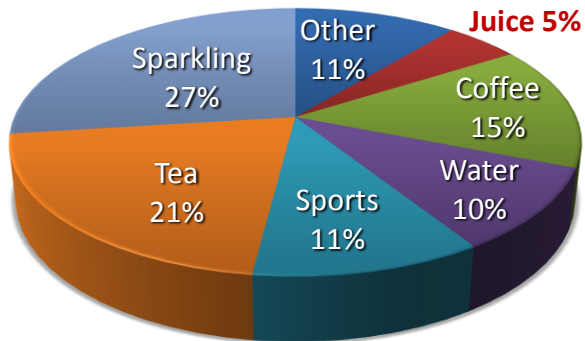
vs. prior year	CVS	D&D	Nat'l SM	Local SM	VM	Eat & Drink
Q2 2014	+12%	+10%	+2%	+2%	-2%	-3%
YTD 2014	+4%	+12%	+8%	+5%	-1%	-1%

\* BAPC (Bottler Actual Physical Cases)

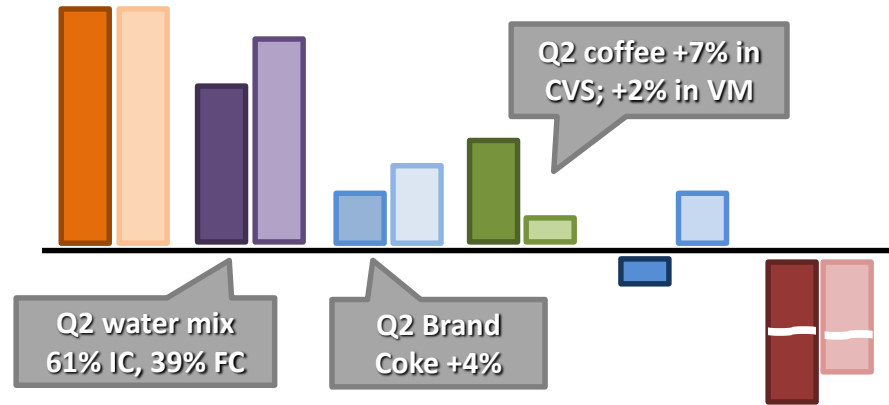
# Q2: Balanced Growth Across Categories

## Advancing our Tea Momentum, Recovery in Coffee

**Q2 2014 Volume by Category**  
(% of total volume)



**Category Volume Growth**



### Total BAPC\* Pro-Forma Volume Growth

- Q2 2014 +2.0%
- YTD 2014 +2.6%

vs. prior year	NST	Water	SSD	Coffee	Sports	Juice
Q2 2014	+9%	+6%	+2%	+4%	-1%	-8%
YTD 2014	+9%	+8%	+3%	+1%	+2%	-7%

\* BAPC (Bottler Actual Physical Cases)

# Q2: Innovating Ahead of Peak Season

## Strong launches; Focus on Immediate Consumption

**SPARKLING**

**COFFEE**

**TEAS**

**HYDRATION**

**CUSTOMER-SPECIFIC**

**Schwepes Grapefruit Passion**

**Share-a-Coke (name bottles)**

**Fanta Pineapple**

**Canada Dry Club Soda**

**Canada Dry Spicy Zero**

**2014 FIFA World Cup™**

**burn Refresh Energy**

**250ml small can**

**GA European Bottle Can**

**Luana new flavors**

**Premium Café au Lait & Café Latte**

**Kochakaden Ice Royal Teas**

**Ayataka Mild Green Tea**

**Karada Sukoyakacha W (FOSHU tea)**

**525ml upsize for C-tax**

**Taiyo no Megumi from Aquarius**

**Ilohas multi-pack**

**glaceau vitaminwater Coco Refresh**

**Aquarius Ice Refresh**

**Coca-Cola Lemon**

**Kuat**

**Canada Dry Sparkling Peach**

**POWERADE FUEL X Berry Ice**

**Real Spark**

**Emerald Mountain Premium**

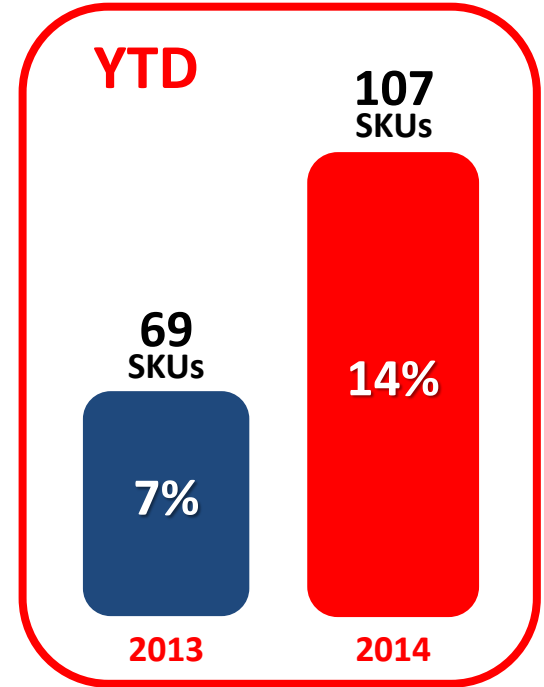
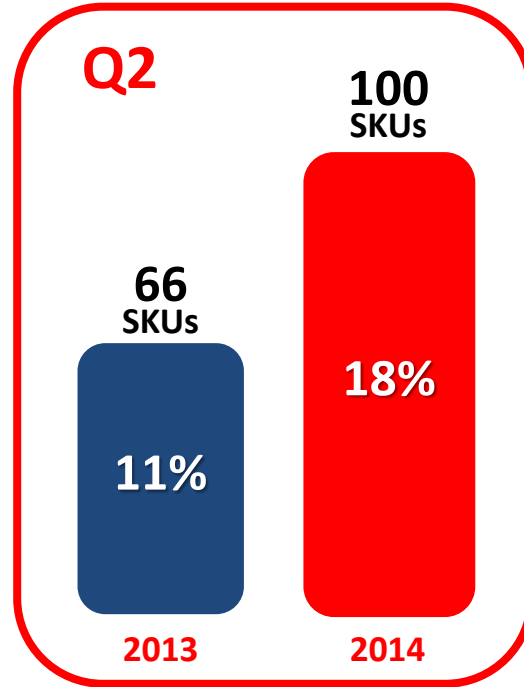
**Sairyusaisai Barley Tea**

**Karada Meguricha Jasmine Tea**

# New Product Volumes Are Growing

## Driving Share Gains and Advancing Momentum into Q3

### % of Volume Related to New Products



# Accelerating New Business Development

## Building Customer Relationships for the Long-Term

### Net Full-Service Vending Machine Placements

- Indoor locations
- Cashless functionality
- “Peak Shift” low energy use

Equal to  
2013  
total

June YTD

Over  
2X  
plan

June MTD

### Net Cooler Placements

Coolers help to grow our strong IC base over time

1.7X  
2013  
total

June YTD

2X  
Plan

June YTD

### New Customer Outlets

Implementing pilot program for local market development and activation

+25%  
vs PY

June YTD

+18%  
vs  
plan

June YTD



# Q2 & YTD 2014 FINANCIAL RESULTS





# Q2 2014 Results

## Solid Performance in a Quarter Marked by Consumption Tax Rise

- **Sequential revenue mix improvement** reflects growth in value share ahead of volume share.
- Consolidated revenue includes -1% impact of **divesting non-core businesses** (Mikuni Wine)
- COGS increase driven by higher costs due to product launches and elimination of unrealized gain in stock
- SG&A includes **1.9 billion yen benefit** due to changes in accounting policy related to depreciation.

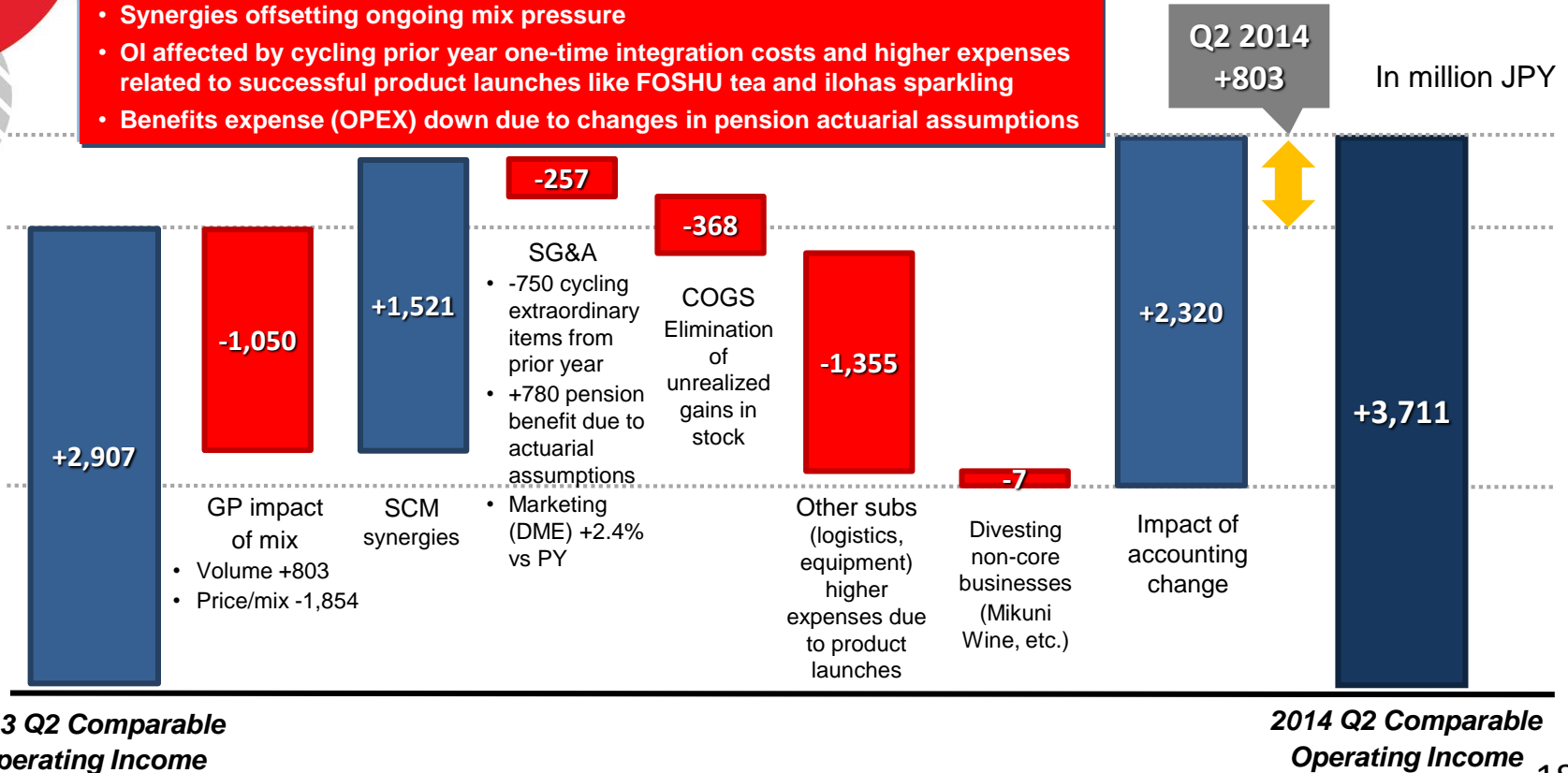
	2014 Q2		2014 Q2 One-time items	2014 Q2 Comparable	2013 Q2		Vs. PY	
	Actual in million yen				Comparable Estimate	Diff	%	
<b>Sales Volume</b> <i>(BAPC) (,000 cases)</i>	<b>73,600</b>	--	--	<b>73,600</b>	<b>72,157</b>	<b>+1,443</b>	<b>+2.0</b>	
<b>Net Revenue</b>	<b>136,580</b>	--	--	<b>136,580</b>	<b>135,706</b>	<b>+874</b>	<b>+0.6</b>	
COGS	74,229*	--	--	74,229	71,628	+2,601	+3.6	
<b>Gross Profit</b>	<b>62,351</b>	--	--	<b>62,351</b>	<b>64,078</b>	<b>-1,727</b>	<b>-2.7</b>	
SG&A	58,640*	--	--	58,640	61,171	-2,531*	-4.1	
<b>Operating Income</b>	<b>3,711</b>	--	--	<b>3,711</b>	<b>2,907</b>	<b>+803</b>	<b>+27.7</b>	
<b>Profit Before Tax</b>	<b>3,619</b>	224		<b>3,843</b>	<b>2,555</b>	<b>1,288</b>	<b>+50.4</b>	
<b>Net Income</b>	<b>2,147</b>	139		<b>2,286</b>	<b>1,550</b>	<b>736</b>	<b>+47.5</b>	

\* Includes JPY 422 million accounting change benefit in COGS and JPY 1,898 million benefit in SG&A

# Drivers of Q2 Operating Income

*Depreciation Change Positive; New Launches Weigh on OI*

- Synergies offsetting ongoing mix pressure
- OI affected by cycling prior year one-time integration costs and higher expenses related to successful product launches like FOSHU tea and ilohas sparkling
- Benefits expense (OPEX) down due to changes in pension actuarial assumptions



# 1H 2014 Results

## A Tale of Two Quarters; Sequential Improvement in Q2

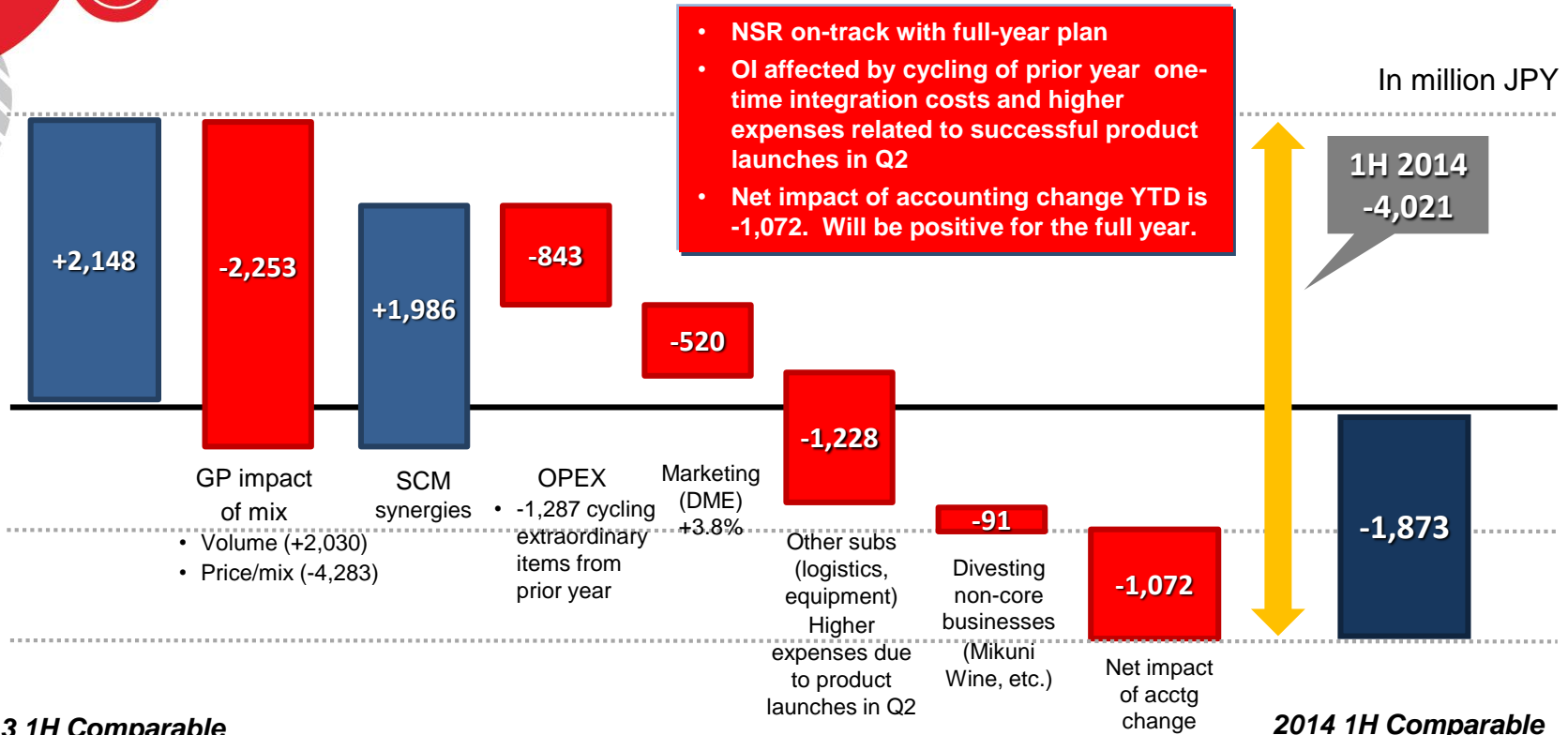
- **Revenue mix** reflects volume growth, tax increase, competitive pricing and mix pressure
- Consolidated revenue includes -1% impact of **divesting non-core businesses** (Mikuni Wine)
- COGS increase driven by higher costs related to Q2 product launches and Q1 accounting change
- 1H operating income includes negative net **1.1 billion yen impact** due to changes in accounting policy

	2014 1H		2014 1H One-time items	2014 1H Comparable	2013 1H		Vs. PY	
	Actual in million yen				Comparable Estimate	Diff	%	
<b>Sales Volume</b> <i>(BAPC) (,000 cases)</i>	<b>134,031</b>	--	--	<b>134,031</b>	<b>130,619</b>	<b>+3,412</b>	<b>+2.6</b>	
<b>Net Revenue</b>	<b>248,495</b>	--	--	<b>248,495</b>	<b>248,114</b>	<b>+381</b>	<b>+0.2</b>	
COGS	135,781*	--	--	135,781	132,130	+3,651*	+2.8	
<b>Gross Profit</b>	<b>112,714</b>	--	--	<b>112,714</b>	<b>115,984</b>	<b>-3,270</b>	<b>-2.8</b>	
SG&A	114,587*	--	--	114,587	113,836	+751*	+0.7	
<b>Operating Income</b>	<b>-1,873</b>	--	--	<b>-1,873</b>	<b>2,148</b>	<b>-4,021</b>	<b>--</b>	
<b>Profit Before Tax</b>	<b>-3,274</b>	1,587	1,587	<b>-1,687</b>	<b>1,584</b>	<b>-3,271</b>	<b>--</b>	
<b>Net Income</b>	<b>-2,928</b>	984	984	<b>-1,944</b>	<b>771</b>	<b>-2,715</b>	<b>--</b>	

\* Includes JPY -439 million accounting change impact in COGS and net JPY -633 million impact in SG&A

# Drivers of 1H Operating Income

*High OI Seasonality in Japan ahead of Peak Season*



- NSR on-track with full-year plan
- OI affected by cycling of prior year one-time integration costs and higher expenses related to successful product launches in Q2
- Net impact of accounting change YTD is -1,072. Will be positive for the full year.

2013 1H Comparable  
Operating Income

2014 1H Comparable  
Operating Income

# Good Momentum Ahead of Q3

## *Positive Signs in June*

Positioned well in advance of Q3, which historically can represent significant portion of full-year operating income:

- Strong operating income performance in June 2014
- Improving gross profit vs. plan and prior year
- Improving revenue mix (spread between volume growth and NSR growth)
- New products launched in Q2 continuing to perform well
- Volume and value share momentum

# Changes to Accounting Policy & Estimates Aligning with Global Bottler Peers

As part of our investment and operational strategies to ensure **assets are productive** over their entire lives and to **maximize usage periods**, effective January 1, 2014 we revised accounting policies to:

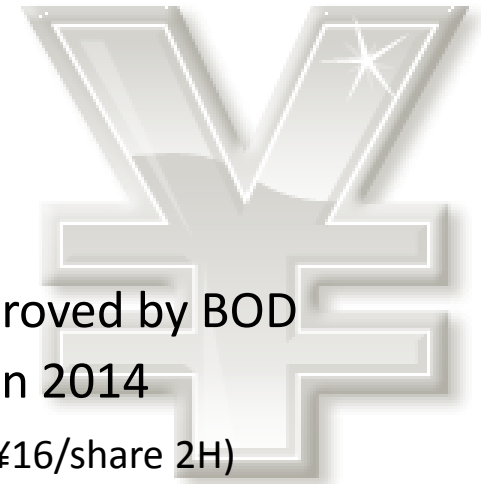
- **Align depreciation method** for all asset classes to straight-line method
- **Revise estimated useful lives** of cold drink equipment from 5-6 years to 9 years
- **Write-off existing asset salvage values in Q1** and assume zero salvage value going forward

Asset Category	Depreciation Method	Useful Life
<i>Building and Structures</i>	<b>Straight-Line</b>	No change
<i>Machinery, Equipment and Vehicles</i>		
<i>Tools, Furniture and Fixtures</i>		
<i>Sales Equipment</i>		<b>9 years</b>

# Funding Options

## *Strong Investment Plans for Growth*

- Received initial A+ credit rating from R&I July 28
- Filed shelf registration for bond issuance July 29
  - Up to ¥30 billion over two year period
- Investing for growth
  - ¥60 billion in total CAPEX for 2014
- Providing returns to shareowners
  - 1H 2014 dividend of ¥16 per share approved by BOD
  - Expect to pay ¥3.9 billion in dividends in 2014  
(Dividend per share: ¥16/share 1H and forecast ¥16/share 2H)



# Q3 2014 MILESTONES

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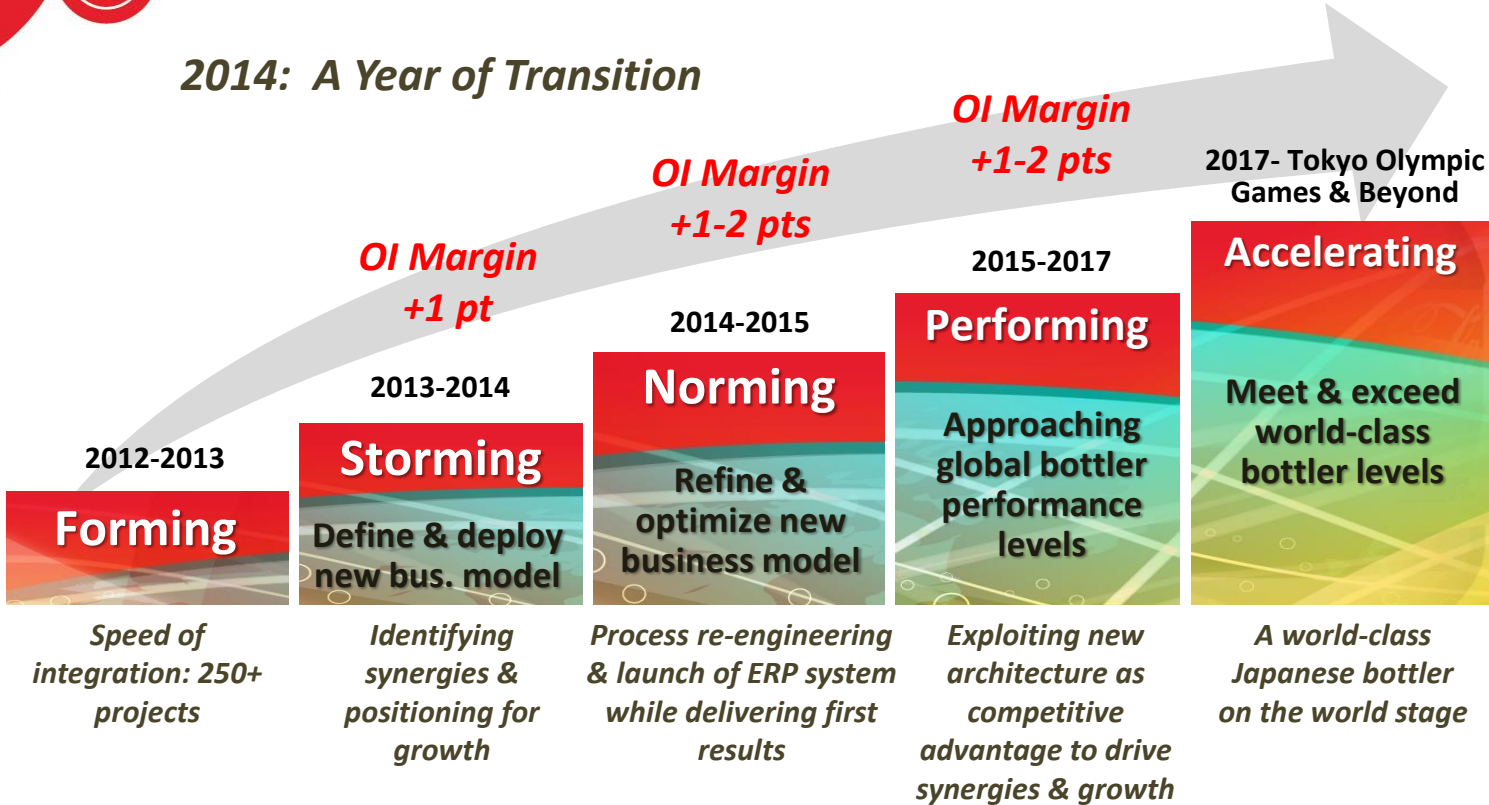
# Q3 2014 Milestones

- ✓ Focus on core business results during peak summer selling season
- ✓ Kicking off additional regional Route-to-Market deployment
- ✓ Shutdown of operations at two manufacturing plants



# One+ Roadmap for Growth

2014: A Year of Transition



# APPENDIX

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# Glossary

OBPPC	<b>Occasion, Brand, Package, Price, Channel.</b> A segmentation strategy tailored to consumption opportunities in five areas: occasion, brand, package, price and channel.
IC	<b>Immediate Consumption.</b> Purchase or sell beverage for consuming it immediately. It also means the products/SKUs for IC (for example, cans and small PET packages under 1L) and channels that consumers purchase the beverages for IC (for example, vending machine and convenience stores channels).
FC	<b>Future Consumption.</b> Purchase or sell beverage for future consumption in home, etc. It also means the products/SKUs for FC (for example, large-sized package and multi-pack of small packages) and channels that consumers purchase the beverages for FC. (for example, supermarket and drug & discounter channels).
HORECA	<u>H</u> otel, <u>R</u> estaurants and <u>C</u> afeteria. Generally means sales channels of these kinds.
CDE	<u>C</u> old <u>D</u> rink <u>E</u> quipment. Vending machines, coolers and beverage dispensers, etc.
Coolers	The equipment with Coca-Cola's logos which keep beverages at an appropriate temperature (chilled and/or hot) for immediate consumption, and ready for selling them at the storefront of retail outlets and restaurants. It will serve as point-of-sales advertising, too.
Dispenser	The equipment installed in restaurants to serve the consumers a specified amount of beverage in cup either in chilled or hot.
RTM	Route-to-Market. A framework, a process, a philosophy, a proven approach to growing profitable volume.

# Example of Coolers and Dispensers

## Coolers



## Dispensers



**Thank You**

**Q2 & YTD 2014**

**Earnings Presentation**

**August 8, 2014**

