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Consolidated Financial Summary for the First Quarter Ended March 31, 2021 (IFRS)



May 13, 2021

Listed company name: Coca-Cola Bottlers Japan Holdings Inc.

Listed stock exchanges: Tokyo

Code number: 2579

URL: <https://en.ccbj-holdings.com/>

Delegate: Title: Representative Director & President

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Expected date of quarterly report submission: May 14, 2021

Schedule for dividends payment: -

Preparation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial results conference: Yes

(Fractions of one million yen are rounded)

1. Consolidated financial results for the first quarter 2021 (from January 1, 2021 to March 31, 2021)

(1) Consolidated financial results

(Percentages indicate changes over the same period in the prior fiscal year)

	Revenue		Business income		Operating loss		Net Income (loss)		Net Income (loss) attributable to owners of the parent		Total comprehensive Income (loss)	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
1 st quarter, 2021	168,399	(12.8)	(11,596)	—	(15,142)	—	1,306	—	1,316	—	5,013	—
1 st quarter, 2020	193,029	(2.9)	(7,081)	—	(8,428)	—	(5,689)	—	(5,690)	—	(10,807)	—

	Earnings (Loss) per share	Diluted earnings per share
	yen	yen
1 st quarter, 2021	7.34	—
1 st quarter, 2020	(31.73)	—

*1. "Business Income (loss)" is a measure of our recurring business performance that is calculated as costs of goods and selling, general and administrative expenses are deducted from revenue, and other income and expenses are added and subtracted accordingly.

2. In the fiscal year ending 31 December 2020, the Healthcare and Skincare business has been classified as a discontinued operation as a result of the decision to sell all shares in Q'sai held by the Company. As a result, revenue, business Income and operating loss for the previous financial period have been reclassified to the amounts for continuing operations excluding discontinued operations.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to parent owners	Ratio of equity attributable to parent owners
	million yen	million yen	million yen	%
Mar. 31, 2021	930,972	502,375	502,232	53.9
Dec. 31, 2020	939,603	502,093	501,643	53.4

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
FY ended December 2020	—	0.00	—	25.00	25.00
FY ending December 2021	—				
FY ending December 2021 (forecast)		25.00	—	25.00	50.00

Note: Revisions to the cash dividends forecasts most recently announced: None

3. Forecast for consolidated financial results 2021 (from January 1, 2021 to December 31, 2021)

(Percentages indicate changes over the same period in the prior fiscal year)

	Revenue		Business Income		Operating loss		Net loss		Net loss for the year attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-year 2021	—	—	—	—	—	—	—	—	—	—	—

Note: Revisions to the forecasts of consolidated operating results most recently announced: None

The financial forecast for the fiscal year ending December 31, 2021 has not yet been determined because it is difficult to reasonably estimate at this time due to many uncertain factors such as the impact of the spread of the COVID-19 on our business activities. We will provide an update when we are able to estimate the impact to our outlook.

Notes

- (1) Changes in significant subsidiaries during the current period: None
- (2) Changes in accounting policies and changes in accounting estimates:
- 1) Changes in accounting policies as required by IFRS: None
 - 2) Changes other than those in 1) above: None
 - 3) Changes in accounting estimates: None
- (3) Number of outstanding shares (common shares)
- 1) The number of outstanding shares (including treasury shares):
 - 1st Quarter, March 2021: 206,268,593 shares
 - FY ended December 2020: 206,268,593 shares
 - 2) The number of treasury shares:
 - 1st Quarter, March 2021: 26,921,810 shares
 - FY ended December 2020: 26,920,298 shares
 - 3) The number of average shares outstanding:
 - 1st Quarter, March 2021: 179,347,655 shares
 - 1st Quarter, March 2020: 179,350,772 shares

※ The consolidated financial summary is not subject to quarterly review procedures conducted by certified public accountant or audit firm.

※ Explanation regarding appropriate use of the forecast, other special instructions

Figures in the above forecast are based on information available at the time of issuance of this report, and the actual results may be changed due to a number of inherent uncertainties in the forecast. Actual results may differ materially from the forecast. Furthermore, please refer to “1. Qualitative Information on the Financial Summary for this Quarter (3) Information on the Future Outlook, such as Forecast of Consolidated Financial Results” on page 5 for matters relating to performance forecasts.

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1. Qualitative Information on the Financial Summary for this Quarter

(1) Qualitative Information on Consolidated Financial Results

Coca-Cola Bottlers Japan Holdings Inc. (“CCBJH” or the “Company”, or “we”) announced first-quarter results for the fiscal year ending on December 31, 2021 (January 1, 2021 to March 31, 2021)

During the continued outbreak of the novel coronavirus (COVID-19), the safety and health of our consumers, our customers and our employees— especially those working daily to produce and supply essential goods and services— is our number one priority. Our mission is to deliver happy 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. In addition to implementing comprehensive infection prevention measures in our commercial activities, we also implemented more flexible work style initiatives, such as working from home and online meetings.

During this quarter (January 1, 2021 to March 31, 2021), the total domestic nonalcoholic ready-to-drink (NARTD) beverage industry volume performance is expected to have declined compared to the prior year, with a new state of emergency declaration from mid-January to late March. While the demand for at-home consumption increased as consumers stayed home during the pandemic, the overall decline in consumer traffic in retail stores, restaurants and at vending machines drove down demand and encouraged the trend of more budget-minded consumer behavior.

We continue to drive fundamental business transformation initiatives as part of our mid-term strategic business plan announced in August 2019, under the guiding principle that “business as usual is not an option”. This has not changed, despite the near-term challenges of the COVID-19 pandemic. We are implementing initiatives to return the business to a sustainable growth trajectory, including transformation in the important vending channel and back-office routines to drive cost efficiencies. We are also finding opportunities during these turbulent times to accelerate the pace of ongoing transformation projects and to identify new opportunities. This helps to ensure that we protect the business during current challenges and are well-prepared for the evolution of the business environment in the longer term.

As disclosed in the December 15, 2020, “Notice of Selling of Shares of Q'sai Co., Ltd. and Gain on The Sale of Shares as well as Revision of Earnings Forecast”, the share transfer of the Company’s consolidated subsidiary, Q'sai Co., Ltd. (Head Office: Fukuoka City, Fukuoka Prefecture; "Q'sai") was completed on February 1, 2021. As a result of the share transfer, 12.8 billion yen of gains from stock transactions and 45 billion yen of cash inflow was recognized in the first quarter of 2021. Accordingly, we have revised our business segment reporting to reflect only the results of continuing operations, the beverage business, after the sale of the health and skincare segment and relevant sections of prior year financial statements and notes have been reclassified.

For the first quarter of the fiscal year, while sales volume decreased due to the ongoing impact of COVID-19, we continued our transformation and cost saving initiatives to offset the impact of the sales decrease. Q1 2021 is cycling relatively solid performance in January and February 2020, prior to the beginning of the COVID-19 impact being felt in Japan. Details are as follows.

In addition to the business update in this document, please also see our earnings presentation material posted on the Company IR website (<https://en.ccbj-holdings.com/ir/library/presentation.php>) to be used in our earnings conference call on Friday, May 14 at 8:30 am (JST). The earnings presentation and audio will be available live and on demand as an audio webcast in the IR section of the CCBJH website.

Q1 2021 Highlights

- First quarter 2021 reflects the ongoing impact of COVID-19 and a new State of Emergency declared in January, as we cycle a period of limited impact in Q1 2020 as initial restrictions were announced starting in March.
- Major transformation initiatives continue as we reset a solid foundation for recovery and future growth, while also navigating volatility in the current environment.
- Due to the continued impact of COVID-19, Q1 net revenue declined 24.6 billion yen (13%) and Business Income declined 4.5 billion yen versus prior year. Sales volume declines and mix deterioration due to COVID-19 impacted the business while we accelerated transformation efforts and cost reduction initiatives, and started investing again in marketing programs and new product innovation for growth in 2021 after pullback in 2020.
- Market share in terms of both volume and value in the important vending channel continued to grow, with 24 consecutive months of value share growth. In addition, retail channel value share continued to recover and was even versus prior year. The promotional environment is becoming more competitive in some areas, but we are responding to changes in consumer behavior as a business opportunity.
- The Saitama Mega Distribution Center (DC), a key base for logistics in the Tokyo metropolitan area, started operations in

February, showing good progress in establishing a flexible and resilient supply network.

- Although the business environment remains uncertain due to the declaration of a third COVID-19 state of emergency, we will continue to focus on areas that we can control and strive to secure profits while minimizing pressure on the top line and promote initiatives that will lead to medium to long-term business growth.
- Continued focus on ESG initiatives. Announced the use of 100% recycled PET resin for Brand Coca-Cola and other small PET bottles.

Summary of Consolidated Financial Results

(Millions of yen)

Year-to-date Q1 (January to March)

In million JPY	1st Quarter 2020 (January – March)	1st Quarter 2021 (January – March)	Change
Continuing Operation (Beverage Business)			
Revenue	193,029	168,399	(12.8%)
Sales volume of beverage business (million cases)	108	97	(10.2%)
Gross Profit	88,888	74,161	(16.6%)
Selling, General & Administrative Expenses	95,663	85,426	(10.7%)
Other income (Recurring)	221	199	(10.1%)
Other expenses (Recurring)	468	391	(16.4%)
Investment loss on equity method	(59)	(139)	—
Business Income	(7,081)	(11,596)	—
Other income (Non-recurring)	0	991	—
Other expenses (Non-recurring)	1,348	4,537	236.6%
Operating Loss	(8,428)	(15,142)	—
Net Income (Loss) Attributable to Owners of Parent	(5,690)	1,316	—

Note: 1. “Business Income (loss)” is a measure of our underlying or recurring business performance. Business Income (loss) deducts cost of goods and selling, general and administrative expenses from revenue, and includes other income and expenses which we believe are recurring in nature.

2. Net Income (Loss) Attributable to Owners of Parent is a total of continuing operation and discontinued operation results.

Net revenue for first quarter 2021 declined to 168,399 million yen (decrease of 24,629 million yen from prior-year period, down 12.8%) due to 10% year-on-year decrease in sales volume caused by the continued impact of COVID-19 and cycling limited impact in the same period last year, mainly from March onward. Although we implemented extensive cost reduction initiatives in all areas, including personnel expenses and other indirect costs, in order to offset the impact of the decline in sales revenue, the deterioration of the channel mix due to the decline in sales volume in the highly profitable vending and convenience store (CVS) channels had a negative impact, resulting in a consolidated business income loss of 11,596 million yen (7,081 million yen loss in the same period previous year)

Consolidated operating loss was 15,142 million yen (8,428 million yen loss in the same period of previous year). Other income (non-recurring) includes 990 million yen in government subsidies for employment adjustment to offset temporary leave expense (hereinafter referred to as temporary leave expenses). Other expenses (non-recurring) include 3,736 million yen in temporary leave expenses and 257 million yen in business structure improvement expenses related to the implementation of transformation based on the medium-term plan.

Net income attributable to owners of parent for the quarter, a total of continuing operations and discontinued operation, was 1,316 million yen (5,690 million yen loss in the prior year period) as a gain of 12,841 million yen was recorded in discontinued operations as gains from stock transactions due to the transfer of shares in Q’sai.

Beverage volume performance

In the first quarter, volume declined 10%. Despite growth in at-home consumption occasions, expansion and market share gains in online sales, and the initial contribution of new products launched in Q1, results were lower than the prior year period due to the continued impact of COVID-19, including the second state of emergency declaration in January, and the fact that the coronavirus impact was limited in Q1 2020, mainly from March onward.

In terms of channel performance, retail food, vending, and convenience stores saw a significant decrease in sales volume due to a decline in customer traffic with people staying home during the pandemic and the impact of pandemic restrictions such as shortened business hours and restaurant closures. In vending, although signs of recovery began to appear in outdoor locations late last year, consumer traffic was soft due to the new state of emergency declaration, especially in train stations, schools, entertainment facilities and other indoor locations in metropolitan areas. Vending channel sales volume decreased by 12%. Despite this difficult operating environment, we continue to grow our market share in vending, with 24 consecutive months of value share growth. In retail and food channels, sales decreased by 36% due to reduced customer traffic at restaurants and other commercial venues. Convenience store sales decreased 9%, reflecting lower consumer traffic as well as increased competitive and promotional activity. On the other hand, sales at supermarkets and drugstores & discounters increased by 1% and 7%, respectively, reflecting our efforts to “win where the growth is” by responding to changes in the frequency of customer visits and consumption patterns, such as rising home consumption demand and bulk purchases. Online sales are growing significantly, with 65% growth in Q1, spurred by expansion of label-less products and various promotions in-line with changes in customers' consumption behavior.

In terms of beverage category performance, sparkling beverages declined 7%, partly offset by the contribution from the full renewal of Coca-Cola Zero last year and the expansion of the Fanta Premiere series. Non-sugar tea (NST) volume decreased 10%, partly offset by contribution from Karada Odayakacha W tea and Ayataka Cafe Matcha Latte. Coffee volume declined 9% mainly due to a decline in can products, partly offset by contribution from PET bottled coffee Georgia Latte Nista. The sports drink category volume declined 11% as a result of a decline in the overall category as sports events remain restricted and with softer performance in large PET packaging. Water volume increased 8%, as demand for home consumption drove the growth of large PET in supermarkets, drugstores & discounters and online.

The ready-to-drink alcohol brand, Lemon-dou declined 15% as we cycle the prior year period, which was immediately after the nationwide launch. We continue to expand in-house alcohol production capacity given expectations for growth in this new category for Coca-Cola in Japan.

(2) Qualitative Information on Consolidated Financial Position

Assets at the end of the quarter were 930,972 million yen, a decrease of 8,631 million yen from the end of the prior period. This is mainly due to the completion of the Q'sai share transfer on February 1, 2021, resulting in a decrease in Assets held for trading and an increase of Cash and cash equivalents. Due to the decrease in net revenue, Trade and other receivables decreased, and there was a decrease in Property, plant and equipment reflecting consolidation of sales/distribution locations.

Liabilities at the end of the quarter were 428,597 million yen, a decrease of 8,913 million yen from the end of the prior year period. This is mainly due to the completion of the Q'sai share transfer, decreasing the Liabilities directly associated with assets held for sale.

Net Assets at the end of this quarter were 502,375 million yen, an increase of 282 million yen. This reflects a decrease in Retained Earnings as a result of dividend payments, offset by an increase in Accumulated other comprehensive income driven by increase in the market value of investment securities.

(3) Qualitative Information on the Future Outlook, such as Forecast of Consolidated Financial Results

The consolidated business forecast for the fiscal year ending December 31, 2021 has not yet been determined because it is difficult to estimate at this time due to many uncertain factors such as the impact of the spread of COVID-19, including the issuance of the third state of emergency declaration, the expected decrease in the number of such infections, the time frame for vaccination, and the impact on the market.

2. Condensed Consolidated Financial Statements and Notes

(1) Condensed Consolidated Statement of Financial Position

	As of December 31, 2020	(Millions of yen) As of March 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	114,778	165,055
Trade and other receivables	96,009	81,235
Inventories	68,180	69,292
Other financial assets	702	1,691
Other current assets	17,195	23,531
Subtotal	<u>296,865</u>	<u>340,803</u>
Assets held for trading	<u>48,138</u>	<u>—</u>
Total current assets	<u>345,003</u>	<u>340,803</u>
Non-current assets:		
Property, plant and equipment	460,502	454,419
Right-of-use assets	29,810	27,472
Intangible assets	66,193	66,403
Investments accounted for using the equity method	287	305
Other financial assets	25,640	26,185
Deferred tax assets	4,986	8,806
Other non-current assets	7,183	6,578
Total non-current assets	<u>594,601</u>	<u>590,169</u>
Total assets	<u>939,603</u>	<u>930,972</u>

	As of December 31, 2020	(Millions of yen) As of March 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities:		
Trade and other payables	102,480	105,228
Bonds and debts	51,072	51,046
Lease liabilities	5,547	5,942
Other financial liabilities	408	1
Income taxes payable	3,238	1,493
Provisions	9	9
Other current liabilities	15,923	16,008
Subtotal	178,676	179,728
Liabilities directly associated with assets held for sale	7,193	—
Total current liabilities	185,869	179,728
Non-current liabilities:		
Bonds and debts	187,514	187,038
Lease liabilities	25,858	23,077
Other non-current liabilities	605	—
Net defined benefit liabilities	14,876	15,550
Provisions	2,119	2,121
Deferred tax liabilities	17,296	17,548
Other non-current liabilities	3,375	3,534
Total non-current liabilities	251,641	248,869
Total liabilities	437,510	428,597
Equity:		
Capital stock	15,232	15,232
Capital surplus	450,605	450,699
Retained earnings	120,473	117,216
Treasury shares	(85,654)	(85,657)
Accumulated other comprehensive income (loss)	1,095	4,742
Accumulated other comprehensive income of disposal groups classified as for sale	(107)	—
Equity attributable to owners of parent	501,643	502,232
Non-controlling interests	450	143
Total equity	502,093	502,375
Total liabilities and equity	939,603	930,972

(2) Condensed Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

First Three-month period of a fiscal year

	Three months ended March 31, 2020	(Millions of yen) Three months ended March 31, 2021
Continuing operations		
Revenue	193,029	168,399
Cost of sales	104,141	94,239
Gross profit	88,888	74,161
Selling and general administrative expenses	95,663	85,426
Other income	221	1,190
Other expenses	1,816	4,928
Share of income (loss) of entities accounted for using equity method	(59)	(139)
Operating income (loss)	(8,428)	(15,142)
Financial revenue	94	68
Finance costs	273	340
Income (loss) for the period before income taxes	(8,607)	(15,414)
Income tax expense	(2,588)	(4,216)
Net income(loss) for the period from continuing operations	(6,018)	(11,199)
Discontinued operations		
Net income(loss) for the period from discontinuing operations	330	12,505
Net income (loss) for the period	(5,689)	1,306
Net income (loss) for the period attributable to		
Owners of parent		
Loss from continuing operations attributable to owners of parent	(6,019)	(11,189)
Profit from discontinuing operations attributable to owners of parent	329	12,505
Non-controlling interests	2	(10)
Earnings per share (yen)		
Continuing operations	(33.56)	(62.39)
Discontinued operations	1.83	69.72
Earnings (Loss) per share	(31.73)	7.34

(Condensed Consolidated Statements of Comprehensive Income)

First Three-month period of a fiscal year

	Three months ended March 31, 2020	(Millions of yen) Three months ended March 31, 2021
Net Income (loss) for the period	(5,689)	1,306
Other comprehensive income (loss):		
Items that will not be reclassified subsequently to income or loss:		
Remeasurements of defined benefit plans	—	(12)
Net change in financial assets measured at fair value through other comprehensive Income (loss)	(3,414)	2,016
Subtotal	(3,414)	2,005
Items that may be reclassified subsequently to Income (loss):		
Cash flow hedges	(1,704)	1,703
Subtotal	(1,704)	1,703
Total other comprehensive income (loss) for the period	(5,119)	3,707
Total comprehensive loss for the period	(10,807)	5,013
Comprehensive Income (loss) attributable to:		
Owners of parent	(10,809)	5,023
Non-controlling interests	2	(10)

(3) Condensed Consolidated Statements of Changes in Equity

Three months ended March 31, 2020

(Millions of yen)

	Equity attributable to owners of the parent company						Non-controlling interests	Total
	Capital stock	Share premium	Retained earnings	Treasury Shares	Accumulated other comprehensive income	Total		
Balance as of January 1, 2020	15,232	450,526	121,372	(85,649)	4,517	505,999	492	506,491
Comprehensive Income (loss) for the period								
Net loss for the period	—	—	(5,690)	—	—	(5,690)	2	(5,689)
Other comprehensive loss	—	—	—	—	(5,119)	(5,119)	—	(5,119)
Total comprehensive loss for the period	—	—	(5,690)	—	(5,119)	(10,809)	2	(10,807)
Transactions with owners.								
Dividends of surplus	—	—	(4,484)	—	—	(4,484)	(28)	(4,512)
Purchase of treasury stock	—	—	—	(3)	—	(3)	—	(3)
Disposal of treasury stock	—	(0)	—	0	—	0	—	0
Transactions of share-based payment	—	66	—	—	—	66	—	66
Reclassification from accumulated other comprehensive income (loss) to retained earnings	—	—	0	—	(0)	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	—	—	—	—	170	170	—	170
Total transactions with owners.	—	66	(4,484)	(3)	170	(4,250)	(28)	(4,278)
Balance as of March 31, 2020	15,232	450,592	111,198	(85,652)	(432)	490,939	466	491,405

Three months ended March 31, 2021

(Millions of yen)

	Equity attributable to owners of the parent company						Total	Non-controlling interests	Total
	Capital stock	Share premium	Retained earnings	Treasury shares	Other comprehensive income accumulated	Accumulated other comprehensive income of disposal groups classified as for sale			
Balance as of January 1, 2021	15,232	450,605	120,473	(85,654)	1,095	(107)	501,643	450	502,093
Comprehensive Income for the period									
Net income (loss) for the period	—	—	1,316	—	—	—	1,316	(10)	1,306
Other comprehensive Income (loss)	—	—	—	—	3,707	—	3,707	—	3,707
Total comprehensive income (loss) for the period	—	—	1,316	—	3,707	—	5,023	(10)	5,013
Transactions with owners									
Dividends of surplus	—	—	(4,484)	—	—	—	(4,484)	—	(4,484)
Purchase of treasury stock	—	—	—	(3)	—	—	(3)	—	(3)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—
Transactions of share-based payment	—	94	—	—	—	—	94	—	94
Reclassification from accumulated other comprehensive income (loss) to retained earnings	—	—	18	—	(18)	—	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	—	—	—	—	(42)	—	(42)	—	(42)
Changes from loss of control	—	—	(107)	—	—	107	—	(297)	(297)
Total transactions with owners	—	94	(4,573)	(3)	(60)	107	(4,434)	(297)	(4,731)
Balance as of March 31, 2021	15,232	450,699	117,216	(85,657)	4,742	—	502,232	143	502,375

(4) Notes to Condensed Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Not applicable.

(Segment Information)

From the current fiscal year, the Group has changed to a single segment of "Beverages". As the Group operates a single segment of beverage business, explanation by reportable segment is omitted. This is because the healthcare and skincare business was classified as a discontinued operation following the conclusion of an agreement to transfer all shares in Q'sai to Q-Partners Co., Ltd on December 15, 2020. The transfer of all shares in Q'sai was completed on February 1, 2021.