



***Second quarter 2021  
Earnings Presentation  
August 12, 2021***

***Coca-Cola Bottlers Japan Holdings Inc.***

**Calin Dragan, President**

**Bjorn Ivar Ulgenes, Vice President & Chief Financial Officer**

(Posted to CCBJH website on August 11, 2021)



# 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 Bottlers Japan Holdings Inc. (CCBJH or Company) 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”.

- Agreements with The Coca-Cola Company and Coca-Cola (Japan) Company Limited.
- The quality and safety of products
- Market competition
- Natural environment, such as climate, disaster, water resources, etc.
- Legal environment
- Leakage or loss of information
- Change of economic conditions, such as personal consumption, currency exchange rates, prices of raw materials, fair value of assets, etc.
- Business integration, streamlining and optimization of business processes, etc.
- Uncertain factors other than those above

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# Coca-Cola Bottlers Japan Holdings Inc. (CCBJH)

*Q2 2021 earnings presentation*

Overview and situational analysis

1H 2021 results and 2021 outlook

Q&A



# Overview and Situational Analysis



# 1H 2021– Highlights

- 🔥 Market uncertainty continues; consumer traffic remains challenged due to rise in COVID-19 infections and additional State of Emergency declarations
- 🔥 Ongoing COVID-19 impact on market trends (channels/packages) continue to pressure profitability
- 🔥 Cycling includes one-time cost savings in Q2 and pre COVID-19 performance in Q1, resulting in bigger business income loss for 1H
- 🔥 Despite headwinds, revenue and volume recovered in Q2 driven by innovation & growth initiatives
- 🔥 Transformation initiatives in Commercial and Supply Chain are on track

## Winning in the market

- ✓ **New products** contributing to growth
- ✓ **Historical high vending value share** since integration; 27 consecutive months of growth
- ✓ 60% volume **growth in Online**
- ✓ **Alcohol**: new brands, production capacity, #1 share in Lemon-dou

## Transformation & Building Foundation

- ✓ **Recurring cost savings**: about 6 billion yen
- ✓ **Vending** and **Supply Chain** transformation initiatives entering next phase
- ✓ Advances on **ESG** initiatives: 100% Recycle PET
- ✓ Good **stewards of capital**: Dividend on plan



# Winning in the market: Innovation & Growth

*Accelerating initiatives to capture changes in consumer behavior*

## New products/ Packages



Capture growth with new innovative products and package sizes that meet the new consumption occasions. Newly launched products have been well received by consumers.

## Online



Increase label less SKUs and, growing revenue from subscription consumers and various promotions

## Vending



New Vending opportunity with Coke ON and effective marketing strategies



# Winning in the market: Vending Channel

*Achieving 27 consecutive months of value share gain*

Investing to grow our healthy base & prepared to capture future growth

## Product line-up

- Effective new product launch
- Strategic pricing & package line-up
- Use of AI for to optimize product line-up to maximize sales



## Improve placement location

- Increase placement in high VPM locations
- Continuous location mix improvement led by past strategic withdrawal of unprofitable machines



## Digitalization & promotion

- Leverage Coke ON as digital platform
- Targeted promotion based on consumers



## Operation quality improvement

- Solid infrastructure built through transformation
- Improvement in quality of operation and activities
- Improved operation KPIs such as out-of-stock ratios



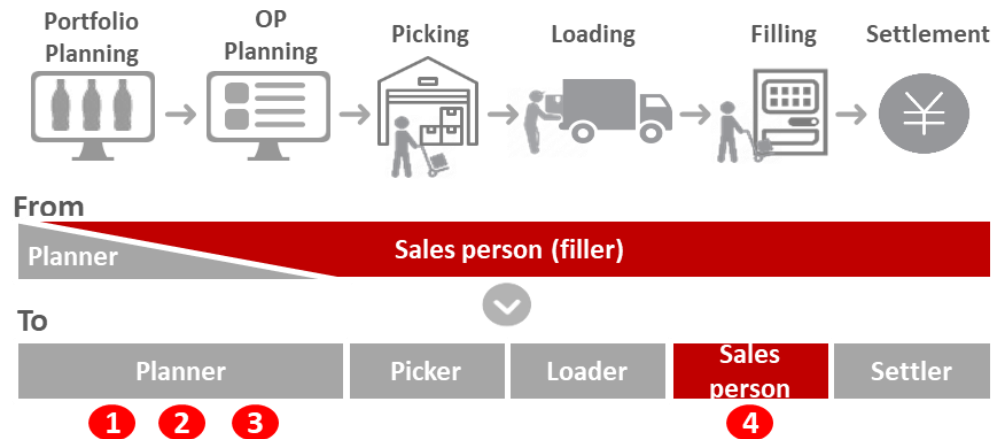


# Transformation Continues: Vending business model

## Phase 2 of vending transformation

- Phase 2 of Vending Transformation Started. Further accelerate transformation to improve quality and efficiency of operation from last year (Phase 1)

### Phase 1 : July 2020～



- 1 Segmentation of sales person's work routine
- 2 Introducing new call/visit planning based on sales prediction by AI
- 3 Route reorganization (call/visit # increase per sales person)
- 4 Productivity improvement and maximization of sales activity by operation-focus work

2020 Route reduction: **-20%** (vs 2019)

### Phase 2 : May 2021～

#### ► Planning



Further route optimization accounting for area characteristics with time study leveraging big data

#### ► Picking/Loading



Further efficiency achieved by collaborating with supply chain. Reduce total costs by consolidating inventory to Saitama Mega DC and automating operations

#### ► Operation on site



Expand one-trip operation with new smart phone hand held terminal and online VMs

2021 Route reduction: **-7%** (vs 2020)



# Transformation Continues: Supply Chain

*Establishing a solid supply chain foundation for growth & improved efficiency*

## Manufacturing

- 🔥 **Capacity expansion in growing areas**
  - Aseptic: 7 new lines between 2018 - 2020
  - Alcohol: New line at Komatsu Plant in May 2021
- 🔥 **Innovation**
  - NAT (next generation aseptic technology)
  - New package (350/700ml PET, 950ml PET)
- 🔥 **Improved production efficiency**
  - High speed manufacturing, labor-saving operations

## Logistics

- 🔥 **Logistic centered around Saitama Mega DC**
  - Started operation in February, completed transfer of inventory to Saitama Mega DC at half of the target locations. Closed 6 location in all areas.
  - Temporary cost associated with ramping up large-scale DC are within expectation. Progress towards creating benefit from next year onwards.
- 🔥 **Akashi Mega DC, progressing as planned**

## Supply chain back office

- 🔥 **Streamlining the supply chain structure for low-cost operations**
  - Implementing further standardization, consolidation and automation of operations



# ESG – At the core of our daily operations

*Steady progress in creating shared value*

## Recycle

- Accelerate our initiative toward a “World Without Waste” with the introduction of Brand Coca-Cola with 100% recycled PET content, leading to reduced CO2 by 60% per bottle.

## Food loss prevention initiatives

- Food loss prevention vending machines. Through this vending machine will lead to increasing purchasers’ awareness about food loss, and promote SDGs.



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## Embrace Diversity and Equality

- Coca-Cola system in Japan in May 2021 implemented employment regulations and benefits for same-sex partners of employees. CCBJH has implemented such initiatives since last year.



## Work Place COVID-19 Vaccination

- Implemented workplace COVID-19 vaccination. Scope including employees, family members, and suppliers.



## Supporting local communities

- Multiple “Comprehensive Collaboration Agreement” have been signed, to work closer with local communities.





# Progress against 2021 target

*Focusing on the controllable, building resilience and setting foundation for growth*

## Market share

Target



Progress



Value share growth continues

## Recurring cost savings

Target

7-9 B yen

Progress

About  
6 B yen

Recurring cost savings target through transformation

## Capex

Target

45-50 B yen

Progress

28.1 B yen

Limited new capex during COVID uncertainty

\*Not including IFRS16 non cash items

## Depreciation

Target

55-60 B yen

Progress

28.9 B yen

On plan, as we control our capex spending

## Annual dividends

Target

50  
yen/share

Progress

On plan to pay  
25 yen/ share  
for interim

On track to target with solid cash position

## Content of recycled PET

Target

40%

Progress

Target  
Maintained

Expand recycled PET usage, on track to meet 50% 2022 goals



# 1H 2021 Results



# 1H 2021 results vs. 2020

*Continued COVID impact; cycling extensive one-time cost savings in Q2 2020*

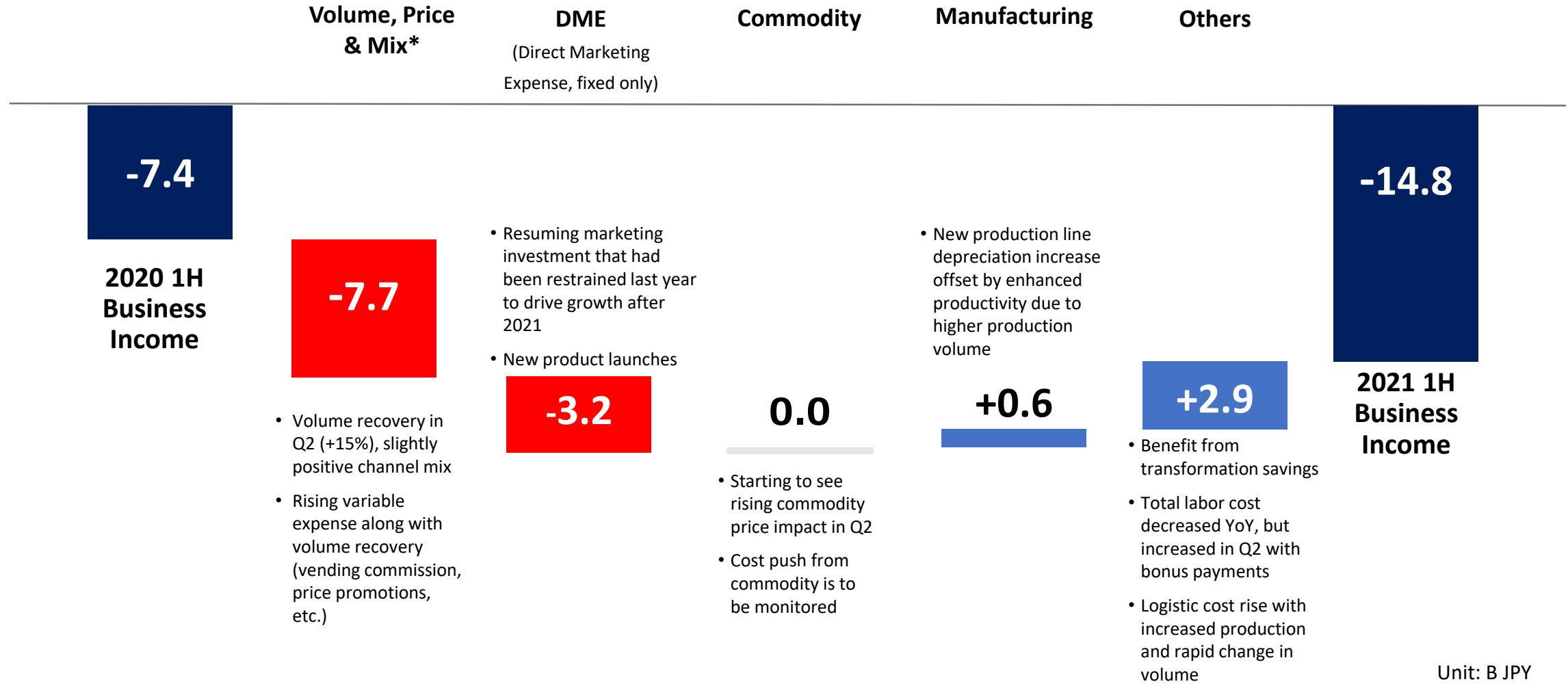
Unit: Million JPY

	2021 1H Actual	2020 1H Actual	YoY (%)
Continuing Operations (Beverage Business)			
Revenue	369,309	374,598	-1.4%
Beverage Sales Volume (Million Cases)	217	212	+3%
NARTD (Non-alcoholic ready to drink) Beverage Volume (Million Cases)	213	207	+3%
COGS	206,040	205,054	+0.5%
Gross Profit	163,269	169,544	-3.7%
SG&A	177,295	176,016	+0.7%
Business Income (Loss)	(14,799)	(7,368)	-
Operating Income (Loss)	(18,250)	(14,937)	-
Net income (loss) attributable to owners of parent (Total of continuing and discontinued operations)	(354)	(6,452)	-



# 1H 2021 Drivers of Business Income

*Volume recovery in Q2 was not enough to offset the cycling impact cost savings of last year*



\*Volume, Price & mix represent marginal profit of our commercial activities including variable costs and deduction from revenue in IFRS.

Unit: B JPY  
(Rounding off less than unit)

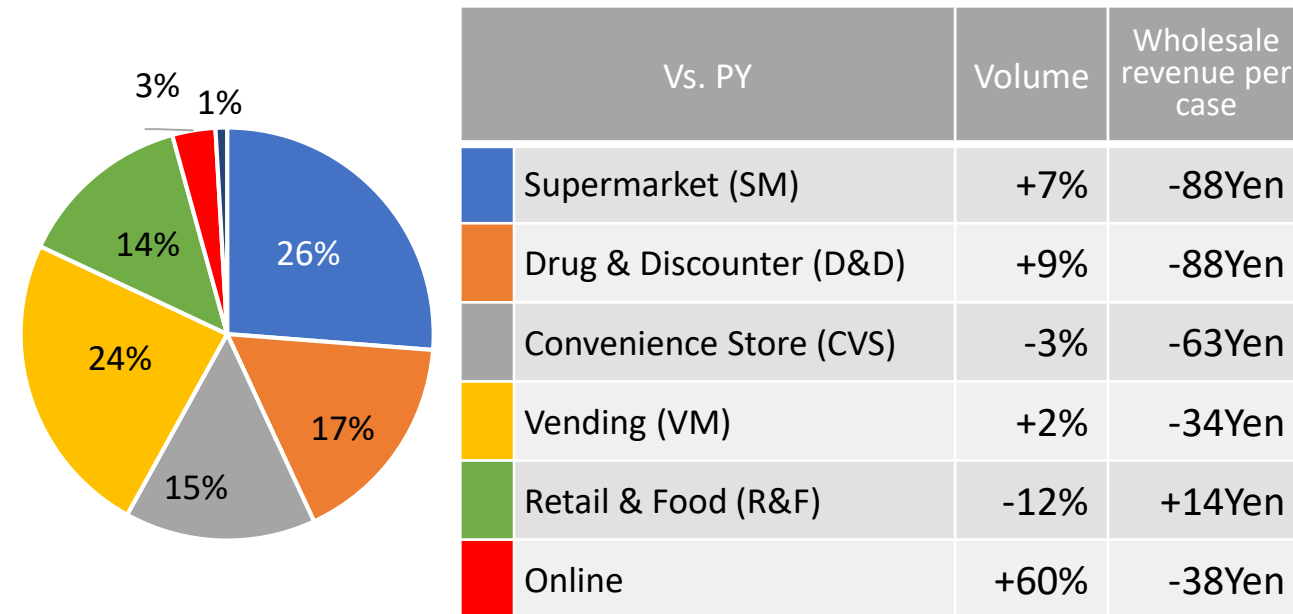


# 1H 2021 NARTD beverage volume performance by channel

*Volume growth in Online, SM, D&D and Vending*

1H total volume +3%

By channel



- 📌 **SM, D&D:** Increased mainly in categories that offer a wide range of package sizes in response to changes in consumer purchasing styles such as domestic consumption and increased bulk purchases
- 📌 **CVS:** Strategically implemented 950ml PET contributed, but decreased due to partially intensified competition.
- 📌 **VM:** Q2 increased by + 18% mainly due to traffic recovery, positive in all categories. There was also a recovery in volume per machine, mainly for outdoor machines
- 📌 **R&F:** Impacted by Food channel down due to sluggish customer attraction at restaurants, etc.
- 📌 **Online:** Increased due to case purchases growth and the labelless products
- 📌 **Wholesale revenue per case:** SM, D&D decreased due to changes in case configurations for 1.5LPET products. VM was affected by increased implementation of low-priced can products to promote purchasing opportunities

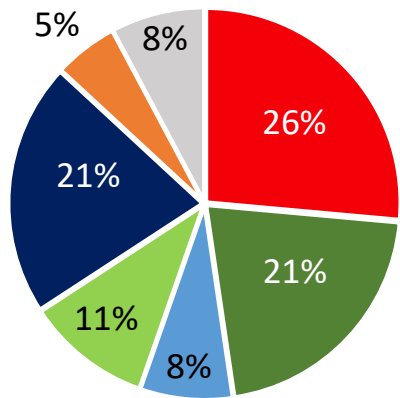


# 1H 2021 NARTD beverage volume performance by category

*Continued impact of COVID-19; new products starting to contribute*

1H total volume +3%

By category



	Vs. PY	Volume
Sparkling		Flat
Non-sugar tea (NST)		+4%
Sports		+4%
Water		+29%
Coffee		-2%
Juice		-7%



- 🔺 **Sparkling** Recovery in volume in Q2 in SM and online, new Fanta Premier Orange also contributed
- 🔺 **NST** New products Yakan Barley Tea from Hajime, Ayataka Matcha Latte contributed to growth
- 🔺 **Sports** Cycling the COVID-19 impact in the same period before and showed recovery
- 🔺 **Water** Growth driven by SM, D&D and online. Large PET was strong and new products such as ICY SPARK also contributed
- 🔺 **Coffee** COSTA COFFEE pushed up PET bottle coffee in all major channels and partially offset the can coffee decline
- 🔺 **Juice** Declined due to continued weakness in R&F as outlets remain under COVID-19 restrictions

NARTD: Non-alcoholic ready-to-drink

**Paint it RED! 未来を塗りかえろ。**

Note: Volume doesn't include alcohol. Revenue per case doesn't include DFR (deduction from revenue). Some inconsistencies with the volume data provided in past presentations may be expected as a result of standardization of volume and revenue calculation.

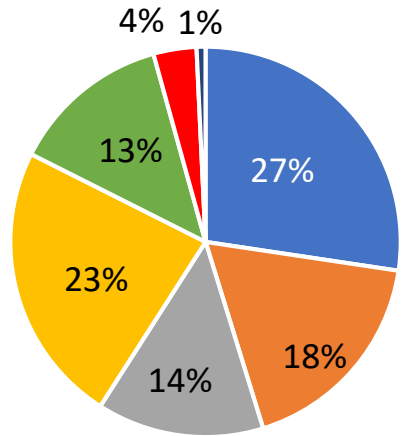
**Coca-Cola BOTTLERS JAPAN HOLDINGS INC.**



# NARTD channel/category/package volume performance

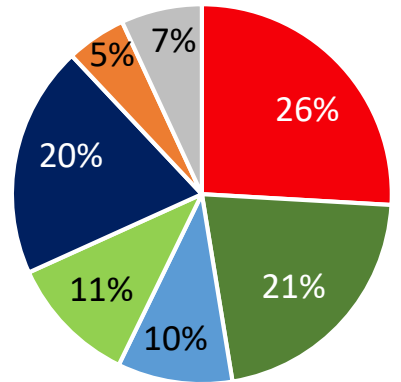
Q2 2021 (April to June) volume: +15%

## By channel



Vs. PY	Volume	Wholesale revenue per case
Supermarket (SM)	+12%	-91Yen
Drug & Discounter (D&D)	+10%	-82Yen
Convenience Store (CVS)	+5%	-77Yen
Vending (VM)	+18%	-40Yen
Retail & Food (R&F)	+31%	-56Yen
Online	+57%	-70Yen

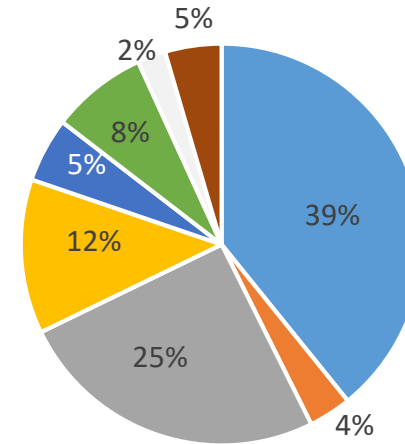
## By category



Vs. PY	Volume
Sparkling	+7%
Non-sugar tea (NST)	+17%
Sports	+12%
Water	+50%
Coffee	+7%
Juice	+21%

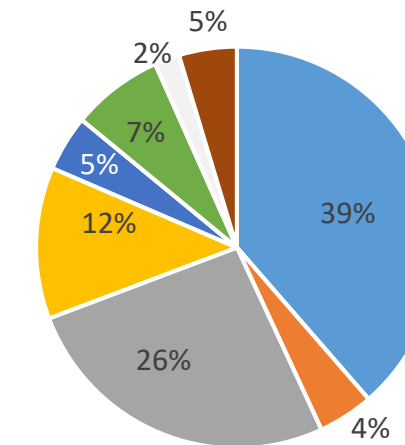
## By package

1H 2021



	vs PY	Volume
S-PET		+2%
M-PET		+95%
L-PET		+11%
Can		-5%
Bottle Can		+3%
Syrup		-13%
Powder		-9%

Q2 2021



	vs PY	Volume
S-PET		+12%
M-PET		+107%
L-PET		+12%
Can		+4%
Bottle Can		+8%
Syrup		+41%
Powder		+34%

S-PET: PET under 600ml/L-PET: PET above 1.5L



# Building a foundation for value share growth in 2021

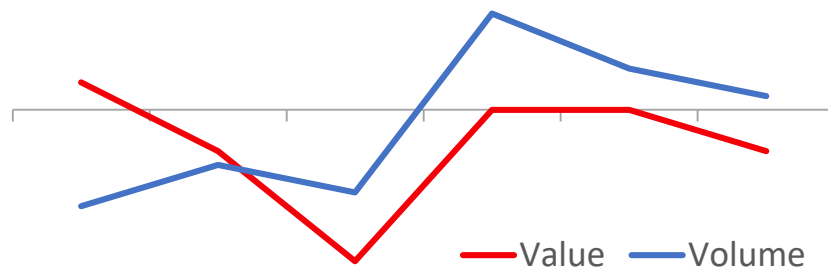
*Vending continues to grow; OTC leaves room for improvement*

## OTC market share

- Q2 OTC value share was challenging given the intensified promotion activities
- OTC market share growth in supermarket, drugstore & discounters. CVS is a channel for future improvement

### OTC Market Share (YoY)

Market Share (vs. PY, PP)	Value	Volume
1H (Jan to June)	-0.2	+0.2
Q2 (April to June)	-0.3	+0.1



Q1 2020 Q2 2020 Q3 2020 Q4 2020 Q1 2021 Q2 2021

## Vending value share

- Growing for 27 consecutive months, record high value market share achieved during Q2 since integration
- Market share gains across all sales regions in June

## Retail pricing trends

- Observing continued price premium vs. market average with effective promotional activities in the market

### OTC Retail Price

OTC Retail Price (January to June, JPY per bottle)	Vs. Market Average	Vs. PY
Small PET	+5.4	-2.2
Large PET	+21.0	-8.1

Data source standards changed from 2021. SPET(351~650ml), LPET(1.251L~)  
Retail price data source: Intage



# Continued priority on good stewardship of capital

*Focus on shareholder value creation*

## Shareholder value creation

### Dividends

- ✓ On plan to pay interim dividend of 25 yen/share
- ✓ Maintain full year target

#### 2021 plan

**50** Yen/share

#### Interim

#### Year-end Plan

**25**  
Yen/share

**25**  
Yen/share

### Balance sheet and cash flow

- 45 billion cash-in with 12.8 billion yen pre-tax profit from Q'sai divestment
- Solid financial position: 56.5% equity ratio at end of Q2 2021
- Continue to sell down idle assets and cross-held shares

### Capex and depreciation

- Continued restraint in placement of new sales equipment helps to control capex and depreciation
- Reassessing every single new investment

(Billion JPY)	2021 1H Actual	Vs PY	2021 FY Plan
CAPEX*	28.1	-8.8	45 to 50
Depreciation	28.9	+0.2	55 to 60

\*Not including IFRS16 non cash items.



# Marketing and branding update



# Update from Coca-Cola (Japan) Company, Limited

2021 Q2 Initiatives Review

2021 Q3 Initiatives Highlight



# 2021 Q2 Initiatives Review

## Building consumer engagement and new users via core & innovations

### Coca-Cola TM & Flavor Sparkling 350/700ml PET

National Expansion  
optimized price/pack format



### COSTA COFFEE Re-launch

“Mass Premium” Quality Coffee Proposition  
captures the RTD&NRTD “coffee lovers”



### Coke ON campaign

Coke ON install exceeds 28MM



### Yakan Barley Tea from Hajime

Exceed 50 mil bottles shipment  
in 2 months



※As of June 18, 2021  
(Shipment base, KO data)

### 100% recycled PET bottle

Coca-Cola, I LOHAS, Georgia\*

Reduction of CO2 emissions

60% per bottle, approx. 35,000 tons in TTL SKU per year\*\*



コカ・コーラ、いろいろは「す天然水、ジョージア、ジャパンクラフトマン」は100%リサイクルペットを使用しています。



\* メッセージボトルのみ対象となります。

\*\* 一般的なPETボトルから100%リサイクルPET素材に切り替えた場合。対象製品合計、前年出荷実績に基づくCCJC試算。

### ICY SPARK from Canada Dry

ICY SPARK brought  
incremental NSR and market share



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# 2021 Q3 Initiatives Highlights (Jul)

## Expand users & drinking occasions by enhancing core & innovations

### Team Coca-Cola Tokyo 2020 Portfolio Campaign

2.16MM users applied to the  
National Promotion for Tokyo 2020  
(as of 7th weeks)



### GEORGIA SHOT & BREAK

Creating a new style of  
Short-Break Coffee  
by smaller PET format



### “Ayataka Café Matcha Latte” 440mlPET Re-Launch

Reclaim its product  
superiority (great taste) and  
unique edge (new latte segment)





# 2021 Q3 Initiatives Highlights (Jul)

## Cultivate alcohol as a white space with core campaign & innovations

### “Lemon Dou” Summer Campaign

Capture summer occasion  
by positioning Salty and  
Kamisori Lemon  
as main flavors for heavy users



### NOMEL's Hard Lemonade

Get off to a good start and  
KO ranked as 3<sup>rd</sup>\* in the market  
on a value share basis



### Topo Chico Hard Seltzer (Pilot)

Cutting edge  
hard seltzer alcohol brand  
has started its consumer experience  
in selected venue and limited area

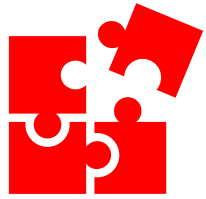


※INTAGE SRI+ low alcoholic drink Market Share in Sales Value of 2020 June 21-28 week

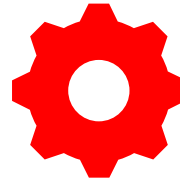


## 2021 Plan:

Continue flexible and timely actions to adapt to changes  
Ramping up marketing activities for solid growth



**FEWER, BIGGER  
INNOVATIONS**  
選択と集中



**PIVOT TO CORE**  
コアへの原点回帰



**STAY@HOME**  
家庭内需要の獲得

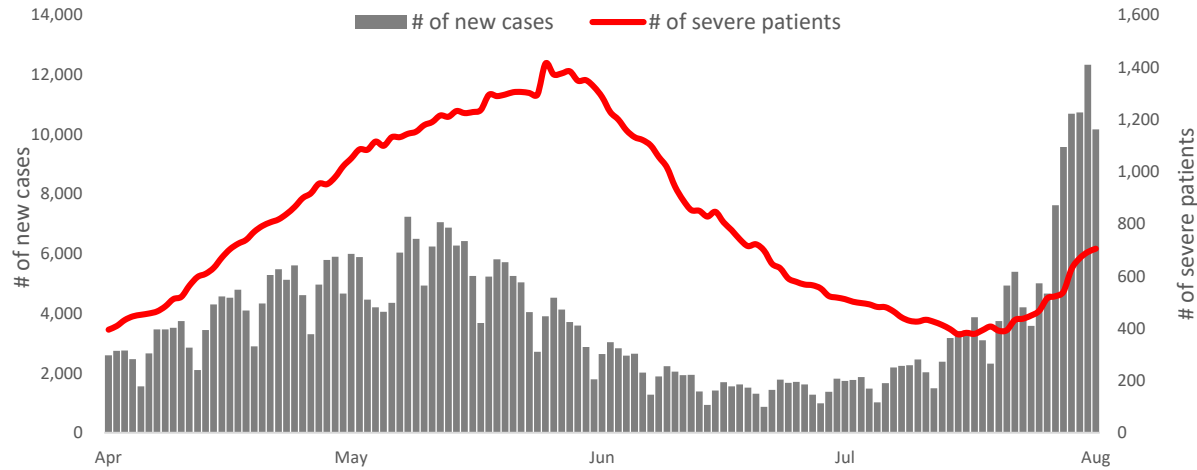


# 2021 Outlook



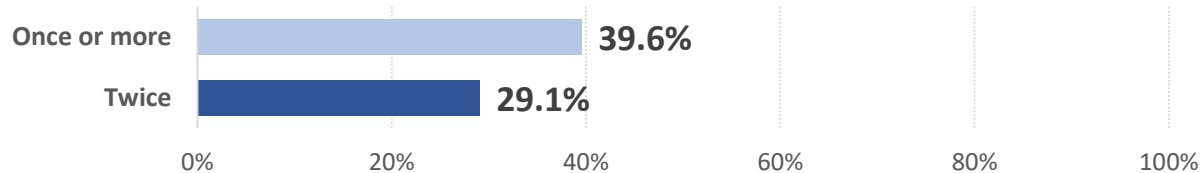
# Full year operating environment remains unpredictable

## COVID-19 Cases Rising



- Number of COVID-19 cases rapidly increasing even after the 4<sup>th</sup> SoE was declared
- From August 2<sup>nd</sup>, four prefecture were added to the SoE
- Number of vaccination is steadily increasing, but still uncertainty remains

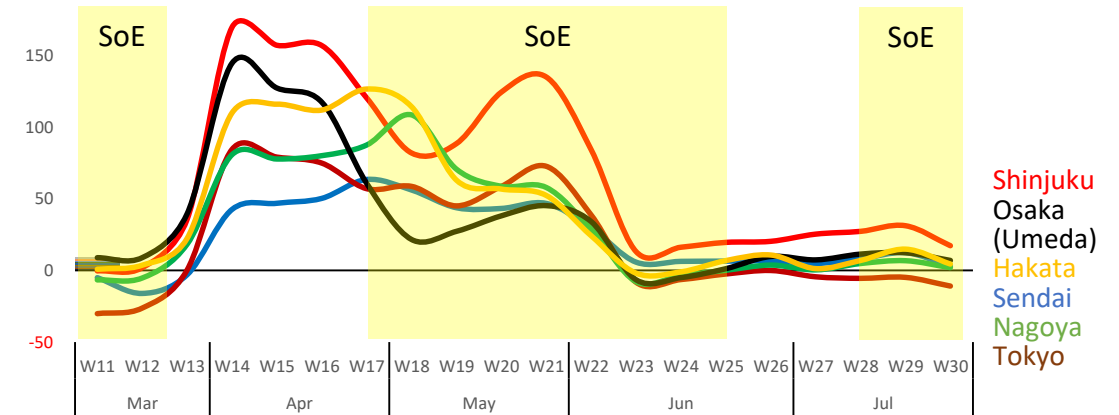
### Vaccination Progress (% of total population) As of Aug 1



Source: Prime Minister's Office of Japan

## Lower Traffic at Major Railway Stations

### Traffic data in Major Stations (% vs LY)



Source: NTT Docomo

## Continued Market Uncertainty

- 2021 annualized GDP originally estimated at +3.3%; now revised downwards
- Consumer Confidence Index shows initial signs of recovery and Consumer Price Index in July signals inflationary outlook



# Our focus areas during uncertain times

## SAFETY & SECURITY

The safety and security of our consumers, customers, partners, employees and communities are our priority

## AGILITY

Agile and flexible business planning, ready for the future

## RESILIENCE

Accelerating transformation to build a resilient foundation

*“Business as usual is not an option”*



# Key Takeaways

- 🔴 Uncertainty continues with rising COVID-19 infections and State of Emergency
- 🔴 Market volume recovery expected, but outlook remains hard to predict with continued consumer trend shift
- 🔴 Cycling of one time cost savings in 2020 is expected to put pressure on short-term profitability, and 1H profitability is expected to weigh on full year performance



- 🔴 We will continue our efforts to win in the market and transformation to build a solid foundation to be profitable when the market recovers to a stable state
- 🔴 Aspire to be the best in class corporate citizen through ESG and creation of shareholder value



# Q & A



# THANK YOU

**Investor Relations**

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