



# *Coca-Cola Bottlers Japan*

## *Q3 Year-to-Date 2017*

### *Earnings Presentation*

October 30, 2017

コカ・コーラ ボトラーズジャパン株式会社

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*Head of Transformation*

*Coca-Cola*  
BOTTLERS JAPAN INC.

(Posted to CCBJI Website October 27, 2017)



# 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 Inc. (CCBJI) 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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CCBJI 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.



# Coca-Cola Bottlers Japan

*Q3 YTD 2017 earnings presentation*

**Year-to-date business update**

**Financial results and integration progress**

**Outlook for rest of the year and beyond**

**Q&A**





# CCBJI 2017 Q3 Year-to-date business update

# Q3 YTD: Making steady progress as a new company, delivering on commitments, establishing a foundation for future growth

## 🔥 Financial performance; Making steady progress

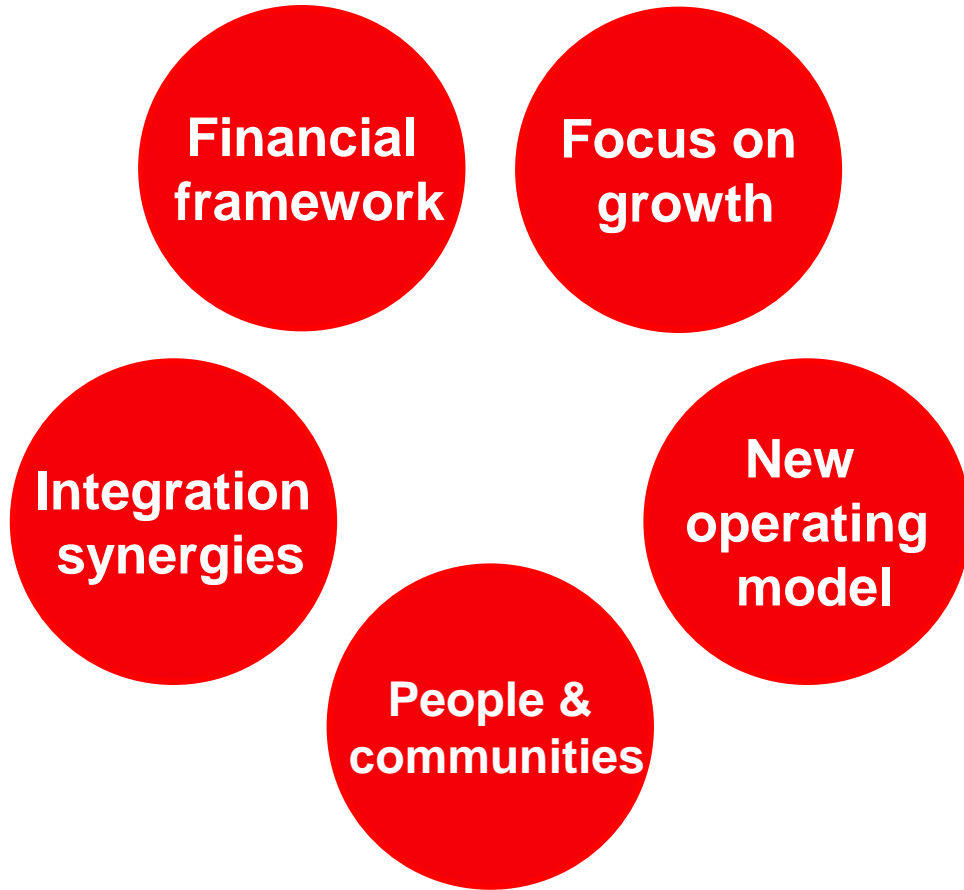
- 🔥 Q3 YTD pro-forma operating income grew 2.6B vs. prior year
- 🔥 On track to achieve 2017 full-year target, despite ongoing topline pressure from weather
- 🔥 Focus on profitability; per case revenue continues to improve across channels, closely monitoring volume share trend

## 🔥 Delivering integration commitments; Establishing growth foundation

- 🔥 Delivered 2B net integration synergies and benefits as of Q3 YTD; On track for full year
- 🔥 2018 sales organization finalized
- 🔥 Integrating operating companies (CCW, CCEJ) into one company as of January 1, 2018
- 🔥 Investing appropriately for 2018 growth



# Our Growth Roadmap for 2020 & Beyond





# Committed to a growth agenda

## Strategic Growth Pillars

### Renewed Focus on Revenue Growth



### Re-imagine Vending Business



### Enrich Innovation Pipeline



## Customer Engagement

**Best-in-Class Execution**

**In-depth Local Knowledge**



# Putting our growth agenda into action

## Renewed Focus on Revenue Growth

- Significant in-store execution improvement across all channels
- Balancing revenue and market share across channels and categories
- Sharing best practices



## Re-imagine Vending Business

- End-to-end vending transformation project on track, with initiatives to grow top-line and improve operation efficiency
- Accelerating Coke ON app > 200K VMs, 5.6M users by September



## Enrich Innovation Pipeline

- Keep focus and pricing discipline on FOSHU and FFC products
- Expanding innovation centered on community and customer; Seasonal and regional launches led by CCBJI





# Disciplined approach to market share, focused on revenue

## *Developing strong plans with Coca-Cola Japan (CCJC) to ignite growth*

### Market Share

Unit: PP

Market Share (vs. PY)	Q2	Q3	YTD 2017
Value	-0.8	-0.4	-0.7
Volume	-0.9	-0.6	-0.8

#### Q3 (July – September) summary

- 🔥 **Market impacted by cool, rainy weather in summer season**
- 🔥 **Strategy to balance value & volume**
- 🔥 **Sequential improvement Q2 to Q3**
- 🔥 **FOSHU & FFC driving share growth in sparkling and non-sugar tea**

### OTC Retail Price

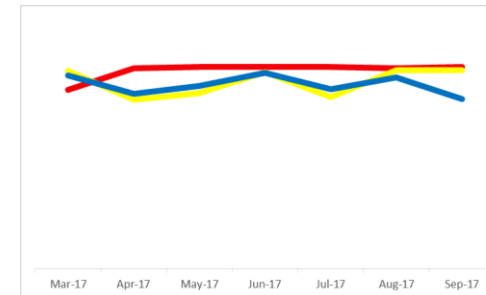
Unit: JPY per bottle

OTC Retail Price (YTD 2017)	Vs. Market Average	Vs. PY
Large PET*	+16.7	-0.2
Small PET	+1.8	+1.5

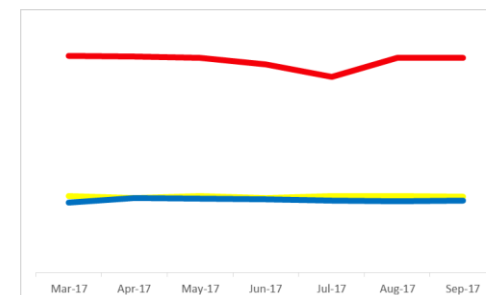
\*2L PET

#### Coca-Cola Plus OTC Retail Price Trend

Convenience Store



Supermarket



Coca-Cola Plus



Competitor A



Competitor B

Source: Intage SRI

FOSHU: Food for Specific Health Usage (Government approved); FFC: Food for Functional Claim

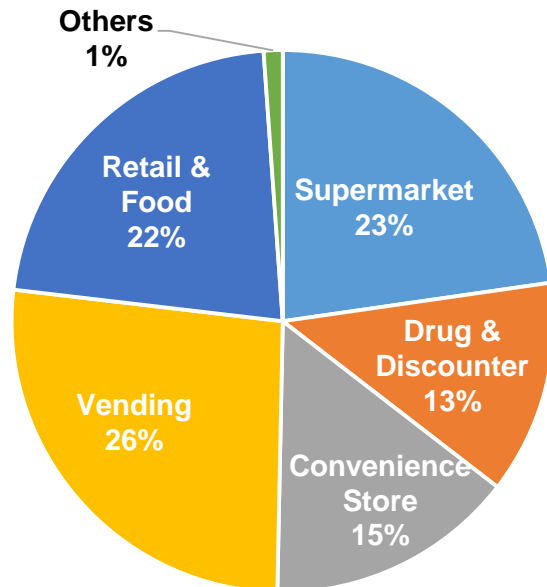
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# Channel volume performance in Q3 YTD 2017

*Price discipline, strong market execution, improved mix driving better revenue per case*

## Q3 YTD 2017 pro-forma volume -1%

### By Channel



	vs. PY	Volume	Revenue per Case (Yen)
Supermarket (SM)		Even	+20
Drug & Discounter (D&D)		+2%	+32
Convenience Store (CVS)		-1%	+13
Vending		-5%	+32
Retail & Food		+2%	-4

### Supermarket, Drug & Discounter

- Decrease in sports and water offset by growth of sparkling and non-sugar tea led by FOSHU and FFC.
- Mix improvement contributed to per case improved profitability
- Large PET volume declined as we held revenue per case even

### Convenience Store

- Growth of sparkling and non-sugar tea led by FOSHU and FFC, decrease of water and coffee
- Mix improvement contributed to per case improved profitability.

### Vending

- Selling price and mix improvement continues despite negative volume performance due to poor weather in peak season

### Retail & Food

- Retail per-case profit improvement; Food service volume growth

Note: Standardization of volume and revenue calculation is ongoing as a result of the integration. Some inconsistencies with the data provided in past presentations may be expected.

FOSHU: Food for Specific Health Usage (Government approved); FFC: Food for Functional Claim

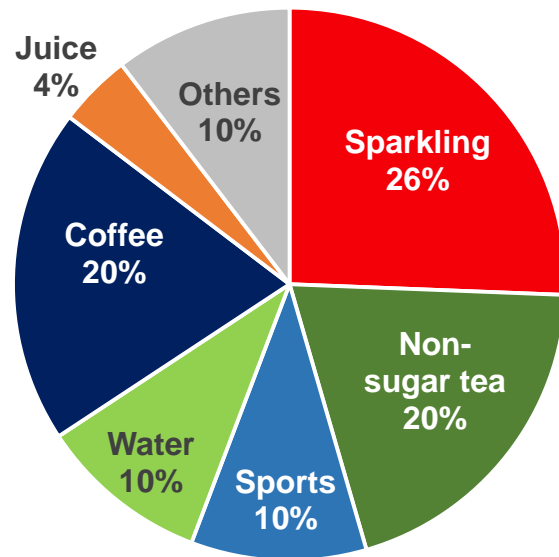


# Category volume performance in Q3 YTD 2017

## *Value-added launches contributing to improved profitability*

Q3 YTD 2017 pro-forma volume -1%

By Category



	vs. PY	Volume
Sparkling		+5%
Non-sugar tea		+3%
Sports		-5%
Water		-9%
Coffee		-5%
Juice		+1%

- High-value added products such as Coca-Cola Plus, Sprite Extra drove volume growth as well as improved per case profitability in **sparkling**
- Solid growth of Ayataka green tea as well as newly launched FFC products led **non-sugar tea** growth
- **Sports** category impacted by poor weather. Sports volume was even in D&D
- Large PET volume decreased by pull-back of discounting, which has improved per case profitability in **water**
- Decline in **coffee**, with growth of bottle can; vending per case profitability improvement

Note: Standardization of volume and revenue calculation is ongoing as a result of the integration. Some inconsistencies with the data provided in past presentations may be expected.

FOSHU: Food for Specific Health Usage (Government approved); FFC: Food for Functional Claim



# CCBJI

## 2017 Q3 Year-to-date financial results and integration progress



# Q3 YTD 2017 pro-forma results

- Volume and revenue impacted by poor weather and vending channel
- Operating Income growth on cost management and synergy capture

Unit: B JPY

	Q3 YTD 2017 (pro forma)	Q3 YTD 2016 (pro forma)	YoY
<b>Revenue</b>	<b>764.0</b>	776.9	-2%
Coca-Cola business revenue	<b>741.7</b>	752.4	-1%
<b>Operating Income</b>	<b>40.1</b>	37.5	+7%
Coca-Cola business OI	<b>37.8</b>	34.9	+8%
<b>Net Income</b>	<b>24.3</b>	21.8	+12%
<b>EBITDA</b>	<b>74.3</b>	70.0	+6%

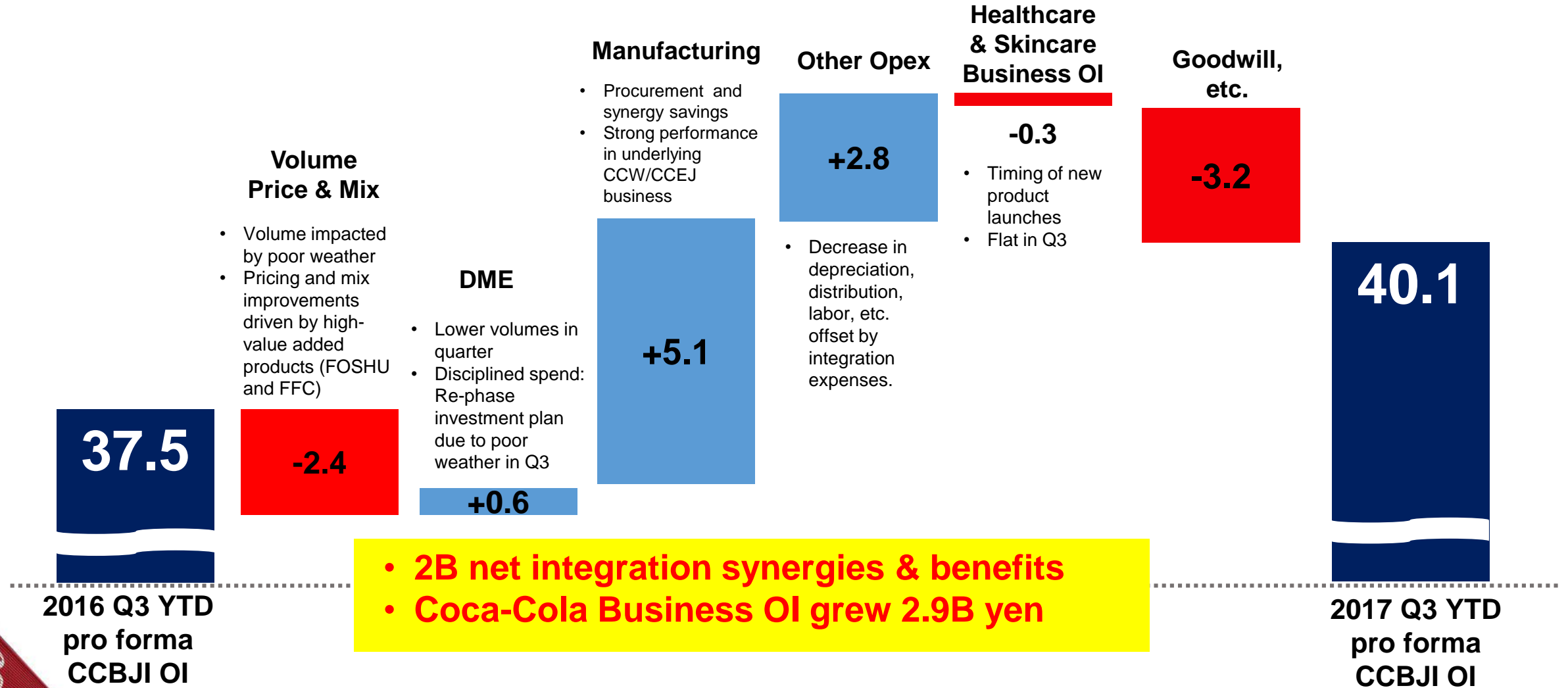
Net Income: Net income attributable to owners of parent.



# Pro-forma 2017 Q3 YTD Operating income drivers

*Steady underlying synergy generation, pro-forma OI grew 2.6B yen YoY*

Unit: B JPY





# Delivering synergies and investing for growth

**Q3 YTD net integration synergies and benefits**

**2 B JPY**

- Manufacturing
- Procurement
- Accounting harmonization

## **CAPEX & Depreciation (pro forma)**

Unit: B JPY

	Q3 YTD 2017	2017 Plan
Capex	33.6	57.0
Depreciation*	31.4	42.0

- Investing in upgraded production capacity, quality sales equipment placement, CokeOne+ ERP system deployment
- Revised (-9B yen) full-year capex plan after review

ERP: Enterprise Resource Planning

\*Pro forma depreciation doesn't include amortization of goodwill, etc.



# 2017 Q3 YTD results (Reported)

*Consolidated CCEJ from Q2. Prior year CCW consolidated*

	2017 Q3 YTD	2016 Q3 YTD	vs PY
Revenue	<b>645,088</b>	353,710	<b>+82.4%</b>
COGS	<b>310,837</b>	170,213	<b>+82.6%</b>
Gross Profit	<b>334,250</b>	183,497	<b>+82.2%</b>
SG&A	<b>295,644</b>	164,471	<b>+79.8%</b>
Operating Income	<b>38,606</b>	19,025	<b>+102.9%</b>
Income Before Tax	<b>37,730</b>	17,232	<b>+118.9%</b>
Net Income	<b>23,797</b>	10,627	<b>+123.9%</b>
EPS	<b>JPY143.17</b>	JPY97.37	<b>+JPY45.8</b>

Coca-Cola Business	2017 Q3 YTD	2016 Q3 YTD	vs PY	Health Care & Skin Care Business	2017 Q3 YTD	2016 Q3 YTD	vs PY
Revenue	<b>622,837</b>	329,261	<b>+89.2%</b>	Revenue	<b>22,251</b>	24,449	<b>-9.0%</b>
Operating Income	<b>36,341</b>	16,509	<b>+120.1%</b>	Operating Income	<b>2,264</b>	2,516	<b>-10.0%</b>

Unit: Million JPY except EPS

Net Income: Net income attributable to owners of parent.

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# Outlook and modeling guidance for Q4

## Q4 Outlook

- Continued poor weather impacting volume and revenue
- Re-phased DME investment plan due to poor weather in Q3. Investing for good start to 2018
- Sequential CAPEX Increase in Q4 vs Q3 as we invest for growth in 2018 and beyond
- Steady generation of net integration synergies and benefits; 2B yen in Q4

## 2017 Full-Year Reported plan

Revenue	906,500
Operating Income	40,100
Ordinary Income	38,100
Net Income	21,500
EPS	122.85
DPS	44

Consolidated CCEJ from Q2.

Unit: Million JPY except EPS and DPS

Net Income: Net income attributable to owners of parent.





# Integrating at a fast pace



## ~ September 2017

- 8 Town Halls to 1,500 CCBJI leaders across Japan, covering company vision, strategy & new operating model
- CCBJI HQ offices opened
- Integrated IT, Procurement and Commercial planning functions
- Business Systems organization established
- Integrate strategy & planning for all functions to create 2018 plan as one company

## By end of 2017

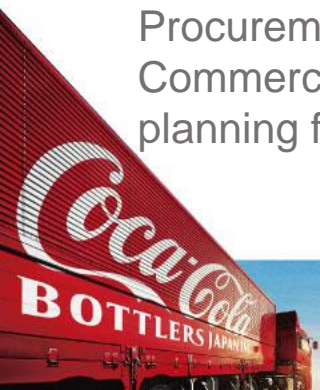
- **2018 commercial regional structure finalized**
- **Key Account Management organization established, manage national customers integrally with CCCMC**
- **Announce Integration of subsidiary bottlers (CCW & CCEJ)**

## Q1 2018

- **Integrate CCW & CCEJ, expect to change holding company name (January 1, 2018)**
- **Integrate system companies**
- **Start operation under new regional structure for Commercial and Supply Chain**

## By end of 2018

- **Integration complete**
  - Optimize organization & legal entity structure
  - Integrate HR system
  - ERP deployment and expansion underway
  - Integrated Shared Services org operational





# CCBJI Outlook for rest-of-year and beyond

# Delivering integration benefits across our business

## Commercial

- “Community based” & “Customer focused”
- Identify new opportunities by collaborating with key regional customers



Bottler led innovations



Limited edition bottle



Expand area specific products



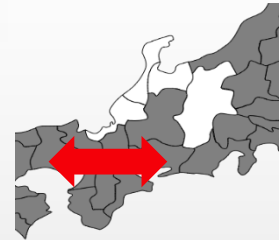
Omotenashi VM outside Tokyo



Expand Olympic support VM

## Supply Chain

Network integration to reduce transportation expense



New bottle can filler at Tama plant



Cross-docking for improved inventory efficiency at sales centers



Standard new product commercialization process across CCBJI



## Common/Corporate

- Sharing and expanding best practices
- Personnel exchange
- Harmonize and standardize data and KPIs



Coke One+ ERP  
- CCBJI wide deployment plan  
- Phase 2 deployment in CCEJ

CCBJI corporate branding activities

Interaction with global Coca-Cola bottlers

Investment in capability development



# Solid marketing plan sets stage for 2018 growth

*Driving profitable IC package growth, focusing on Coca-Cola and Georgia coffee*

## Coca-Cola Winter Campaign



Ribbon Bottles for  
Coca-Cola,  
Coca-Cola Zero,  
Coca-Cola Zero  
Caffeine



## Georgia Winter Campaign



## New launches



TM Coca-Cola  
New year design slim bottle

## Coke ON x Georgia



## iLohas Campaign



Real Gold Kaki Ukon



iLohas Tappuri Lemon



# Commercial organization

*Focus on Kanto region and Tokyo; centrally manage national customers*

## Regional sales organization (from 1/2018)

**Strengthen dynamic Kanto Region, specifically in Tokyo, ahead of Tokyo 2020 Olympic Games**

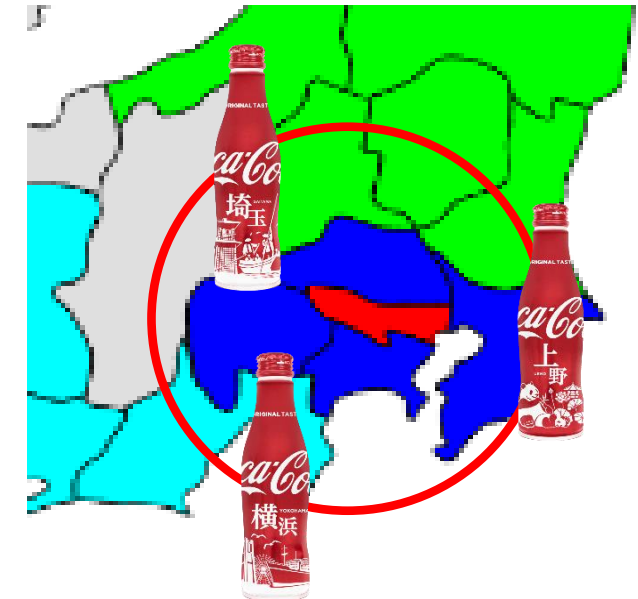
- Building regional strategy based on characteristics by area
- Investment for driving value share growth

## Key account management organization (from 10/2017)

**Centrally manage planning for national customers, aligned with CCCMC\* and CCJC**

\*CCCMC: Coca-Cola Customer Marketing Co. One of Coca-Cola system related companies established by Coca-Cola bottler in Japan including CCBJI and Coca-Cola (Japan) Co., serving as a sales negotiation window for national chain retailers and food service chains.

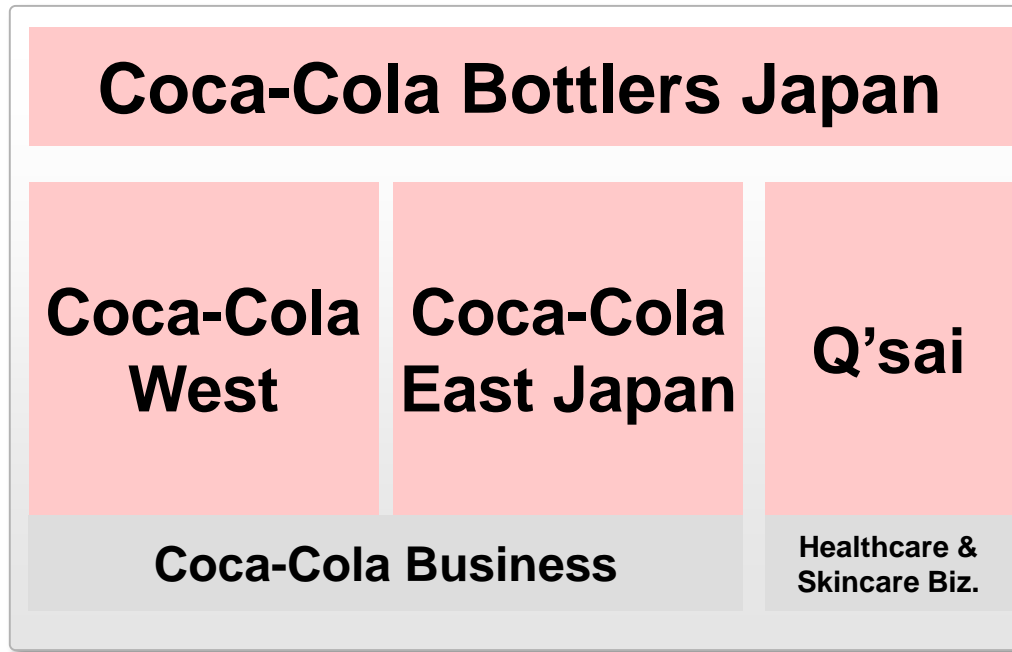
## Tokyo Focus



# Operating as one enterprise

## *Integrate Coca-Cola business operating companies*

**Now**



**January 1, 2018~**



\*Change of current CCBJI trade name subject to approval of extraordinary shareholders meeting to be held on December 5, 2017.

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# Wrap-up

## The heart of the decision to form CCBJI

*Bringing together a proven leadership team committed to growth, partnering with our communities and customers, and driving shareholder value*

- ❖ CCBJI organization mostly in place with clear **functional mandate**, delivering on 2017 plans
- ❖ Strengthened National Key Account capability to **better serve** key customers
- ❖ **Empowered region structure** for Commercial, Supply Chain functions to ensure focus on growth
- ❖ Legal entity simplification/consolidation on track
- ❖ **Coke One+ ERP rollout** plans for CCBJI in place
- ❖ **Synergy targets 25B+ yen** by 2020 with high impact initiatives, currently in execution phase



# Toward 2018

*Sustainable growth and synergy capture based on solid foundation from 2017*

## 2017

- ✓ Speedy integration
- ✓ Profitability focus
- ✓ Establishing foundation for growth



## 2018

- 🍷 Growth
- 🍷 Synergy generation
- 🍷 Leadership





Q & A



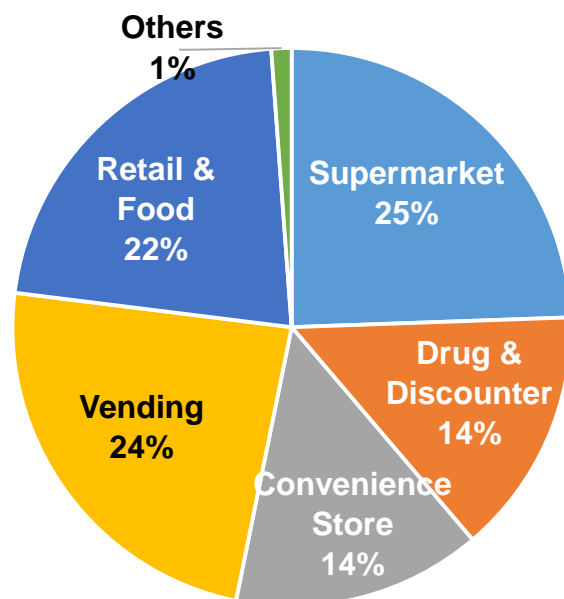


# Appendix

# Q3 2017 pro-forma volume performance

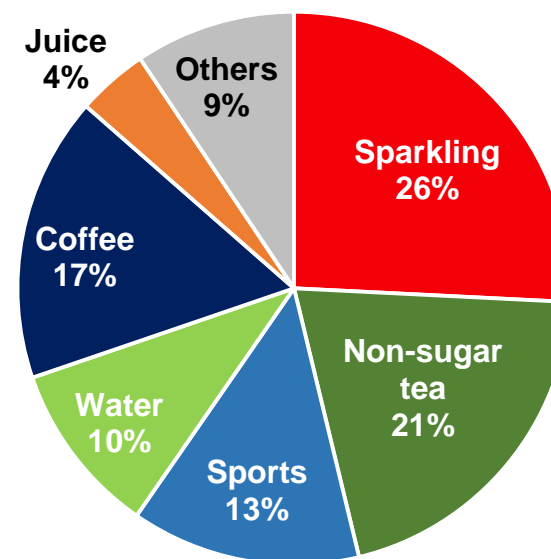
Q3 2017 pro-forma volume -1% (July +3%, August -4%, September -1%)

## By Channel



vs PY	Volume	Revenue per Case (Yen)
Supermarket	+1%	+13
Drug & Discounter	+3%	+24
Convenience Store	+1%	+14
Vending	-6%	+38
Retail & Food	+1%	+8

## By Category



vs PY	Volume
Sparkling	+3%
Non-sugar tea	+5%
Sports	-6%
Water	-6%
Coffee	-5%
Juice	+2%

Note: Standardization of volume and revenue calculation is ongoing as a result of the integration. Some inconsistencies with the data provided in past presentations may be expected.

# 2017 Q3 (July – September) results (Reported)

*Consolidated CCEJ from Q2. Prior year CCW consolidated*

	2017 Q3	2016 Q3	YoY
Revenue	<b>287,251</b>	134,403	+ 113.7%
COGS	<b>138,178</b>	64,391	+ 114.6%
Gross Profit	<b>149,073</b>	70,012	+ 112.9%
SG & A	<b>127,564</b>	59,869	+ 113.1%
Operating Income	<b>21,508</b>	10,142	+ 112.1%
Income Before Tax	<b>21,372</b>	9,356	+ 128.4%
Net Income	<b>14,104</b>	5,993	+ 135.3%

Unit: Million JPY

Net Income: Net income attributable to owners of parent

2016 actual results are former Coca-Cola West and YoY calculated on former Coca-Cola West results.





# We are a *Total Beverage Company*



***“Beverages for Life”***

**Offering 50+ brands, 600+ SKUs  
for all life's stages and for each day of your life**



# CCBJI at a glance

- 🍷 The world's **third largest\*** Coca-Cola bottler by revenue
- 🍷 Total Beverage Company, offering **50+ brands, 600+ SKUs**
- 🍷 Represents **~90% of total sales volume** for the Coca-Cola system in Japan

\*As of December 2016

## Number of Employees

About  
**25,000**



\*Including temp staff

## Sales Area

Tokyo, Osaka, Kyoto  
and **35** prefectures



## Annual Revenue

About  
**1 trillion** yen



\*Aggregation of CCW and CCEJ 2016 results

## Sales Centers

**351** centers



\*As of January 2017, including distribution centers

## Manufacturing Plants

**17** plants



## Number of Vending Machines

**740,000**

\*As of end of 2016



## Number of Consumers

**50** million households  
**112** million consumers



## Annual Sales Volume

More than **500** million cases



\*Actual 2016

## Customer Outlets

**320,000** outlets



\*As of end of 2016

## Number of Fleets

**16,300** vehicles



\*As of end of July 2016



# We are part of the global Coca-Cola system

*An enduring and effective partnership*

*The Coca-Cola Company*  
Coca-Cola (Japan) Company

- Brands
- Innovation
- Global perspective
- Consumer focus
- Superior insight

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

- Customer focus
- Local expertise
- Best-in-class execution
- Finished goods production
- Logistics and distribution
- Cost optimization





# Glossary of key terms

DME	Abbreviation of <b>Direct Marketing Expenses</b> . Sales promotion-related expenses, including advertisement, rebates, sales, sales commissions, etc.
FC	Abbreviation of <b>Future Consumption</b> . Purchase or sell beverage for future consumption in home, etc. It also means the products / SKUs for FC (for example, single packages 1L or more and multi-pack of IC packages) and channels that consumers purchase the beverages for FC. (for example, supermarket, drug & discounter channels, etc.).
HORECA	Abbreviation of <b>Hotel, Restaurants and Cafeteria</b> . Generally means sales channels of these kinds.
IC	Abbreviation of <b>Immediate Consumption</b> . Purchase or sell beverage for consuming it immediately. It also means the products / SKUs for IC (for example, single packages less than 1L as well as fountain) and channels that consumers purchase the beverages for IC (for example, vending machines, convenience store channel, etc.).
OBPPC	Abbreviation of <b>Occasion, Brand, Package, Price, Channel</b> . A segmentation strategy tailored to consumption opportunities to drive revenue growth in five areas: occasion, brand, package, price and channel.
Pro forma	Assuming the business integration of CCW and CCEJ from January 2017 and estimating 2016 results using the same standard
PTC	Abbreviation of <b>Price, Terms and Conditions</b> , an internal guideline for setting appropriate transaction conditions with customers, frequently used in conjunction with RGM.
RGM	Abbreviation of <b>Revenue Growth Management</b> , an overall strategy and process to grow revenue and profit
RTM	Abbreviation of <b>Route-to-Market</b> . A framework, a process, a philosophy, a proven approach for driving profitable growth.

## Channel Definitions



Vending	Retail sales to consumers through vending machine
Supermarket	Wholesale to supermarket chains customers
Drugstore & Discounter	Wholesale to drugstore and discounter chains customers
Convenience Store	Wholesale to convenience store chains customers
Retail & Food	Wholesale to grocery store, liquor store, eating & drinking establishments (HORECA), online sales channels customers, etc.
Others	Wholesale to customers other than above

# THANK YOU



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INVESTOR RELATIONS

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