

Strategic Business Plan 2024 – 2028 Vision 2028

August 9, 2023

Coca-Cola Bottlers Japan Holdings Inc.

Calin Dragan, President

Bjorn Ivar Ulgenes, Vice President & CFO

(Posted to CCBJH website on Aug 9, 2023)

A large red Coca-Cola truck is parked under a red canopy. The canopy features the Coca-Cola logo in white script and the text "BOTTTLERS JAPAN INC." in red block letters. The truck's side also displays the Coca-Cola logo in white script and "BOTTTLERS JAPAN INC." in white block letters. The background shows a clear blue sky and some greenery.

Coca-Cola
BOTTTLERS JAPAN INC.

ハッピーなひとときを、
ボトルから。
We bottle happy moments.

Coca-Cola
BOTTTLERS JAPAN HOLDINGS INC.

Staying True to Our Mission, Vision, Values



Mission

*Deliver happy moments
to everyone while creating value*

Vision

- *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

- *Learning*
- *Agility*
- *Result-orientation*
- *Integrity*

Leadership Team Fostering Growth

Coca-Cola Bottlers Japan Holdings Inc.
Presenters

Coca-Cola (Japan) Company, Ltd.
Presenter



Calin Dragan

Representative Director
and President

Bjorn Ivar Ulgenes

Representative Director
and Vice President, CFO

Costin Mandrea

Coca-Cola Bottlers Japan Inc.
Executive Officer and CCO

Jorge Garduño

President
Japan and South Korea

Achievements and Learnings: Our Journey

Attained learnings and results amidst challenging environment for the future

Strategic business plan announced in 2019

- COVID impact: Drop in traffic and channel mix impact
- Cost environment: Commodity and energy price rise, yen weakening

Stabilizing

- Responding to changes in the environment by making quick business decisions in the midst of unprecedented circumstances
- Drive transformation: Over 30 billion yen of cost savings, built a strong business foundation
- Strengthen profit foundation: 3 rounds of price revisions implemented since 2022
- Commercial activities to capture the traffic recovery
- Good stewardship of capital: Controlled capex, sale of non-core assets and cross shareholdings

**Strong
Business
Foundation**

**Learnings &
Growth
Opportunities**

**Leverage
learnings and
achievements**

Reason to Believe: Now is the Time to Move Toward the Future

- † Key transformation initiatives to date have built a strong business foundation
- † The business environment is gradually stabilizing, despite being significantly affected by the impact of COVID and challenging cost environment
- † Steady recovery in business performance since 2022; steady progress for 2023



**Set new medium term goals and
accelerate efforts for sustainable growth**

5 Year Strategic Business Plan Focused on Profitability and Capital Efficiency

Vision 2028: Sustainable Profitable Growth

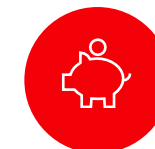
- Profitability-focused commercial activity
- Optimization to enhance value creation in supply chain, back-office and IT
- Driving company-wide transformation to further strengthen business foundation and cost savings
- Improve capital efficiency through good stewardship of capital
- Promote ESG and human capital management for the foundation of sustainable growth



+2-3% CAGR
REVENUE GROWTH



5%+
BUSINESS INCOME MARGIN



25-35 B JPY
TRANSFORMATION SAVINGS



5%+
ROIC



BUILD COST STRUCTURE
RESILIENT TO CHANGE

Key Pillars for Achieving Strategic Business Plan

Vision 2028: Sustainable profitable growth
Profitable growth and build cost structure resilient to change

Commercial Excellence

- Product strategies in-line with trends
- Appropriate growth strategies by channel
- Profitability-focused commercial activities
- Vending transformation

Supply Chain Optimization

- Agile logistics
- Building flexible manufacturing structure
- End-to-end integration
- Leverage digital technology

Back-Office and IT Optimization

- Promote data-driven management
- Efficient administrative and business operations

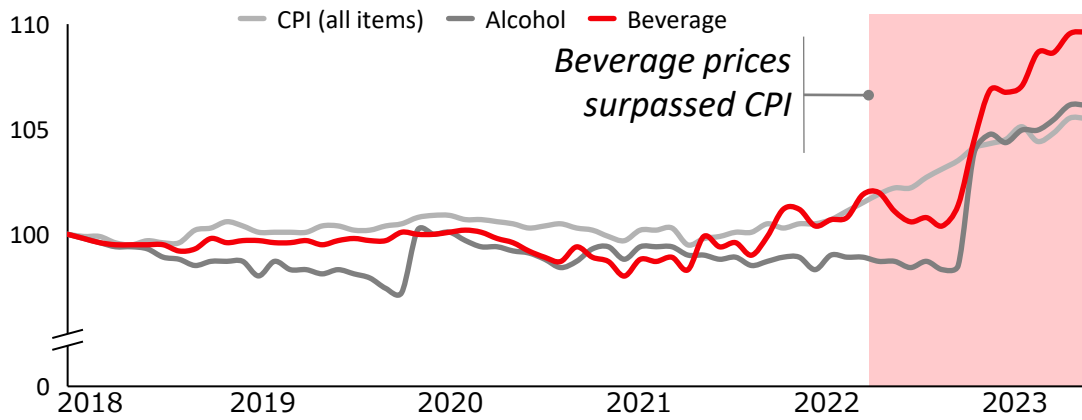
Enhance: ESG / Human Capital / Financial Foundation

Improving Macro Environment and Changing Consumption Trends Provide Opportunities for Growth

Macro indicators trending upwards

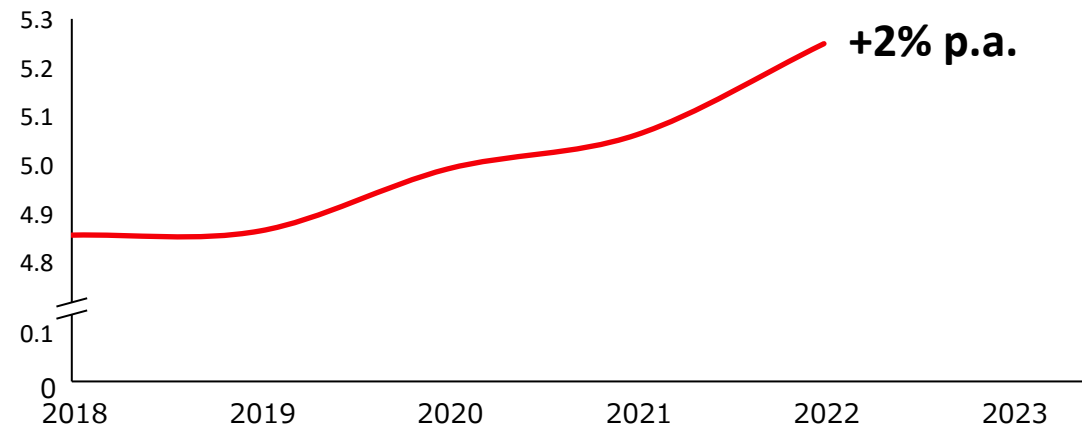
Beverage category inflation rising above CPI since mid-2022

2018 – 2023, normalized to Jan 2018



Steadily growing median disposable income per household

2018 – 2022, Millions of JPY



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, Ministry of Finance, Bank of Japan, National statistics, compiled by CCBJH

Changing NARTD industry trends



Restaurant, Leisure and Tourism Recovery

Traffic recovery leading to increased beverage consumption occasions



Enhanced Digital Consumer Engagement

New ways to directly connect with consumers are emerging



Price Revisions

Rising beverage prices with cost pressure from external factors



Premiumization and Authenticity

Rising interest in quality and unique experiences



Health-Conscious Products

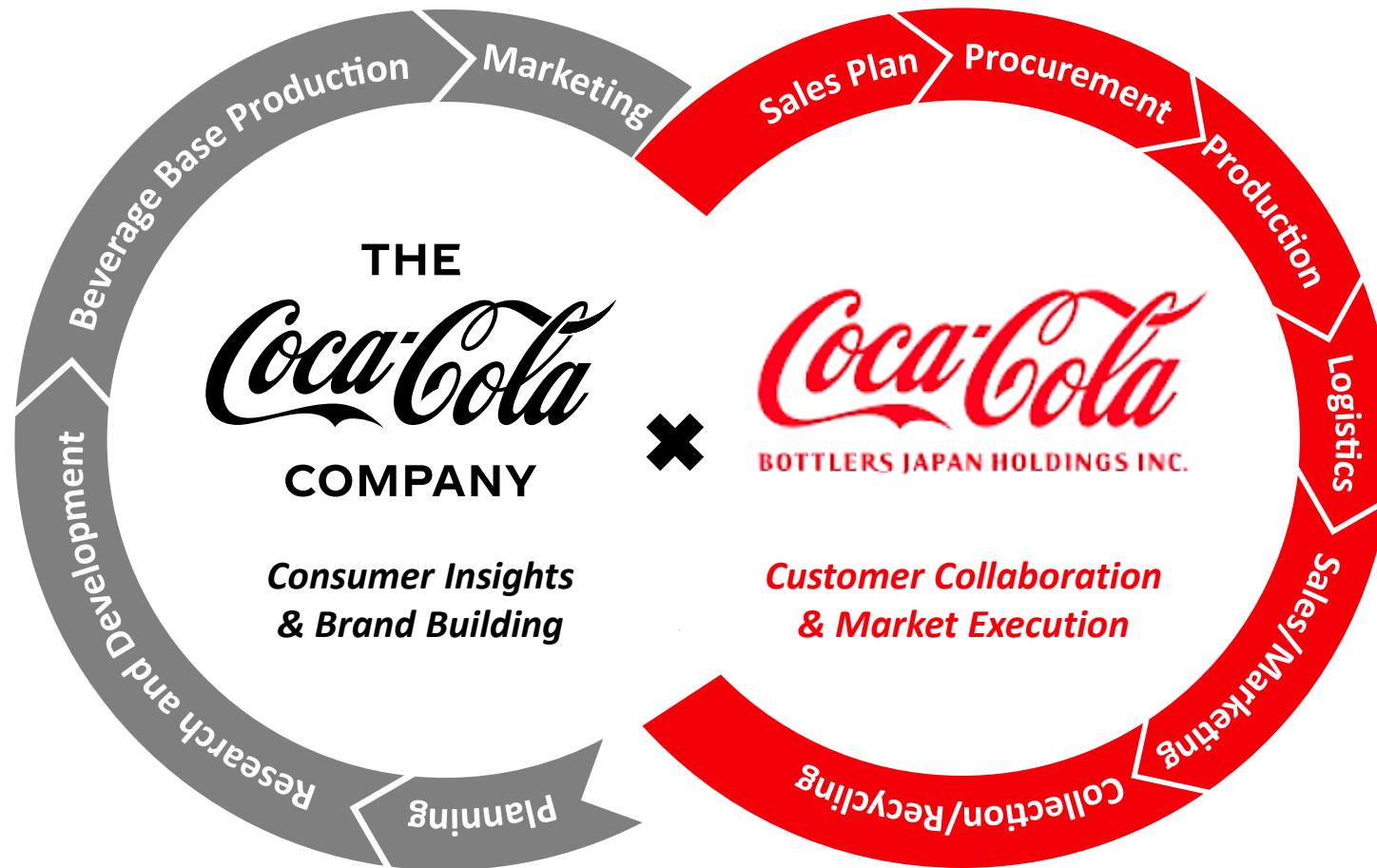
Growing need for healthier beverages, including FOSHU and foods with functional claims



Sustainability

Rising consumer expectation around sustainable business operations

Strong “One System” Partnerships Driving Growth

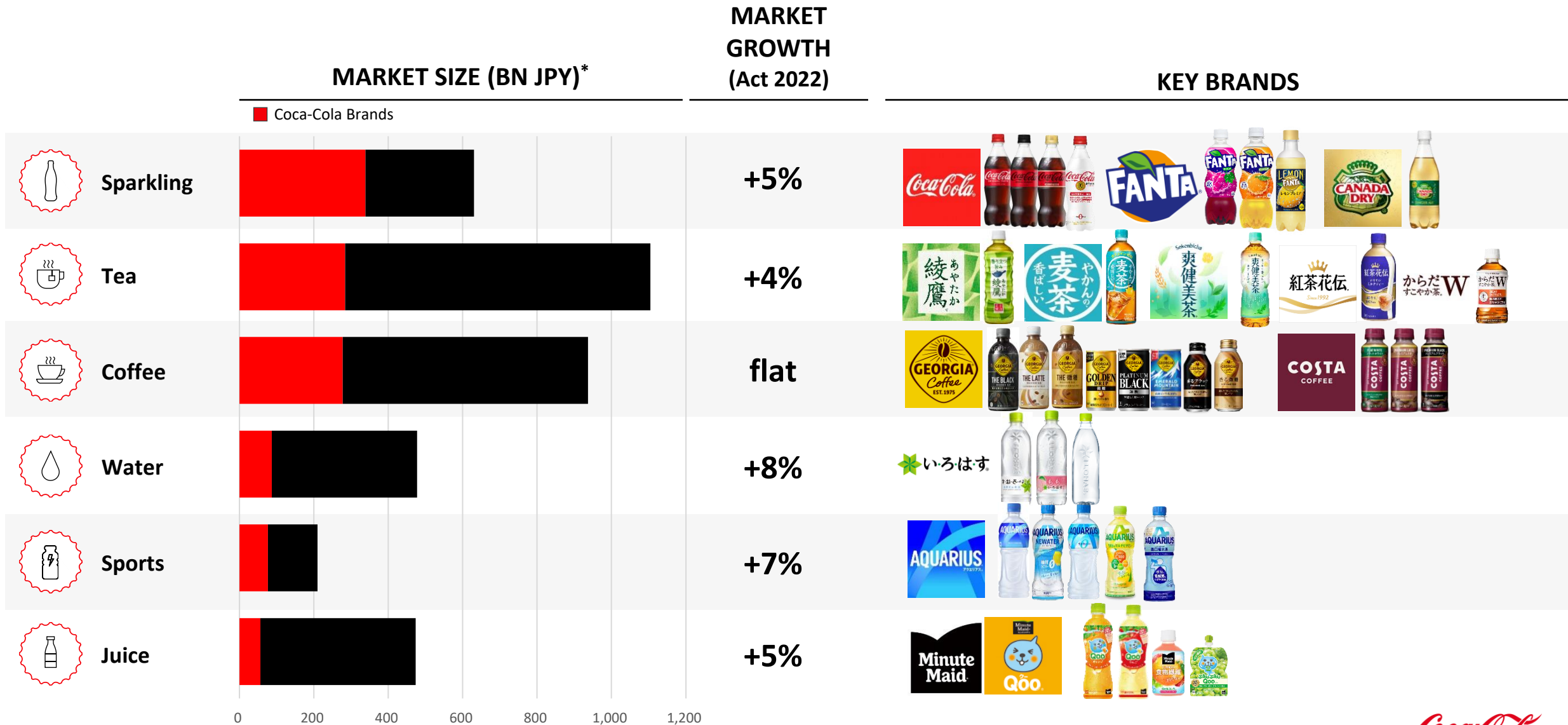


A PARTNERSHIP WITH PURPOSE...

- Refresh Japan, Create Positive Difference
- One System with Clear Role Sort
- Nurture a Growth Mindset
- Shape Healthy Industry Dynamics

WORKING TOGETHER TO DRIVE GROWTH & VALUE CREATION

The Leading Beverage Portfolio in Japan, with Room for Growth



*2022 CCJC estimate

Unique Blend of Global and Local Strengths for Sustainable Edge

Accelerating CORE BRANDS



Expanding FOOTPRINT



Transforming MARKETING

Digital x GenZ culture for GEORGIA Renewal Photo turning into Anime



Scaled Coke Studios Festival







Unique Code Cap Promotion leveraging Coke ON



Execute Tailored Growth Strategies to Seize Opportunity Across Every Channel

Leverage foundation and execute profitability-focused channel strategies

| Channels | Expected Our Volume Growth (2024 - 2028) | Current Status & Strengths | Key Strategies |
|--|--|---|---|
|  Over-the-counter (OTC) | ➔ | <ul style="list-style-type: none"> • Strong market execution and brand • Strong business foundation in several areas • Salesforce transformation | <ul style="list-style-type: none"> ➤ Implement initiatives to increase basket incidence based on consumption occasions ➤ Build strategic partners with key customers ➤ Product portfolio and sales space expansion based on consumer needs |
|  Vending | ➔ | <ul style="list-style-type: none"> • Strong volume and revenue recovery • Accelerated share growth through new placements • High-cost structure and labor shortage | <ul style="list-style-type: none"> ➤ Strategic placement of vending machines in prime locations ➤ Leverage Coke ON, strengthen assortment to maximize revenue ➤ Introduction of dynamic pricing ➤ Increase operational productivity through digitalization |
|  Food service | ➔ | <ul style="list-style-type: none"> • Strong post-COVID recovery • Implemented profitability improvement initiatives | <ul style="list-style-type: none"> ➤ Increase product portfolio, new customer development ➤ Profitability-focused sales equipment and product line-up optimization ➤ RTM* transformation, optimize pricing, terms & conditions ➤ Diversify Food Service Aggregators (FSA) |
|  Online | ➔ | <ul style="list-style-type: none"> • Continued strong growth • Strong presence in the beverage e-commerce space | <ul style="list-style-type: none"> ➤ Product portfolio suited to the online channel ➤ Strengthen customer partnership (sales, promotion, logistics) |

*RTM (Route to market): The process of delivering product or service to the final consumer. Defining the best sales format for the area.

Disciplined Commercial Actions for Enhanced Business Profitability

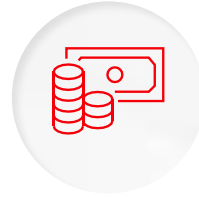
PACKAGING AND CHANNEL MIX

- Accelerate growth of immediate consumption packaging
- Optimize pricing by package
- Focus on profitable channels
- Strengthen collaboration with key customers



PRICING STRATEGY

- Pricing strategy reflecting market trends
- Pricing based on Channel, Package, and Location
- Promotional investment optimization with profitability in mind



PRODUCT PORTFOLIO

- Strengthen high value-added products through innovation
- Focus on high-profitability categories
- Strengthen product lineup by price range



PRODUCTIVITY

- Customer collaboration encompassing the whole supply chain
- Improved operation efficiency with DX
- Strengthen customer segmentation



Transforming the Vending Business to a Higher Level

Leverage technology for growth and optimized operations

PLACEMENT OPTIMIZATION

- Expansion in high-quality locations
- Location development solutions
- Office space solutions

DIRECTING SHOPPERS TO VENDING MACHINE

- Shopper recruitment programs
- Attractive product line-up and marketing
- Enhance Coke ON functionalities

ASSORTMENT AND PRICING OPTIMIZATION

- AI-based assortment optimization
- Introduce dynamic pricing

OPERATIONAL PRODUCTIVITY IMPROVEMENT

- AI-based sales and restocking plan
- Route optimization through new technology infrastructure
- Forecast-based maintenance



VALUE CREATION IN VENDING

- Increase technology capabilities with end-to-end digitalization to unlock optimization potential
- Closer to customers with a optimized vending machine placement
- Seamless customer experience

Technology as Key Driver of Vending Transformation

Transformation Levers

Innovations for Greater Consumer Experience

Online Vending Machine

PLACEMENT OPTIMIZATION

Implement big data and further use of sale activity support systems (SFA)

Improve business performance, at the same time improve visibility to identify high VPM*



DIRECTING SHOPPERS TO VENDING

Coke ON app and QR code payment enhancements

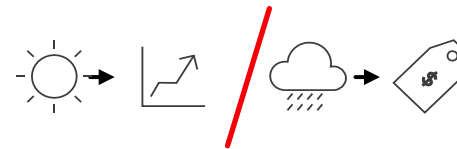
Further use of Coke ON and cashless payments to improve customer engagement to maximize sales opportunity



ASSORTMENT AND PRICING OPTIMIZATION

Leverage digital to optimize pricing

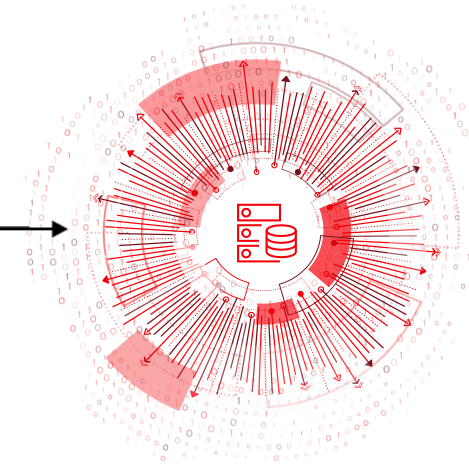
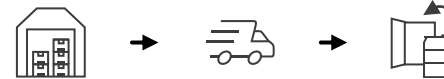
Timely and price adjustment depending on market supply and demand



OPERATIONAL PRODUCTIVITY IMPROVEMENT

AI-based sales and restocking plan

Capture live vending machine inventory data to improve restocking process



*VPM: Sales per machine

Leverage Strong Supply Chain Foundation and Drive Further Efficiency

Promote transformation including digital innovation

Examples of success

- ✓ **Construction and implementation of 2 Mega DCs** (automated distribution centers) optimizing whole supply chain
- ✓ **Consolidation of locations** closed over 40 locations. Streamlining inventory management to reduce inventory
- ✓ **S&OP revamp** significantly improved the service level of product supply in times of sudden demand change
- ✓ **Logistics optimization** for reduced transport distance up to 25% per case*

*2022 vs. 2021

STRATEGIES FOR HIGH QUALITY SERVICE AT LOWEST COST

Agile Logistics

- Leverage Mega DCs
- Optimize supply chain network
- Optimize distribution network including outside partners

End-to-end Integration

- Optimize supply chain with promotion of local production for local consumption model
- Further improve S&OP process accuracy to optimize supply chain network and inventory levels

Flexible Manufacturing

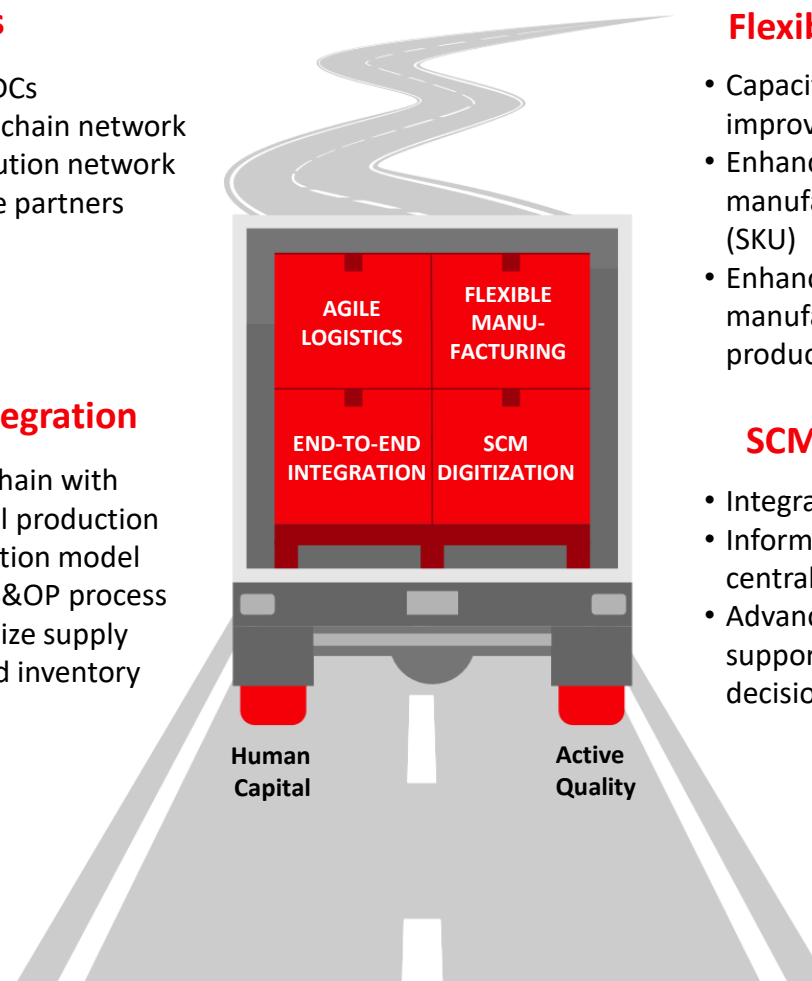
- Capacity creation through improved productivity
- Enhance capability to manufacture diverse products (SKU)
- Enhance capability to manufacture high value-added products

SCM Digitization

- Integrated systems and processes
- Information transparency and centralization
- Advanced data analytics supporting sound business decisions

SUPPLY CHAIN VALUE CREATION

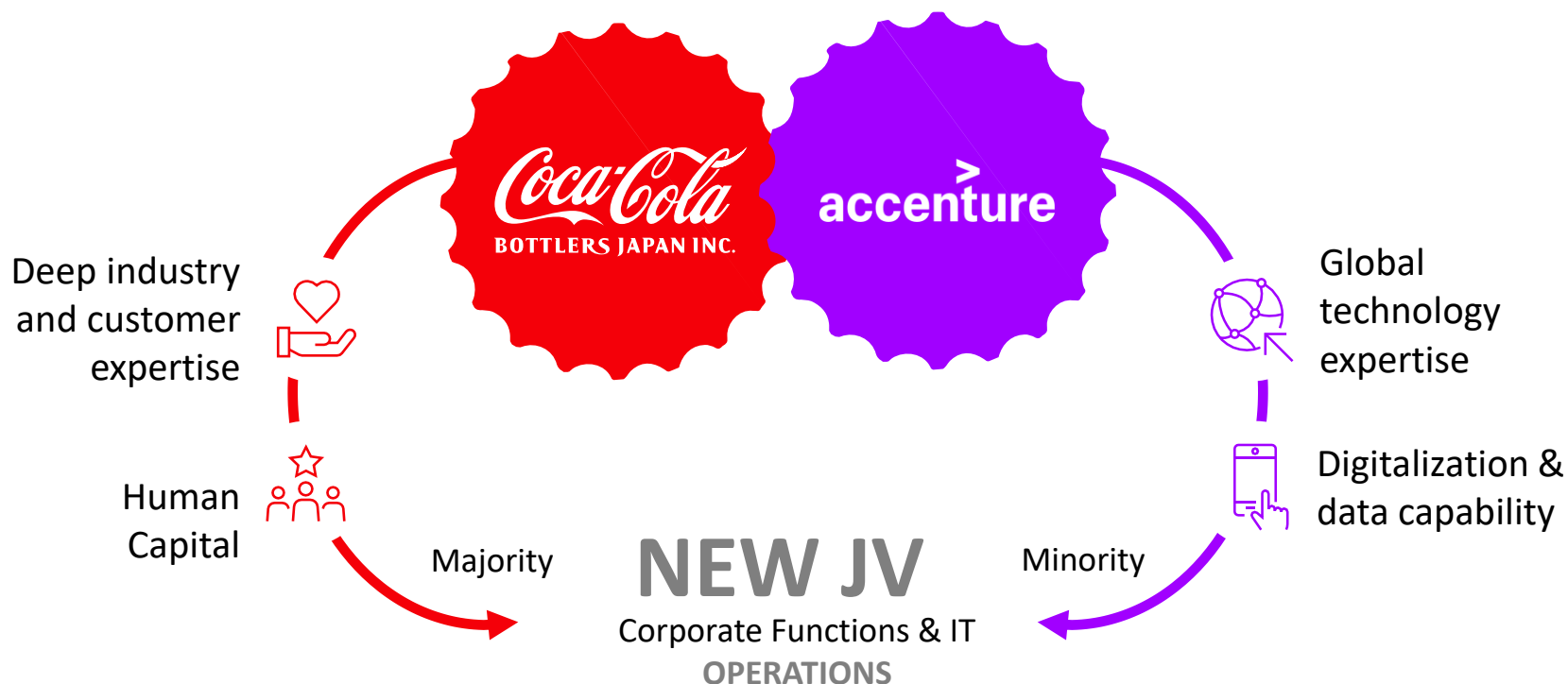
- **Ensuring stable product supply**
- **Optimizing asset utilization**
- **Collaborating with other functions** for optimized supply chain and inventory
- **Advancing inventory management** for improved delivery lead-times



Optimizing All Enterprise Operations and IT

Promote data-driven decision making

- ✓ A novel JV with Accenture to build industry-leading operations in the business process and in digitalization.
- ✓ Strengthen business foundation to be cost-efficient and profitable



A fully integrated Technology Master Plan
across CCBJH group for data-driven decisions in the future

CREATING VALUE IN BACK-OFFICE AND IT

- **Unlock potential future transformation efforts**
- **Access technology** to capture, analyze, and utilize data
- **Leverage insights** for enhanced, data-based decision making and future business opportunity identification
- **Consolidating administrative and back-office services** in the JV

UPCOMING MILESTONES

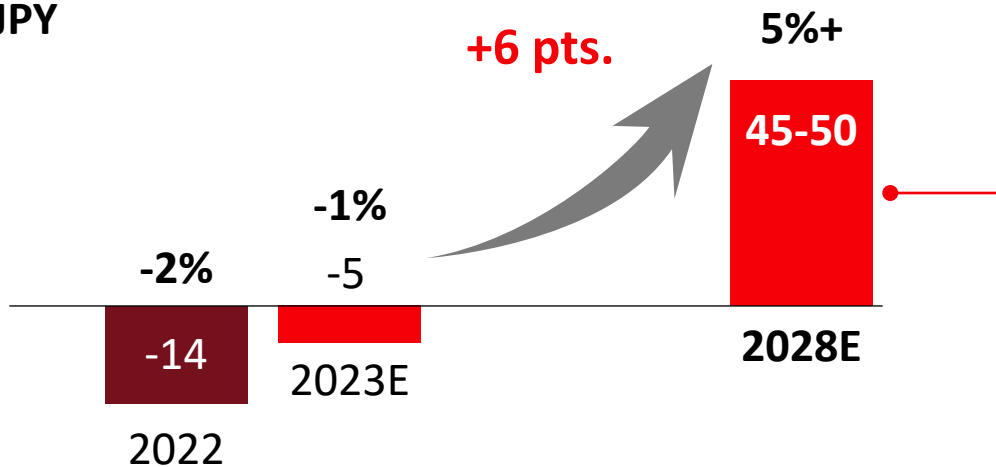


Achieving Business Income Target for 2028

Achieve BI target with revenue growth and transformation

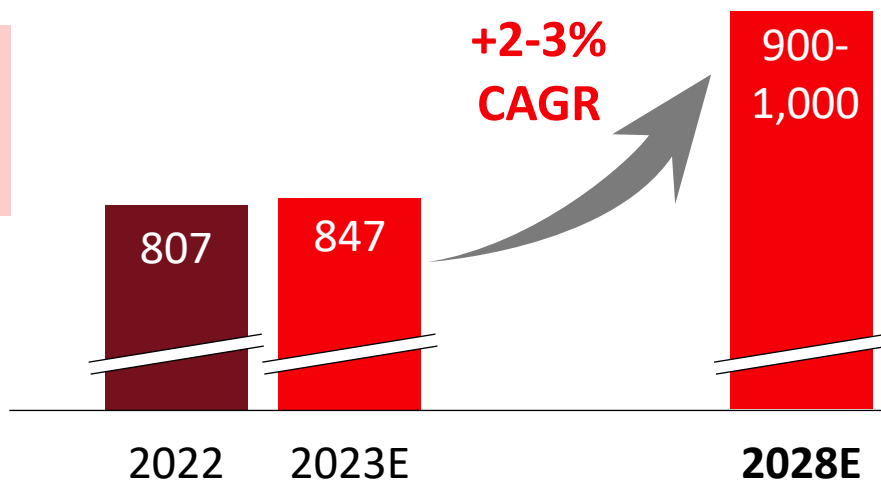
Business Income, B JPY

Business Income Margin by 2028
5%+

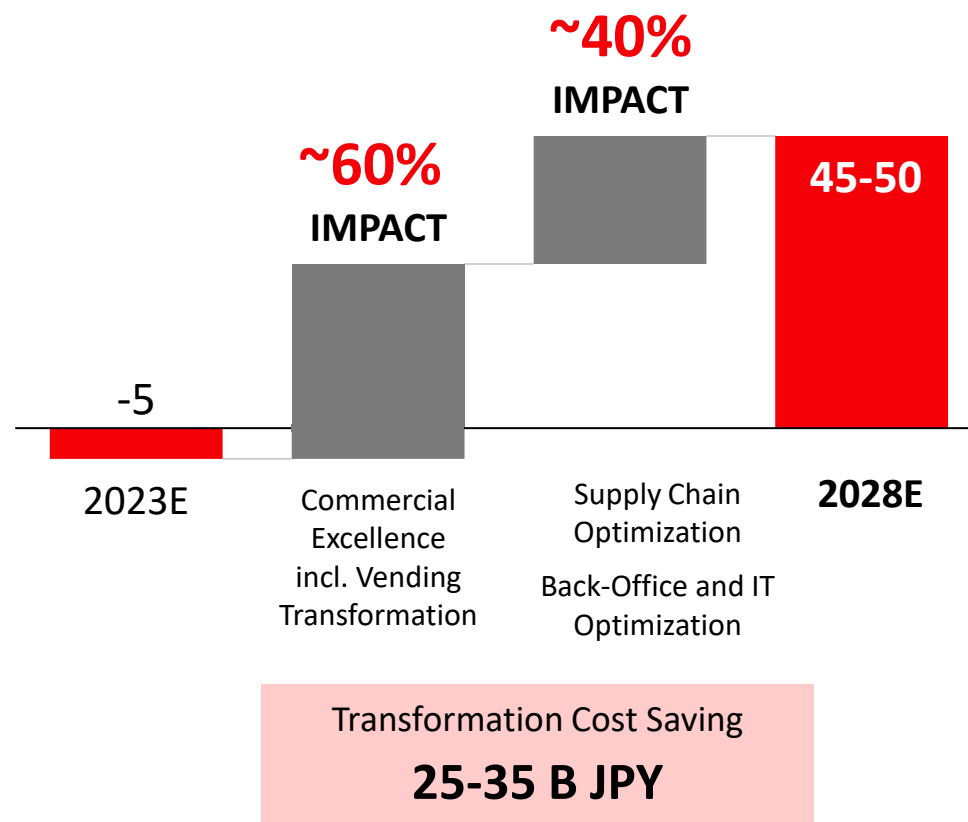


Revenue, B JPY

Revenue Growth Supporting Earnings
+2-3% CAGR



Drivers of Business Income Growth, B JPY



Initiatives to Improve ROIC and Increase Shareholder Value

ROIC Improvement



Business Income Margin Improvement

- Commercial initiatives focused on profitability
- Transformation initiatives aimed at achieving improved profitability



Capital Efficiency Improvement

- Capex:** Controlled to levels below depreciation and be selective (Annual average 30-35B yen*)
- Balance sheet optimization:** Improve asset turnover (incl. inventory, fixed assets)
- Optimize leverage:** Under consideration with stable credit ratings



Target of 5%+ ROIC by 2028

Achieve ROIC through improved capital efficiency contributing to PBR improvement



Shareholder Return



Shareholder Value Improvement

- Basic policy is to actively return profits to shareholders, with a target of 30% payout ratio. Placing high priority on stable dividend payments
- Further initiatives to improve shareholder value under consideration



Sustainable Growth

Improve Corporate and Shareholder Value

*Capex not including IFRS16 non cash items.

ESG Initiatives to Create a Sustainable Business



RESOURCE

COMMUNITY

DE & I

| Major Initiatives | Target | Results*2 | |
|--|------------------|----------------|------|
| GHG Emission*1 | Scope 1, 2 | -50% | -20% |
| | Scope 3 | -30% (2030) | -25% |
| Water Replenishment | 200% (2025) | 420% | |
| # of Participants of Community Program | 1,000K (2025) | 910K | |
| Female Manager Ratio | 20% (2030) | 6.6% | |

LGBTQ+

-







Active education to Stakeholders

*1. Target of GHG is vs 2015 *2. Results are as of December 2022

Key Metrics and Picture of Success for 2028



TARGET FOR 2028

| | | |
|---|-----------------------------------|--|
|  REVENUE | +2-3% CAGR | Revenue growth above volume growth |
|  VOLUME | +0.5-1% CAGR | Growth aligned with profitability-focused commercial strategy |
|  BUSINESS INCOME | 5%+ margin 45-50 B JPY | Aiming for sustainable profit growth. Return to profitability by 2024 |
|  TRANSFORMATION SAVINGS | 25-35 B JPY | Transformation across the company |
|  ROIC | 5%+ | Improved profitability and capital efficiency |
|  SHAREHOLDER RETURN | Stable dividends focus | Consider flexible shareholder value initiatives |

* Growth target compared to 2023 forecast announced in Feb 2023

Returning to a Growth Trajectory and Achieving Sustainable Growth

2019 - 2023

Driving transformation in a challenging business environment

- ↑ Responding to unprecedented circumstances with agile management decisions
- ↑ Accelerating transformation cost savings and building a resilient business foundation
- ↑ Strengthen earnings foundation with price revisions
- ↑ Promote digitalization

✓ Built foundation for growth

2024 - 2028

Profitable growth and build cost structure resilient to change

- ↑ Profitability-focused commercial strategy
- ↑ Supply Chain Optimization
- ↑ Operation Process Optimization
- ↑ Financial strategies with ROIC focus
- ↑ Strengthen ESG and human capital management

- ✓ Realize growth on the foundation built
- ✓ Drive further transformation
- ✓ Achieve historical high business income in 2028

2029 -

Accelerate growth



ROIC above WACC



Enhanced shareholder return initiatives, including enhanced payout ratio



Strong business foundation of sustainable growth



THANK YOU

Investor Relations

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Happy moments
from the bottle.
We bottle happy moments.

Coca-Cola
BOTTTLERS JAPAN HOLDINGS INC.

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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