



Coca-Cola Bottlers Japan Holdings First Quarter 2018 Earnings Presentation

May 14, 2018

コカ・コーラ ボトラーズジャパンホールディングス株式会社

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(Released on May 11, 2018)

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) 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)

First quarter (Q1) 2018 earnings presentation

Q1 2018 summary and business update

Q1 2018 financial results & integration progress

Outlook for the rest of the year

Q&A





CCBJH Q1 2018 summary and business update

2018: Pivoting from integration focus to growth mindset

Still early but gaining traction; Consistent focus on sustainable growth

National scale, local presence

- ‡ Executing segmented channel and category strategies tailored for each region
- ‡ Community-focused and customer-centric commercial activities, leveraging the scale of CCBJH

Innovation

- ‡ “Beverages for Life” product portfolio
- ‡ Enhanced engagement with customers and consumers, driven by insights
- ‡ Leveraging digital technology across the value chain

Synergies

- ‡ Continued disciplined synergy capture toward 2020
- ‡ Prioritizing big bets
- ‡ Fuel to re-invest for sustainable growth



Q1 2018 results highlights

Volume growth and strong synergy capture, yet competition intensifying

- First quarter volume growth of 1%. Solid start to the second quarter with encouraging April results.
- Market share growth in both value and volume terms, with value share growth ahead of volume. Consistently improving trends since integration.
- Reported revenue increased 116% due to the April 2017 integration.
 - Pro-forma revenue declined 2%, due to negative channel mix and competitive pricing environment
- Reported operating income grew 46% versus prior year.
 - Pro-forma operating income decreased 14%, primarily due to 1.4 billion yen goodwill amortization in Q1. Without integration-related goodwill amortization, pro-forma operating income growth was positive.



Q1 2018 integration progress

Integrating with speed, implementing financial framework initiatives

- Generated 4 billion yen net integration synergies, mainly from supply chain and procurement – slightly ahead of plan
 - On-track to deliver full-year synergy target of at least 8 billion yen. Integration investments to ramp up during year-to-go period.
- Solid progress in implementing financial framework for value creation
 - Completed share repurchase of 8.28% of total outstanding shares
 - Announced new dividend policy
 - Introduced performance-oriented equity-based compensation program for directors and executive officers.
- Continued to simplify organizational and legal entity structure.
 - Number of legal entities down from 25 on Day One to 14 on April 1, 2018.

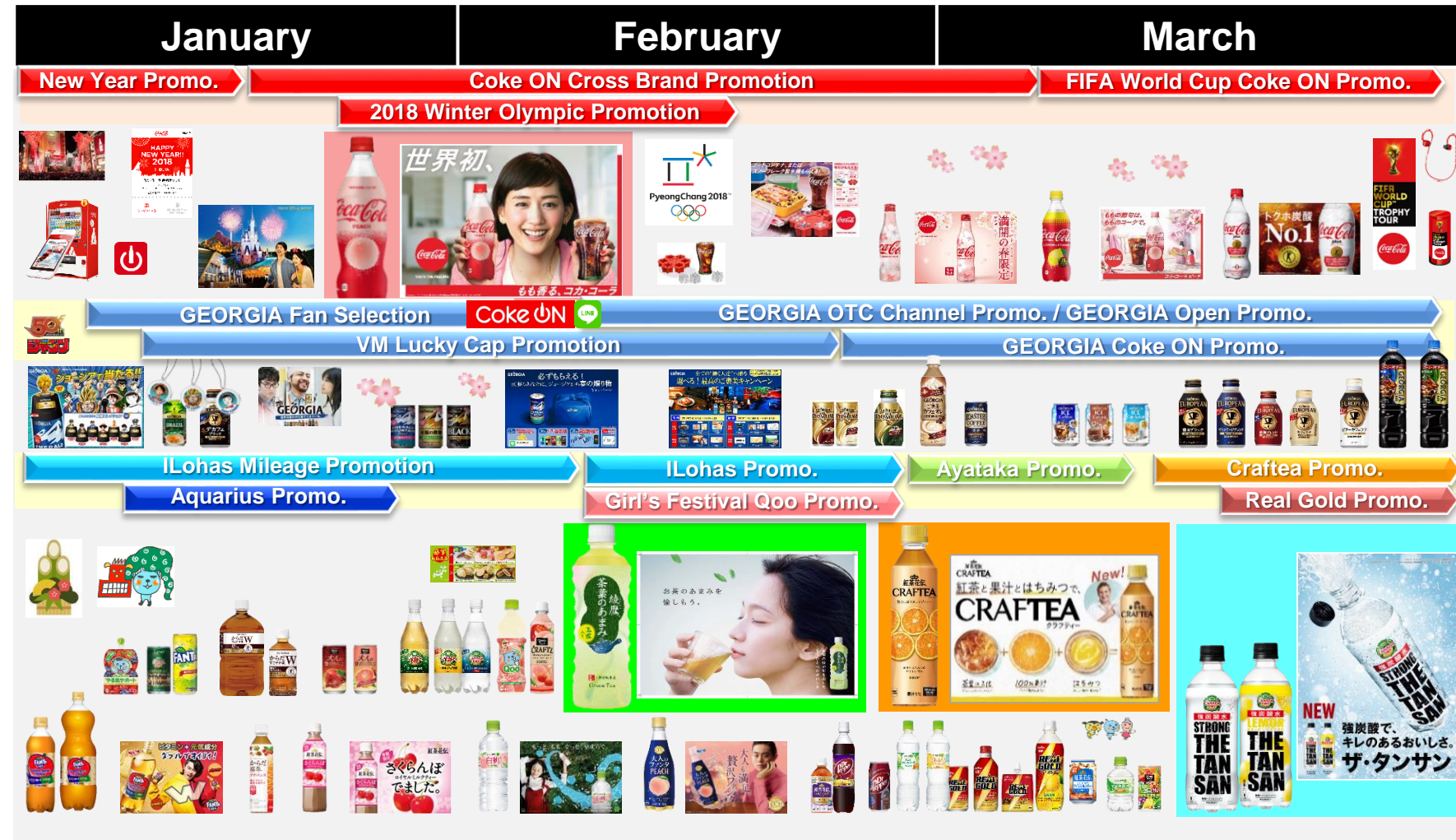


Strong Q1 Product and Marketing Schedule

Strategic innovation supporting our pivot from integration to growth

Big bets in Q1

- **Coca-Cola Peach:**
First in the world
- **Chaba no Amami:**
Cold brew, mild taste
Ayataka™ green tea
- **Kochakaden Craftea:**
Premium black tea with
honey and juice from
Minute Maid oranges
- **THE TANSAN:**
Leveraging growing
consumer preference for
sparkling water. Highest
CO₂ gas volume in Japan
Coca-Cola history

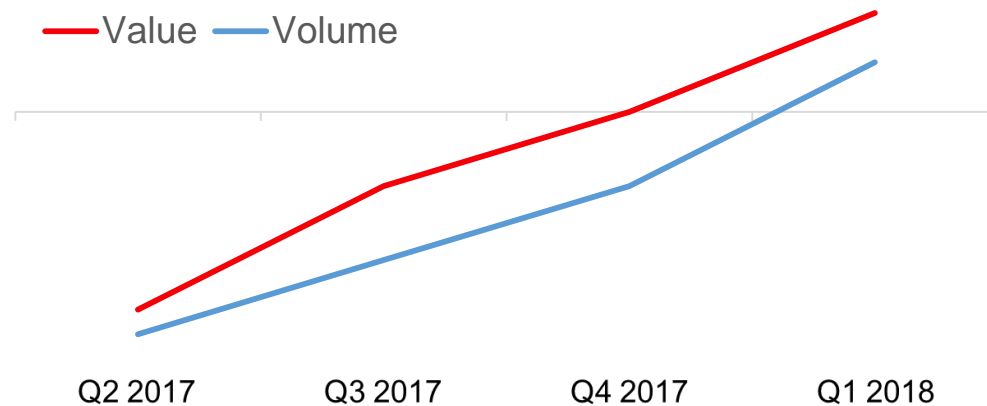


Q1 2018 OTC market share and retail price trends

Sequential share improvement, value share focus in line with strategy

OTC Market Share

Market Share (vs. PY, PP)	Value	Volume
Q1 2018	+0.4	+0.2



- Steady improvement since integration; Consistent focus on value over volume
- Sparkling, teas, sports driving share gains

OTC Retail Price

Unit: JPY per bottle

OTC Retail Price (YTD 2017)	Vs. Market Average	Vs. PY
Small PET	+0.5	-0.9
Large PET (2L PET)	-1.6	-3.9

- Tougher near-term outlook due to new products and cycling strong growth initiatives from 2017
- FOSHU and FFC supported small PET premium versus market average
- Strategic focus on value growth remains unchanged

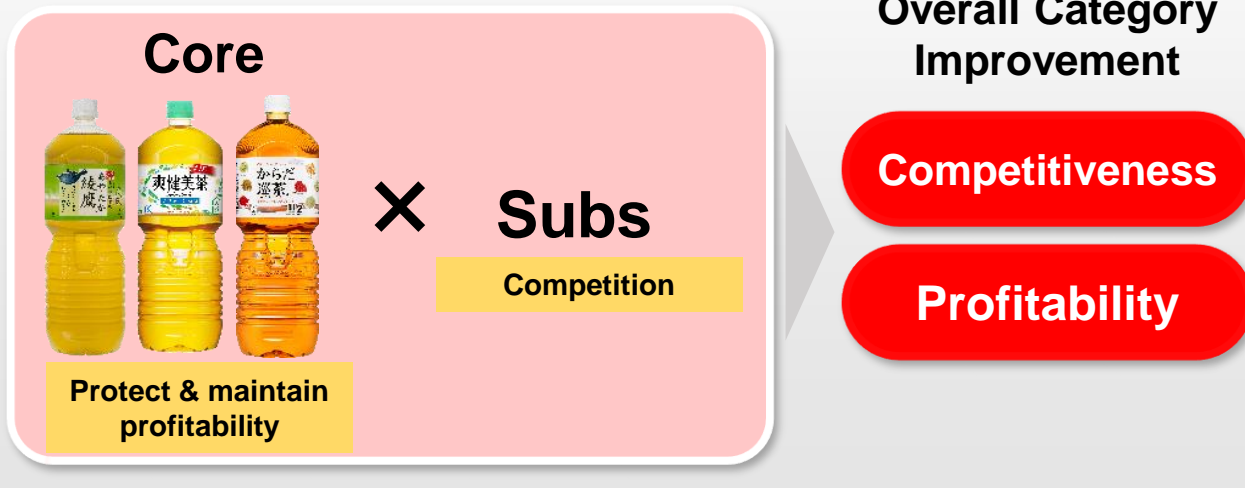
Source: Intage SRI

Strategic product portfolio and pricing segmentation

Strongly committed to this strategy, but still a work-in-progress

Profitability & competitiveness

Protect & maintain value of Core, with meeting competitive environment by-area, by-channel. Consistent focus on profitability.



Teiban expansion

Increase profitability by acquiring more *Teiban* shelf presence of higher-value SKUs (FOSHU & FFC)



Pricing & assortment in vending

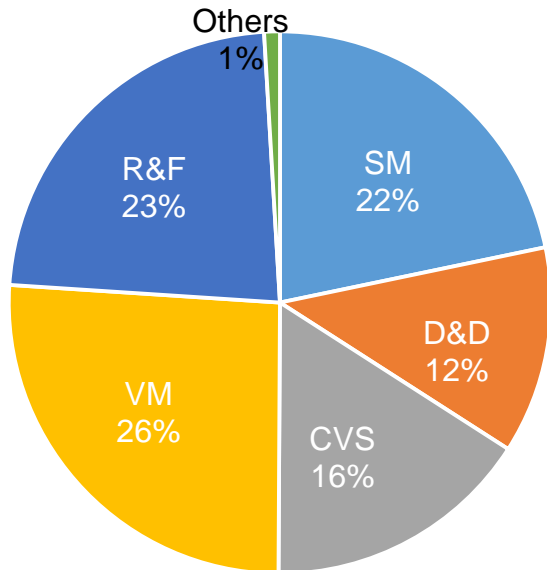
Segmentation depending on consumer needs & competitive landscape



Channel volume performance (pro-forma)

Growth in OTC channels; Cycling Q1 2017 per-case revenue improvement

Q1 2018 volume +1%



vs. PY	Volume	Revenue per Case (Yen)
Supermarket (SM)	+6%	-25
Drug & Discounter (D&D)	+12%	-16
Convenience Store (CVS)	+3%	+8
Vending (VM)	-6%	-4
Retail & Food (R&F)	-1%	-1

Supermarket, Drug & Discounter

- Volume growth in major categories led by tea, sparkling, water
- Growth in future consumption packages

Convenience Store

- Growth led by sparkling, non-sugar teas, FOSHU and FFC.
- Coffee volume recovered to flat with improving selling price

Vending

- Solid growth of sparkling, non-sugar teas and sports categories offset by weakness in coffee and water

Retail & Food

- Revenue per case improved in food service, with volume decline

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

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

Vending transformation

Holistic end-to-end actions to address short- and long-term trends

Short-term

- ❖ **Selective price optimization on competitive environment**
- ❖ **Assortment – New launches, vending-exclusive, high-value products based on consumer needs**
- ❖ **Machine placement/locations**

Mid to Long-term



**Digitalized
Retail Model**

Deploying pilot actions to support VPM



**Developing
Connected
Consumers**

Leveraging Coke ON app to create new value



**Innovation of
Filling Operation**

Initial proof-of-concept underway



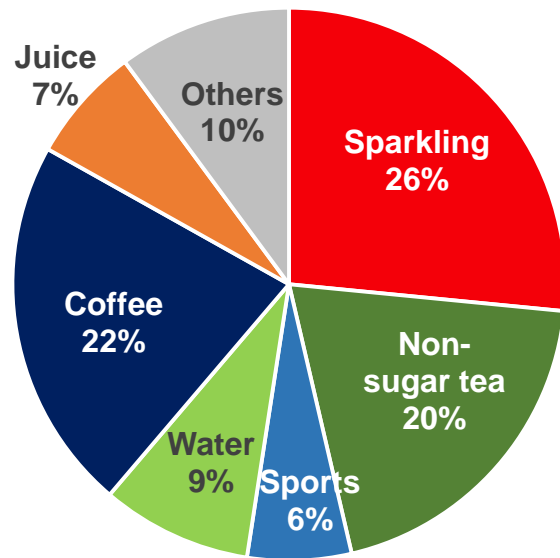
Automated picking Data analytics Next-generation communications



Category volume performance (pro-forma)

Growth in sparkling, tea, sports; Increased competition in coffee and water

Q1 2018 volume +1%



	vs. PY	Volume
Sparkling		+6%
Non-sugar tea		+6%
Sports		+4%
Water		-3%
Coffee		-7%
Juice		even

- Coca-Cola Peach and Coca-Cola Plus contributed to volume growth of Coca-Cola in **sparkling**. The **TANSAN Strong** and **Lemon** launched in first quarter
- Launch of Ayataka Chaba no Amami drove **non-sugar tea** growth across major channels
- **Sports** category grew in D&D, CVS and VM supported by PyongChang Olympic campaign, etc.
- Premium iLohas **water** volume lower due to cycling prior year new products and ongoing competition. 2L PET volume increased, cycling prior year declines
- **Coffee** category performance impacted by weak SOT (Stay on tab) can packages

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



CCBJH Q1 2018 financial results and integration progress

Q1 2018 results vs. Q1 2017 pro forma

Q1 2018

- Revenue declined -2%, driven by channel mix and cycling strong revenue-per-case growth in 2017
- Operating Income declined 14% mainly due to goodwill amortization; Excluding this impact, OI grew 25% with a strong focus on operational efficiency to generate synergies.
- Net income grew 2%, cycling extraordinary integration expenses from before Day One (April 1, 2017)

	Q1 2018	Q1 2017 (pro forma)	YoY
Revenue	213,828	218,081	-2.0%
Beverage business revenue	206,588	210,584	-1.9%
Beverage business sales volume (M cases)	111	110	+1%
Operating Income (OI)	3,162	3,690	-14.3%
Beverage business OI	2,272	2,843	-20.1%
Net Income	1,530	1,498	+2.1%
EBITDA	15,295	15,681	-2.5%



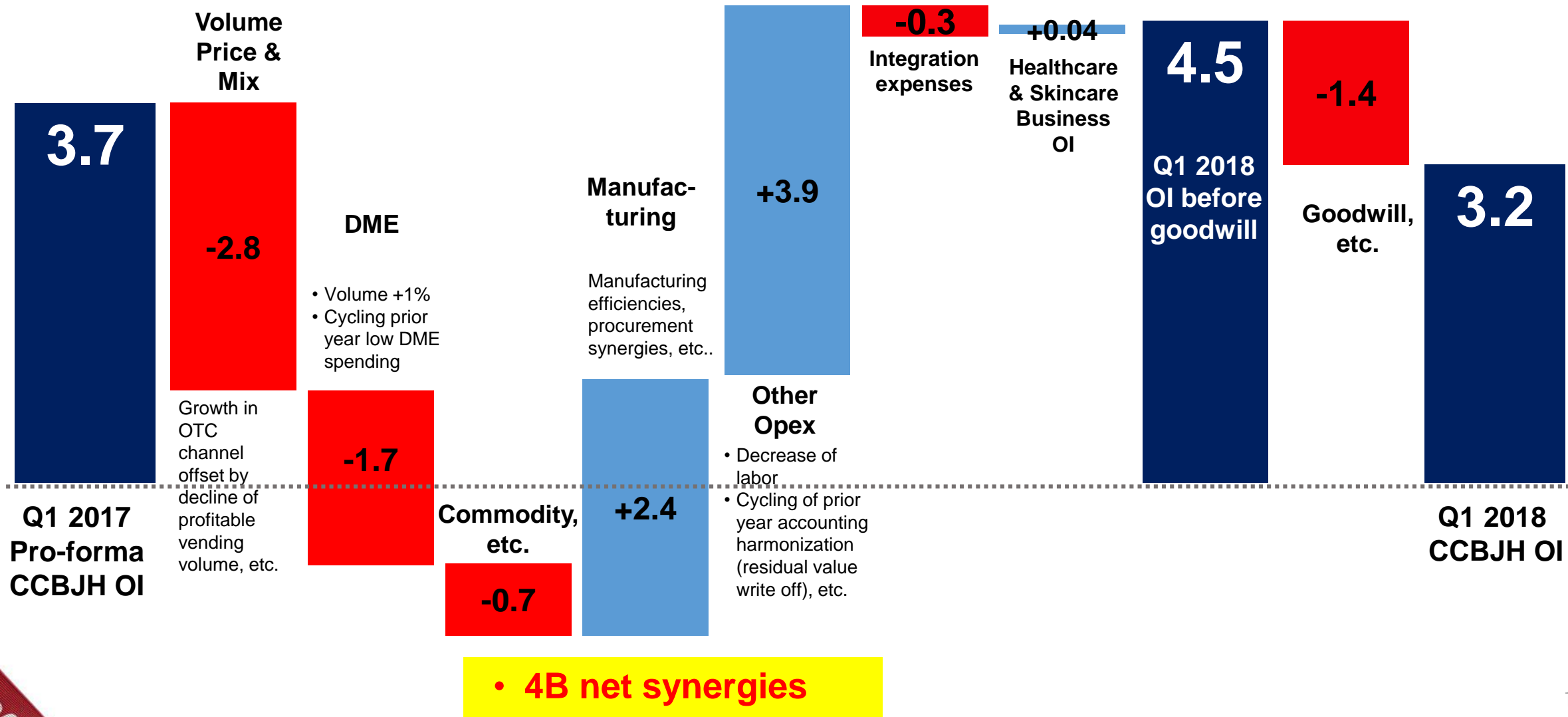
Unit: B JPY

Net Income: Net income attributable to owners of parent.

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Q1 2018 operating income drivers

Price/mix pressure offset by strong synergy delivery; Ex-Goodwill, pro-forma OI +0.8B



Unit: B JPY, rounded off less than unit

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Integration synergies, CAPEX, depreciation

Generating synergies and investing with focus on 2018 OI plan

Integration synergies

- 4B yen net synergies generated in Q1
 - Supply chain
 - Procurement, etc.
- Q1 results slightly ahead of plan to deliver at least 8 B yen of full-year synergies
- Investments for synergy generation expected to ramp up from Q2

CAPEX and depreciation

- Investing for sustainable growth
- Expect higher CAPEX investment levels in rest of year relative to Q1

	Q1 2018 Actual	FY 2018 Plan
Capex	7.3	65.9
Depreciation	10.3	43.5

Unit: Billion JPY

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



Solid progress implementing financial framework for value creation

Dividend policy

- ▶ Prioritize paying a stable dividend while allowing shareowners to benefit from profit growth
- ▶ From 2019, after implementation of IFRS, target dividend payout ratio of 30% or more
 - ▶ 2018 expected full-year dividend 50 JPY/share, up 6 yen per share vs. 2017

Equity-based incentive aligned with CCBJH's mid- to long-term performance targets

- ▶ Three-year stock-based compensation plan for executive directors and executive officers
 - ▶ Performance share units (PSU) based on achievement of revenue growth and ROE targets
 - ▶ Variable grant ratio depending on level of achievement
 - ▶ Targets:
 - ▶ Revenue growth: 2.0% (2017 to 2020 CAGR)
 - ▶ 2020 ROE: 6.6%

Share repurchase

- ▶ Completed share buyback of 17,075,239 shares (8.28% of total shares outstanding), amounting 55.9B yen as of settlement date, April 13, 2018



Q1 2018 results (Reported)

Q1 2018

Consolidated CCEJ into CCBJI from Q2 2017. First quarter 2017 CCW standalone.

	Q1 2018	Q1 2017	YoY
Revenue	213,828	99,141	+115.7%
COGS	103,317	47,179	+119.0%
Gross Profit	110,511	51,962	+112.7%
SG&A	107,348	49,794	+115.6%
Operating Income	3,162	2,167	+45.9%
Income Before Tax	3,042	1,470	+106.9%
Net Income	1,530	942	+62.4%
EPS	7.49	8.63	-1.14

Beverage Business	Q1 2018	Q1 2017	YoY	Health Care & Skin Care Business	Q1 2018	Q1 2017	YoY
Revenue	206,588	91,644	+125.4%	Revenue	7,240	7,497	-3.4%
Operating Income	2,272	1,320	+72.1%	Operating Income	890	846	+5.1%

Unit: Million JPY except EPS

Net Income: Net income attributable to owners of parent.

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CCBJH Outlook for the rest of the year 2018

2018 business plan (as announced 2/2018)

	2018 Plan	2017 Results Pro-forma	YoY	
			Pro-forma	Reported
Volume Growth YoY	+2%	-1%	-	-
Revenue	1,007.3	991.6	+2%	+15.4%
Operating Income	49.7	42.1	+18%	+22.5%
Ordinary Income	47.9	41.3	+16%	+20.2%
Net Income	28.8	25.8	+11%	+14.1%
EBITDA	100.4	89.7	+12%	-
EPS	149.66*	-	-	+5.40

Beverage business	2018 Plan	2017 Results Pro-forma	YoY (Pro-forma)	Healthcare & Skincare business	2018 Plan	2017 Results	YoY
Revenue	975.7	961.8	+1%	Revenue	31.6	29.7	+6.3%
OI	46.0	38.9	+18%	OI	3.7	3.2	+15.8%

*EPS forecast changed reflecting movement of the number of average shares due to share buy back.

21

Unit: B JPY except EPS

Net Income: Net income attributable to owners of parent.

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Product launch & marketing calendar ahead of summer

Innovating in new categories, regional limited launches for profitable revenue growth



Georgia
Japan Craftsman Coffee



Coca-Cola
Regional limited slim bottles
"Ohenro" and more



THE TANSAN
Apple Mint



Aquarius S-Body
(FFC)



Lemondo Chu-Hi
Alcoholic beverage trial
in Kyushu region



Coke ON Walk
Added step-count
feature to get loyalty
points








FIFA WORLD CUP
RUSSIA 2018



iLohas campaign

Making steady progress on 2018 goals, but much work remains

Revenue growth	Volume growth, RGM initiatives, revenue-rich innovation	Revenue +2% Volume +2%	
Value share	Improve price/mix with packaging, innovation, focus on value	VALUE ahead of volume	
Net synergies	Steady net synergy capture to meet 2020 target of 25 billion yen	8 billion yen	
Operating income and OI margin	Growth mindset, synergy capture, reinvest in business	49.7 billion yen OI OI margin 4.9%	
Dividend growth	Strong cash flow from operations driving shareholder returns	Full-year 50 JPY/share, up 6 JPY	



Key takeaways

- ❗ Q1 volume growth of 1%. Solid start to Q2.
- ❗ Taking appropriate competitive countermeasures as and where necessary
- ❗ Improving share trends since integration; value share growth ahead of volume
- ❗ Generated 4 B yen synergies, slightly ahead of plan; on-track to deliver at least 8 B yen for full year.
- ❗ Making steady progress on the financial framework for value creation; (share repurchase, equity-based compensation)





Q & A



Appendix

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 Direct Marketing Expenses . Sales promotion-related expenses, including advertisement, rebates, sales, sales commissions, etc.
FC	Abbreviation of Future Consumption . 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 Hotel, Restaurants and Cafeteria . Generally means sales channels of these kinds.
IC	Abbreviation of Immediate Consumption . 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 Occasion, Brand, Package, Price, Channel . 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 the results, or compare 2018 results with pro forma 2017 results.
PTC	Abbreviation of Price, Terms and Conditions , an internal guideline for setting appropriate transaction conditions with customers, frequently used in conjunction with RGM.
RGM	Abbreviation of Revenue Growth Management , an overall strategy and process to achieve profitable revenue growth.
RTM	Abbreviation of Route-to-Market . 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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