

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

## ***Full-Year 2018 Earnings Presentation***

***February 15, 2019***



***Tamio Yoshimatsu, President***  
***Vikas Tiku, Vice President & Chief Financial Officer***

***(Posted to CCBJH website on February 14, 2019)***

# 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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CCBJH 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 Holdings Inc. (CCBJH)

*Full-year 2018 earnings presentation*

**Summary of leadership & organizational announcements**

**Full-year 2018 business summary & financial results**

**Full-year 2019 outlook**

**Q&A**







**BOTTLETS JAPAN HOLDINGS INC.**

# Background and Overview of Recent Announcements

- ✓ Good progress on integration, but we face new challenges
- ✓ Right time for new leadership to lead the next phase of transformation

- 🚒 New representative director & president, Calin Dragan
- 🚒 New representative director, vice president & CFO, Bjorn Ulgenes

Evolution of Board of Directors, focused on:

- 🚒 Governance
- 🚒 Independence
- 🚒 Diversity
- 🚒 Experience to support strategic agenda

- 🚒 Organizational restructuring, including voluntary retirement program
- 🚒 Eliminated management layers
- 🚒 Reduced number of Executive Officers\*

\*Announced January 28, 2019



# Good progress on integration; Facing new challenges

## Organize for growth, operate as one enterprise

- Integration and reorganization of subsidiaries and Coca-Cola system related companies
- *Growth Roadmap for 2020 and Beyond*; Corporate philosophy “*THE ROUTE*”
- Announced first price increase in 27 years

## Leverage scale

- Shared services (BSO) and CokeONE ERP system
- Expansion of Shinsei logistic optimization project
- Cumulative 12 billion yen in synergies

## Financial framework for value creation

- New dividend policy; Share repurchases
- Shift to International Financial Reporting Standards (IFRS)

## Facing new challenges

- Significant capital investments required to address rapid changes in consumer preference impacting channel, packaging mix
- Higher commodity, distribution and labor cost trends expected to continue
- Revenue growth remains a priority, requiring portfolio and pricing discipline



## *Growth Roadmap for 2020 and Beyond*



# Announcement of new leadership



## **Calin Dragan, Representative Director & President\***

- Extensive experience in Japan, including leadership of Transformation and Integration at Coca-Cola West and Coca-Cola East Japan, as well as in international operations across the Coca-Cola system
- Currently president of The Coca-Cola Company's Bottling Investment Group (BIG), overseeing diverse bottling operations across 15 countries, representing a quarter of the world's population

## **Bjorn Ulgenes, Representative Director, Vice President and CFO\***

- Joined CCBJH in October 2018, serving as Head of Finance and Representative Director and President of Coca-Cola Bottlers Japan Business Services Inc.
- Deep experience in finance leadership roles in The Coca-Cola system across Europe, the Middle East, Africa and Japan



\*Pending approval at the company's Annual Shareowners' Meeting, March 26, 2019



# Evolving the board of directors in line with best practices

- **Governance:** Focus on strategy and oversight
  - Six outside directors and four independent directors
  - Four Audit and Supervisory Committee (ASC) members are all outside directors
  - Establishment of Compensation and Nomination committees (non-statutory) under consideration
- **Diversity** in gender, nationality, etc.
- Relevant and extensive **Experience** to support CCBJH strategic agenda

## New Board of Directors Nominees



Calin Dragan  
Representative Director



Bjorn Ulgenes  
Representative Director



Tamio Yoshimatsu



Hiroshi Yoshioka\*



Hiroko Wada\*



Celso Guiotoko\*



Nami Hamada\*



Irial Finan



Jennifer Mann

\*Independent directors / Nominees for Audit and Supervisory Committee in red





# Accelerating transformation for recovery and growth

- **Organizational restructuring**
  - Reduced number of executive officers from 33 to 18
  - Eliminated organizational and management layers toward lean and flat organization
  - Implementing voluntary retirement program
    - Eligibility: Employees over 45 years old.
    - Expected Size: 700 employees
    - Program includes special retirement allowance and outplacement support
- **First to announce new price increase, effective April 2019. First price increase in 27 years.**





# Full-year 2018 business summary

# Full-year 2018 review

- Beverage volume down 2%, driven by loss of product supply capacity due to flooding and rapidly shifting consumer preference for aseptic PET products.
- Business income\* ahead of revised forecast. Pro-forma business income down 41% versus prior year, due to volume decline, higher logistics expenses and negative channel mix. Reported operating income down 60% due to asset write-offs after flood damage.
- Integration-related synergies and cost savings of 8 billion yen, in line with 2018 plan
- Speedy decision to relocate damaged Hongo plant to new Hiroshima facility. Progressively expanding manufacturing capacity by adding total of seven new production lines nationwide by Spring 2020.
- Completed deployment of back-office ERP system across all territories
- Implementing price hike of Large PET products as of April 2019, the first in 27 years, in response to higher distribution expense and raw materials cost inflation
- Announced 25 billion yen share-buyback program in November in addition to 55.9 billion yen buyback in the first half. Annual dividend per share 50 yen, an increase of 6 yen per share, in line with plan.

\*Business Income: Key measure of recurring profits under IFRS



# 2018: Navigating a tough year, progress on integration

## Initiatives in 2018 Plan

### National scale, local presence

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

### Innovation

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

### Synergies

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

## Results

- Community-focused, customer-centric market execution by 6 regions
- Regional/channel exclusive products
- Recovery from disaster by leveraging CCBJI-wide supply chain network
- Successful new product launches
  - Georgia Japan Craftsman “mizudashi” coffee and Grand Bito in SOT can
  - THE TANSAN sparkling water
  - CRAFTEA, orange and peach flavors
  - Ayataka Chaba no Amami green tea
  - Lemondo, first-ever alcoholic beverage
- CokeON Walk (step count) & CokeON Pay (cashless) vending apps, Coke mini vending
- 8 billion yen net synergies, in line with plan
- CokeOne ERP back-office rollout complete
- Shared services organization (BSO) in place

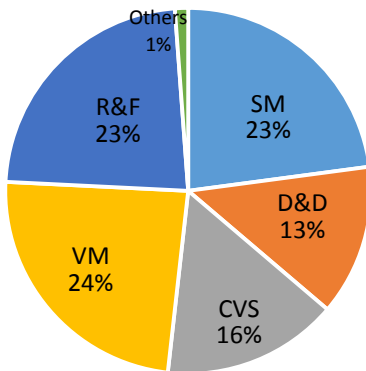




# Full-year 2018 channel and category volume performance

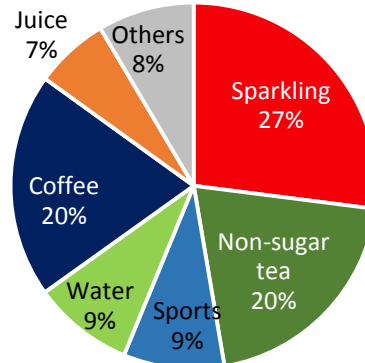
- Volume** down 2%, driven by flood loss of manufacturing plant and aseptic supply constraints
- Revenue per case** improved in SM, D&D mainly driven by customer suspension of “chirashi” promotions and lower large-size package volume. Newly launched products contributed to improvement in vending
- By channel**, volume grew in D&D and CVS due to new product launches, slight decline in SM impacted by fewer promotions. Vending volume declined as we prioritized continuity of supply to customers in Q3 after flooding
- By category**, sparkling and non-sugar tea growth led by new products Coca-Cola Peach, THE TANSAN STRONG and Ayataka Chaba no Amami. Coffee volume flat in Q4 driven by winter product campaigns as well as launch of Georgia Japan Craftsman. Full-year coffee volume declined, impacted by vending decrease. Premium iLohas natural mineral water volume grew while flavored water and large-package water volume decreased.

By channel



Vs. PY	Volume	Revenue per case (Yen)
Supermarket (SM)	-1%	+17
Drug & Discounter (D&D)	+2%	+18
Convenience Store(CVS)	+1%	-1
Vending (VM)	-7%	+3
Retail & Food (R&F)	-1%	-7

By category



Vs. PY	Volume
Sparkling	+3%
Non-sugar tea	Even
Sports	-5%
Water	-10%
Coffee	-3%
Juice	-1%

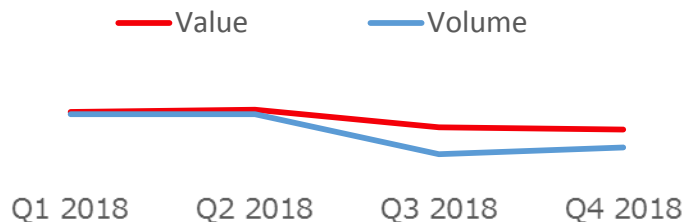
Note: Differences in the pro-forma number provided in past presentations may be expected as a result of review and standardization of integration estimates. Sales volume doesn't include alcohol. Revenue per case doesn't include DFR (deduction from revenue)



# Full-year 2018 OTC market share and retail price trends

## OTC Market Share

Market Share (vs. PY, PP)	Value	Volume
Q4	-0.5	-1.3
Full-year 2018	-0.1	-0.7



- Value and volume share impacted by flooding & supply constraints; Minimized value share decline
- Market share growth in sparkling and coffee

## OTC Retail Price

Unit: JPY per bottle

OTC Retail Price (Q4 YTD)	Vs. Market Average	Vs. PY
Small PET	+2.5	-0.7
Large PET (2L PET)	+19.8	+1.5

- Continued higher retail price than market average in both small and large PET
- Large PET price improvements continued, driven by our SKU rationalization and customer suspension of “chirashi” promotions in 2H

Source: Intage SRI



# Full-year 2018 results vs. 2017 pro-forma

Declines versus prior year, slight improvement versus revised full-year plan

(IFRS)	2018	2017 (Pro-forma)	YoY	Revised Forecast (Oct. 2018)
<b>Revenue</b>	<b>927,307</b>	950,732	<b>-2%</b>	925,100
Beverage Business Sales Volume (M Cases)	<b>512</b>	522	<b>-2%</b>	YoY -2%
COGS	<b>475,156</b>	484,953	<b>-2%</b>	474,100
<b>Gross Profit</b>	<b>452,151</b>	465,779	<b>-3%</b>	451,000
SG&A	<b>426,195</b>	424,582	<b>+0%</b>	426,000
<b>Business Income</b>	<b>23,276</b>	39,552	<b>-41%</b>	23,100
<b>Net Income</b>	<b>10,117</b>	21,161	<b>-52%</b>	9,000

Beverage Business	2018	2017	YoY	Health Care & Skin Care Business	2018	2017	YoY
Revenue	<b>899,863</b>	920,827	<b>-2%</b>	Revenue	<b>27,444</b>	29,904	<b>-8%</b>
Business Income	<b>17,939</b>	34,512	<b>-48%</b>	Business Income	<b>5,337</b>	5,040	<b>+6%</b>

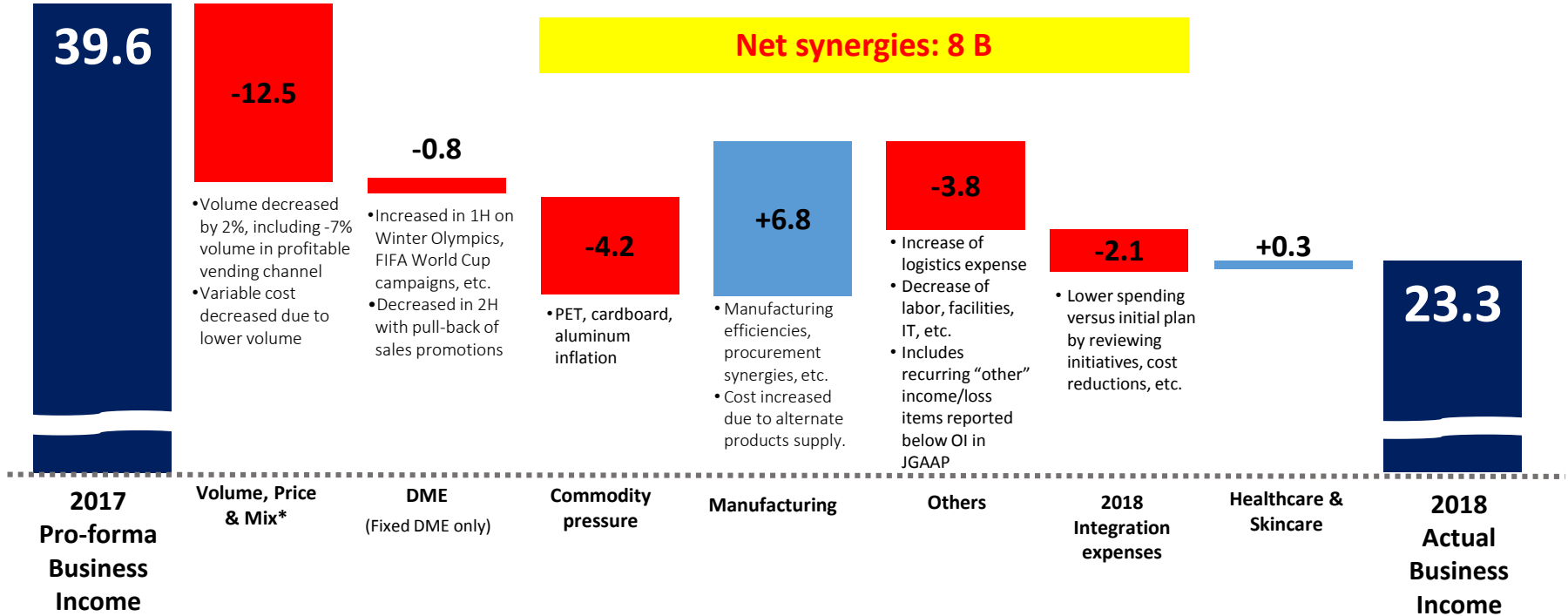
Unit: Million JPY

Net Income: Net income attributable to owners of parent.

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# 2018 Drivers of business income in IFRS

**Unit: B JPY**  
(Rounded off less than unit)



\*Include variable costs related to commercial activities and adjustment for IFRS, etc.





# Financial framework: 2018 initiatives

## Dividend Growth

- 2018 annual dividend up 6 yen per share from 2017, as planned
- Dividend payout ratio: 94.9%

## Share buyback

- Announced up to 25 billion yen/10.8 million share-buyback program in November 2018.
  - 18.3 billion yen/5.6 million shares acquired by January 2019
- 55.9 billion yen buyback completed in April 2018

## Credit Rating

- Maintained AA- (JCR) and A+ (R&I) issuer rating (January 21, 2019)

### 2018 Annual Dividend

**50**

yen/share

Interim	Year-end
25 yen/share	25 yen/share

### 2018 Buyback Amount

68 billion Yen

### Credit Rating

JCR	R&I
AA-	A+





## Full-year 2019 outlook

# 2019: Transition year focused on recovery and building for future

## Leveraging the Coca-Cola system's unique partnership assets



Coca-Cola is the official sponsor of the Japan Rugby National Teams



Tokyo 2020 Olympics

## Product launches / renewals in Q1



## Marketplace execution

- First customer price increase in 27 years (April)
- Disciplined pricing and investments to optimize portfolio
- Collaborative business planning with key customers
- “One System” virtual vending organization with CCJC

## Manufacturing capacity and logistics

- Investing to restore and grow production capacity; Shinsei Project toward optimized distribution network
- Continued higher manufacturing and transportation cost in 2019 until full recovery from flood damage

## Streamlined operations

- Full company-wide deployment of Coke One ERP system
- Leverage ERP system & shared service (BSO) to drive standardization and efficiency, including RPA (robotic process automation)
- Employee voluntary retirement program & reorganization

# Full-year 2019 forecast

IFRS	2019 Forecast	2018 Actual	Variance
Beverage Volume (YoY)	<b>even</b>	-2%	--
Revenue	<b>936,100</b>	927,307	+1%
Business Income	<b>18,500</b>	23,276	-21%
Operating Income	<b>12,700</b>	14,682	-14%
Net Income	<b>7,200</b>	10,117	-29%
EPS	<b>39.97 Yen</b>	52.68 Yen	-12.71 Yen

Beverage Business	2019 Forecast	2018 Actual	Variance	Health Care & Skin Care Business	2019 Forecast	2018 Actual	Variance
Revenue	<b>906,100</b>	899,863	+1%	Revenue	<b>30,000</b>	27,444	+9%
Business Income	<b>13,100</b>	17,939	-27%	Business Income	<b>5,400</b>	5,337	+1%

Unit: Million JPY, except for EPS and DPS

Net Income: Net income attributable to owners of parent

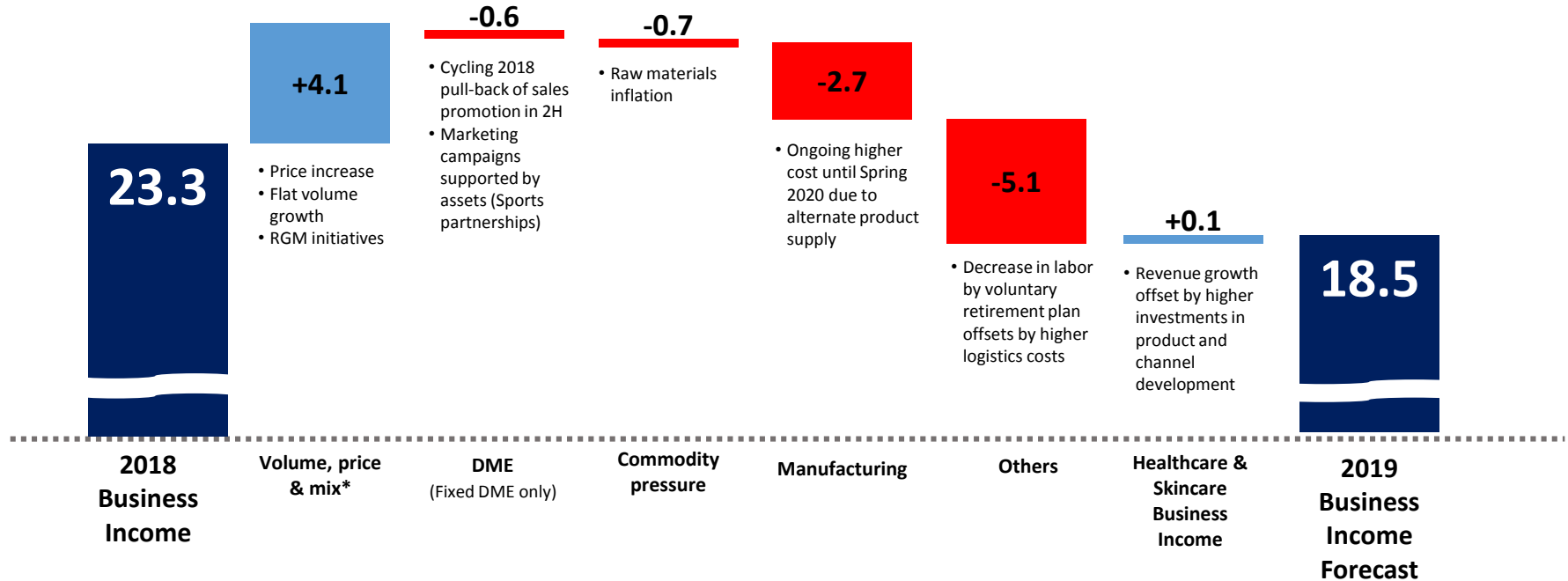




# 2019 Drivers of business income forecast (IFRS)

## Significant headwinds in Supply Chain

Unit: B JPY  
(Rounded off less than  
unit)



\*Include variable costs related to commercial activities and adjustment for IFRS, etc.



# Financial framework: 2019

- ✓ *Continued focus on shareholder returns*
- ✓ *Investment for recovery and building foundation for growth*
- ✓ *Evaluating long-term debt structure as part of Financial Framework*

## Dividend

- 🚒 Prioritize stable dividend.  
Plan to pay 50 yen per share, same as in 2018
- 🚒 Focus on stable return, payout ratio 30%+ after IFRS

2019 Annual DPS Plan	50 yen
Interim	25 yen
Year-end	25 yen

DPS: Dividend per share

## Share buyback

- 🚒 Expect to complete 25 billion yen buyback by end of May 2019
- 🚒 Continue to evaluate options, including future share buybacks, to improve shareholder returns

## Capex/Depreciation

- 🚒 Investment for recovery and building foundation for growth
  - Manufacturing lines
  - Shinsei logistic network optimization project

	FY 2019 Forecast	FY 2018 Actual
Capex	99.8 B	45.9 B
Depreciation	57.6 B	47.5 B

\*2019 includes IFRS16 (Lease) adoption



# 2019 Key metrics and picture of success

Revenue growth	Flat volume, first to announce price increase, RGM initiatives	Revenue <b>+1%</b> Volume <b>even</b>
Value share	Improve price (wholesale price)/mix with pricing, packaging, innovation, focus on value	<b>value</b> ahead of <b>volume</b>
CAPEX	Investing to recover and grow manufacturing capacity, optimize logistics network and complete ERP rollout	<b>99.8</b> billion yen
Business Income (BI)	Recovery, building foundation for growth. Will reevaluate mid-term plan targets and timing with new leadership	<b>18.5</b> billion yen BI
Dividend	Reflecting consistent focus on shareholder returns, despite transition period for business	Full-year <b>50</b> JPY/share





**Coca-Cola**

BOTTLERS JAPAN HOLDINGS INC.



# Key takeaways

- 2019; a period of transition
  - New management team and Board members
  - Invest to recover supply and meet changes in consumer demand
  - Become a leaner, more efficient organization
  - Leveraging IT to enhance capability and speed
  - Portfolio and price discipline
- Current mid-term targets to be revised

## Milestones

**March 1**  
Calin Dragan will become Executive Officer & VP

**March 26**  
Annual shareholders meeting

**~August 2019**  
Expect updates to mid-term targets





# Q & A



# Appendix

# Full-year 2018 results (Reported)

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

IFRS	2018	2017	YoY
Revenue	<b>927,307</b>	837,069	<b>+10.8%</b>
COGS	<b>475,156</b>	424,287	<b>+12.0%</b>
Gross Profit	<b>452,151</b>	412,782	<b>+9.5%</b>
SG&A	<b>426,195</b>	371,007	<b>+14.9%</b>
Business Income	<b>23,276</b>	40,177	<b>-42.1%</b>
Operating Income	<b>14,682</b>	37,594	<b>-60.9%</b>
Net Income	<b>10,117</b>	21,967	<b>-53.9%</b>
EPS	<b>52.68 Yen</b>	125.53 Yen	<b>-72.85 Yen</b>

Beverage Business	2018	2017	YoY	Health Care & Skin Care Business	2018	2017	YoY
Revenue	<b>899,863</b>	807,165	<b>+11.5%</b>	Revenue	<b>27,444</b>	29,904	<b>-8.2%</b>
Business Income	<b>17,939</b>	35,137	<b>-48.9%</b>	Business Income	<b>5,337</b>	5,040	<b>+5.9%</b>

Unit: Million JPY except EPS

Net Income: Net income attributable to owners of parent.

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# Full-year 2018 results vs. pro-forma 2017 in JGAAP

	2018	2017 (Pro-forma)	YoY
Revenue	968,439	991,564	-2%
COGS	472,993	482,467	-2%
Gross Profit	495,446	509,097	-3%
SG&A	467,330	466,992	+0%
Operating Income	28,116	42,105	-33%
EBITDA	77,205	89,741	-14%
Net Income	10,948	25,836	-58%

Beverage Business	2018	2017	YoY	Health Care & Skin Care Business	2018	2017	YoY
Revenue	940,899	961,826	-2%	Revenue	27,540	29,738	-7%
Operating Income	24,379	38,948	-37%	Operating Income	3,737	3,157	+18%

Note: Differences in the pro-forma number provided in past presentations may be expected as a result of review and standardization of integration estimates.

Unit: M JPY

Net Income: Net income attributable to owners of parent.

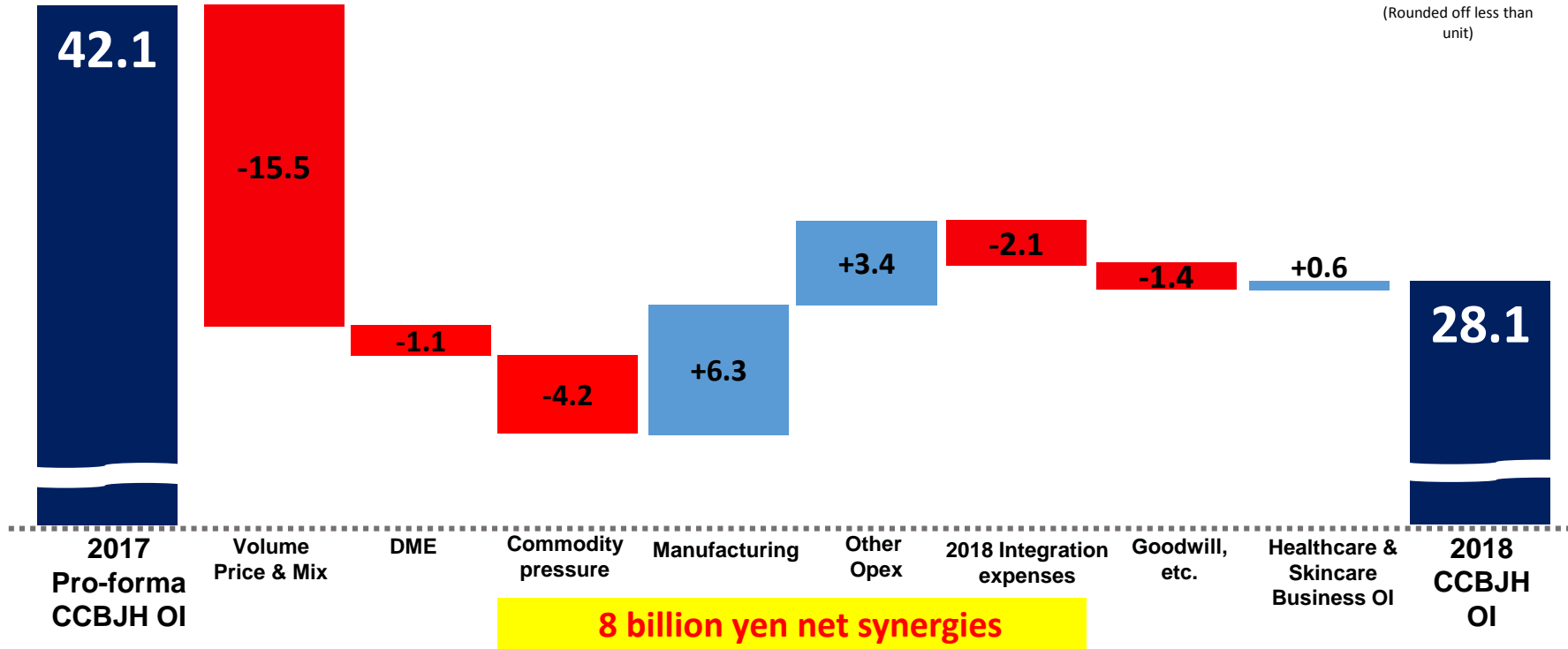
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# 2018 Drivers of operating income (JGAAP)

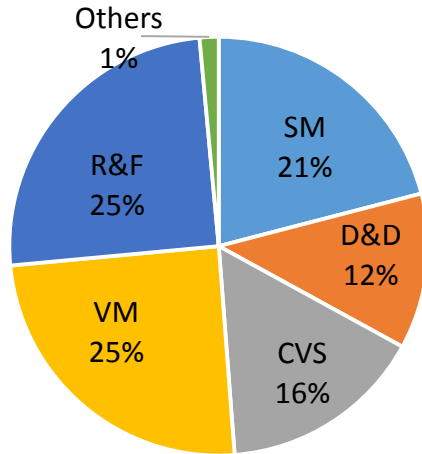
Unit: B JPY  
(Rounded off less than  
unit)



# Q4 (October to December) channel/category volume performance

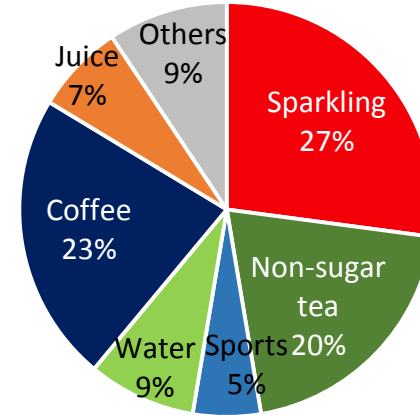
Q4 2018 volume: -1%

By Channel



	vs PY	Volume	Revenue per Case (Yen)
Supermarket (SM)		-3%	+29
Drug & Discounter (D&D)		+2%	+14
Convenience Store (CVS)		even	+10
Vending (VM)		-5%	+24
Retail & Food (R&F)		+2%	-2

By Category



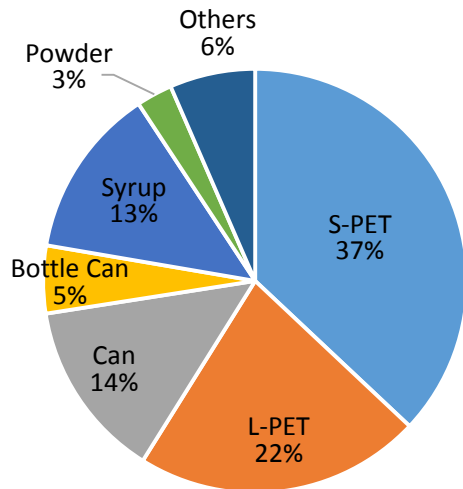
	vs PY	Volume
Sparkling		+1%
Non-sugar tea		+1%
Sports		-8%
Water		-9%
Coffee		Even
Juice		+5%

Note: Differences in the pro-forma number provided in past presentations may be expected as a result of review and standardization of integration estimates.  
 Sales volume doesn't include alcohol  
 Revenue per case doesn't include DFR (deduction from revenue)



# Volume by package

**FY 2018**  
**Volume:-2%**

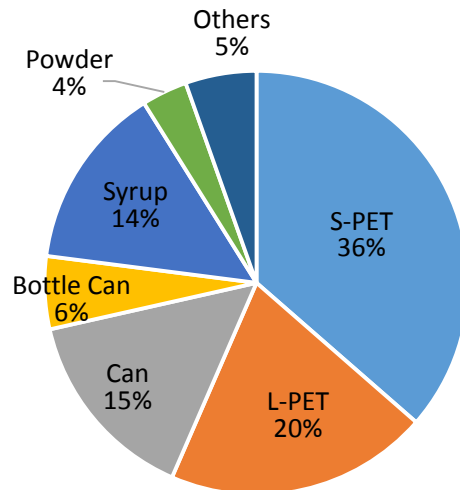


	vs PY	Volume
S-PET		+6%
L-PET		-4%
Can		-9%
Bottle Can		-14%
Syrup		-1%
Powder		Even

S-PET : PET under 600ml

L-PET : PET above 1.5L

**Q4**  
**Volume:-1%**



	vs PY	Volume
S-PET		+7%
L-PET		-4%
Can		Even
Bottle Can		-20%
Syrup		+2%
Powder		+10%

Note: Differences in the pro-forma number provided in past presentations may be expected as a result of review and standardization of integration estimates.  
Sales volume doesn't include alcohol



# 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

Business Income	A measure of our underlying or recurring business performance after the adoption of IFRS. Business Income deducts cost of goods and SG&A from revenue, and includes other income and expenses which we believe are recurring in nature.
DME	Abbreviation of <b>Direct Marketing Expenses</b> . Sales promotion-related expenses, including advertisement, rebates, 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.).
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 <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 achieve profitable revenue growth.
RTM	Abbreviation of <b>Route-to-Market</b> . A framework, a process, a philosophy, a proven approach for driving profitable growth.

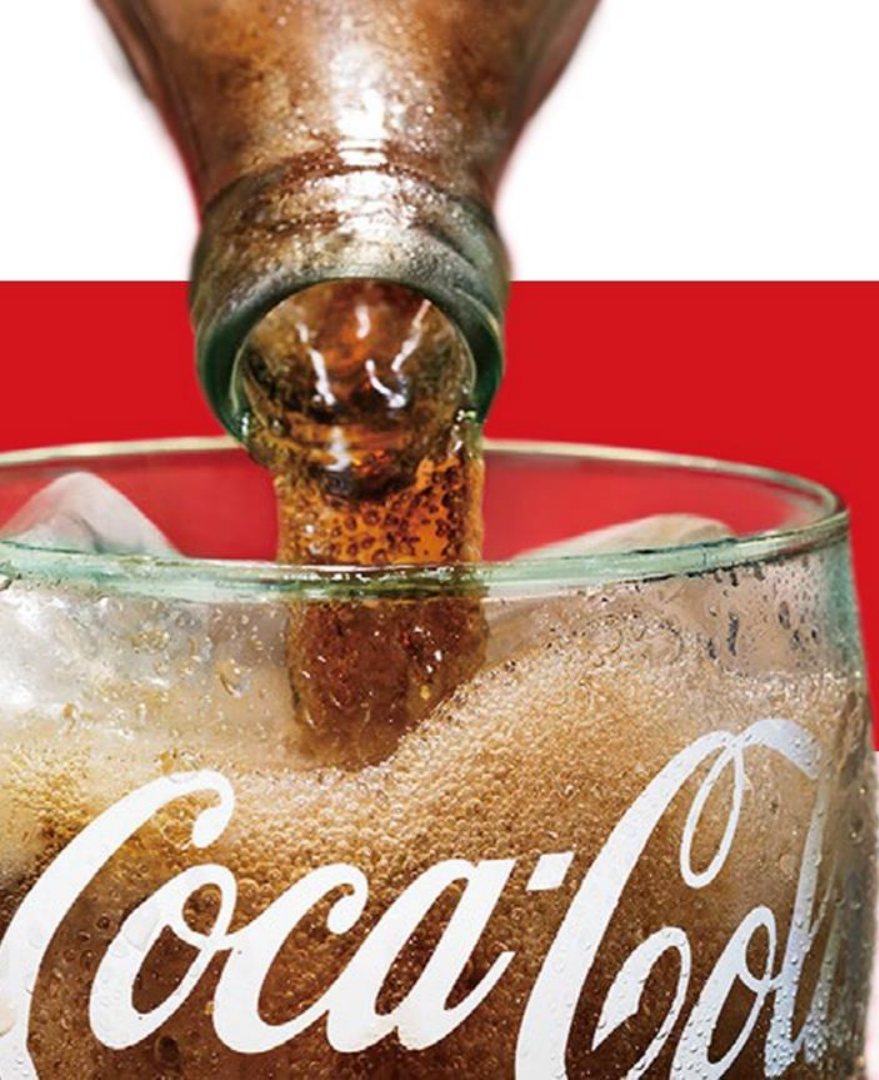
## Channel definitions



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

## Investor Relations

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