

Coca-Cola Bottlers Japan Holdings Inc.

Second Quarter Year-to-date 2019 Earnings Presentation

August 8, 2019



***Calin Dragan, President
Bjorn Ulgenes, Vice President & Chief Financial Officer***

(Posted to CCBJH website on August 7, 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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Coca-Cola Bottlers Japan Holdings Inc. (CCBJH)

Second quarter (Q2) year-to-date 2019 earnings presentation

Q2 YTD 2019 summary and business update

Mid-term strategic business plan overview

- Strategic focus areas
- Financial targets and framework

Wrap-up

Q&A



Presentation overview

- YTD beverage **volume down 4%**, reflecting a 7% volume decline in Q2 after the initial rollout in April of the **first wholesale price increase** in 27 years.
- YTD Business Income trending **in-line with the full-year plan** announced in May, reflecting expected quarterly phasing in 2019 as we cycle prior year disruption.
- Announced **goodwill impairment** charge of 61.9 billion yen resulting from the strategic business plan evaluation and updated business outlook, full-year forecast revised.
- Interim **dividend 25 yen per share** as planned, with no change to expected year-end dividend of 25 yen per share.
- New mid-term business plan “**THE ROUTE to 2024**” announced, focusing on important cost savings from transformation and investments for sales growth in order to grow volume and value share, improve profit margins and increase return on equity (ROE).





Q2 YTD 2019 summary and business update

Q2 YTD 2019 results vs. 2018

Business Income trending in-line with revised plan announced in May
Operating loss and net loss include goodwill impairment in Q2

IFRS	2019 Q2 YTD	2018 Q2 YTD	YoY
Revenue	433,710	448,103	-3.2%
Beverage Business Sales Volume (Million Cases)	237	247	-4%
COGS	223,465	227,578	-1.8%
Gross Profit	210,246	220,525	-4.7%
SG&A	205,202	208,213	-1.4%
Business Income	4,122	11,571	-64.4%
Operating Income (Loss)	(65,457)	12,052	-
Net Income (Loss)	(64,565)	7,740	-

Beverage Business	2019 Q2 YTD	2018 Q2 YTD	YoY	Health Care & Skin Care Business	2019 Q2 YTD	2018 Q2 YTD	YoY
Revenue	421,404	433,427	-2.8%	Revenue	12,306	14,675	-16.1%
Business Income	2,523	8,732	-71.1%	Business Income	1,600	2,839	-43.7%

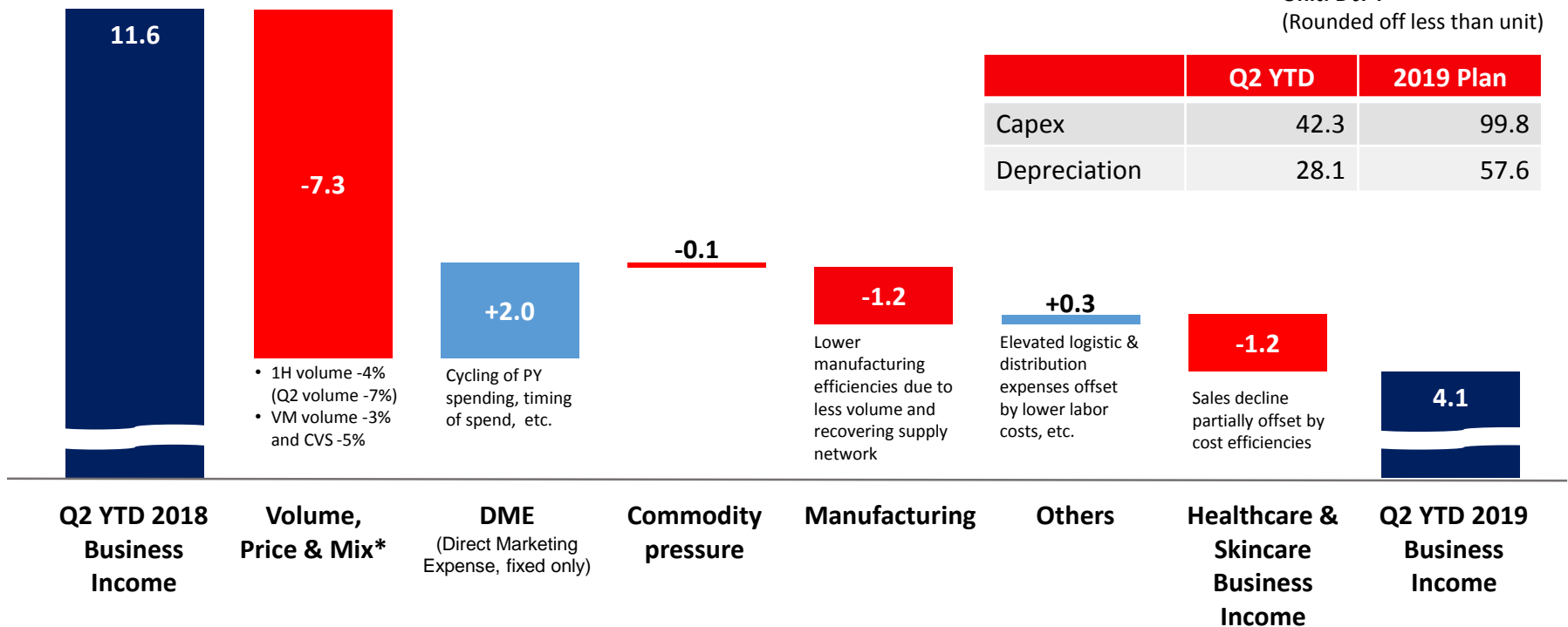
Unit: Million JPY
 Net Income (loss): Net income (loss) attributable to owners of parent.



Q2 YTD 2019 Drivers of business income in IFRS

Business Income trending in-line with plan; Reflects impact from prior year disruption

Unit: B JPY
(Rounded off less than unit)



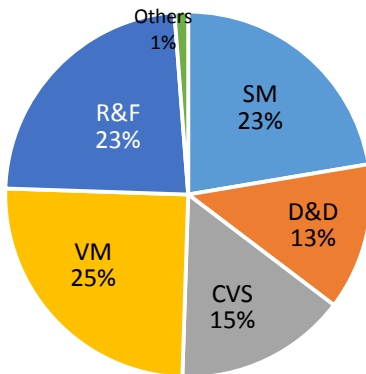
*Include variable costs related to commercial activities and adjustment for IFRS, etc.



Q2 YTD 2019 channel and category volume performance

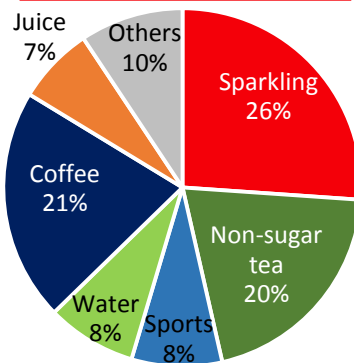
- Volume down 4% vs. PY** driven by 7% volume decline in Q2 mainly due to large PET price hike in April as well as vending decline, time lag in recovering OTC shelf space after last year's supply constraints, underperformance of newly-launched and renewed products
- By channel**, Supermarket and Drug & Discounter volume declines reflect the initial price hike impact, but with improved wholesale revenue per case. Convenience Stores impacted by weak performance of new launches and renewed products. Vending declined, but expanding coverage of Georgia Japan Craftsman and "one-coin" offerings to attract more consumers have helped to moderate recent volume trends.
- By category**, Sparkling declined due to weak performance of Coca-Cola Peach, etc. product renewals as well as the wholesale price increase. Non-sugar tea and sports largely driven by large PET decline after the price hike, with growth in small PET volume and FOSHU Ayataka. Coffee impacted by weakness in bottle can packaging, partially offset by expanded coverage of Georgia Japan Craftsman across all channels. Water impacted by weak performance of iLohas brand flavored water as we cycled prior year launches, and pull back of large PET Morinomizu brand.

By channel



Vs. PY	Volume	Revenue per case (Yen)
Supermarket (SM)	-8%	+61
Drug & Discounter (D&D)	-6%	+56
Convenience Store (CVS)	-5%	+18
Vending (VM)	-3%	-30
Retail & Food (R&F)	Even	-7

By category



Vs. PY	Volume
Sparkling	-7%
Non-sugar tea	-4%
Sports	-2%
Water	-15%
Coffee	-2%
Juice	-1%

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

Update on large PET price increase

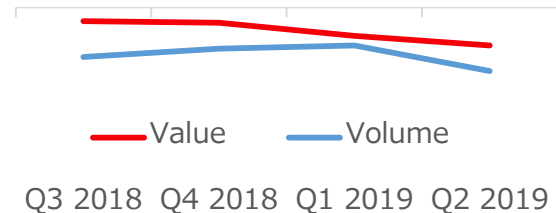
Improving gross profit margin in SM and D&D channels; Impact to volume as expected

🔥 We successfully initiated first NARTD beverage price increase in 27 years, with better price mix and gross margin for large PET products.

🔥 Sales of large PET products declined in the Supermarket and Drug & Discounter channels after initial our price increase in April, but in line with expectations.

Q2 YoY	Super-market	Drug & Discounter
Volume	-13%	-10%
Revenue per case (yen)	+113	+87
LPET Volume	-26%	-18%

OTC Market Share		
Market Share (vs. PY, PP)	Value	Volume
Q2	-1.2	-2.0
Q2 YTD	-1.1	-1.7



OTC Retail Price		
OTC Retail Price (Jan. to Jun., JPY per bottle)	Vs. Market Average	Vs. PY
Small PET	+2.5	-0.7
Large PET (2L PET)	+23.9	+8.2

Source: Intage SRI



Rest of the year outlook

- July sales volume impacted by longer rainy season
- Expect positive cycling of the disruptions of 2H last year
- Year-end dividend forecast remains unchanged (JPY25/share)
- One-time, non-cash goodwill impairment will impact full-year forecast

New launches & campaigns



Coca-Cola Energy launched in July

- *Good coverage & sales turns thus far*

Coca-Cola summer campaign



Labels change color when ice-cold!



Revised full-year 2019 forecast (Announced August 7)

One-time, non-cash charge for goodwill impairment; No change to Business Income

IFRS	2019 Forecast	2018 Actual	Variance
Beverage Volume YoY	-1%	-2%	
Revenue	923,300	927,307	-0.4%
Business Income	15,400	23,276	-33.8%
Operating Income (Loss)	(53,100)	14,682	-
Net Income (Loss)	(56,700)	10,117	-
EPS	(315.26Yen)	52.68 Yen	-

Beverage Business	2019 Forecast	2018 Actual	Variance	Health Care & Skin Care Business	2019 Forecast	2018 Actual	Variance
Revenue	895,900	899,863	-0.4%	Revenue	27,400	27,444	-0.2%
Business Income	10,000	17,939	-44.3%	Business Income	5,400	5,337	+1.2%

Unit: Million JPY, except for EPS

Net Income: Net income attributable to owners of parent






BOTTLERS JAPAN HOLDINGS INC.

A call to action to modernize and lead

We face challenges across growth, cost and capabilities

- **Growth:** Sales volume and revenue declines, reflecting both internal and market-driven challenges.
- **Cost:** Labor and input cost inflation and growing investment needs are putting pressure on profitability.
- **Capabilities:** Complexity and lack of agility in organizational capabilities. Digital still underdeveloped.



***Do the right thing
for the long-term,
while getting the
day-to-day right***



Cost improvements & revenue initiatives have partially offset negative trends, but not enough

Signs of positive topline traction



First **price increase** in 27 years successfully completed for large PET

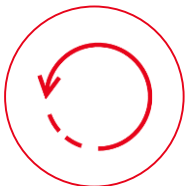


Lemondou Chu-Hi (alcohol) launch in Kyushu showing **promising** results



Vending declines are **moderating**, but market negative channel mix trends continue

Cost restructuring in action



12B of 25B synergies in original strategic plan captured



ERP system CokeOne+ in place. Central data, **“One source of truth”**



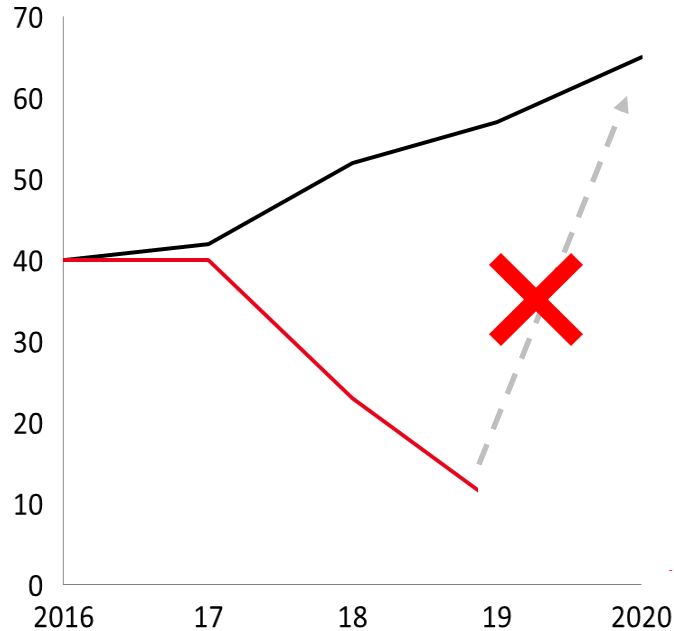
950 employees participated in **voluntary retirement program**



We have significantly underdelivered on our targets

"Business as usual" is not an option

CCBJH Business Income
B JPY



2020 target (2017 plan)

- OI: 65 B yen (JGAAP)
- Margin: 6%
- ROE: 6%
- Synergy: 25 B yen

2019 revised forecast (8/7)

- BI: 15.4B yen (IFRS)
- Margin: 1.7%
- ROE: -10%
- Synergy: 12 B yen through 2018

Goodwill Impairment

Announced 61.9 billion yen one-time, non-cash charge as a result of impairment testing from the mid-term plan process



Returning to a growth trajectory requires fundamental change



THE ROUTE to 2024

**2017-2019
Integration**

- Combining and standardizing company, subsidiaries, systems, processes
- Delivering integration synergies

**2020-2022
Reset and transform**

- Transforming cost structure & culture
- Ignite front-facing investments for growth

2023-24

Further growth to become best-in-class in Japan

- Accelerate growth with appropriate incremental investment
- Leading bottler in innovation and operations

Expand revenue base

Growth from commercial transformation

Cost efficiency & upfront investment



“The case for change”; Guiding principles of strategic business plan

- “Business as usual” is not an option. We must **fully transform**
- Improved role-sort and accountability between CCBJH and The Coca-Cola Company. Aligned Coca-Cola System commitment to **investing for growth**. Focus on accountability.
- Fundamental process, system and structural transformation required to drive cost savings and become **lowest cost operator**
- Must **re-engineer** vending value chain for growth
- Optimized salesforce structure to **expand space to sell** and improve frontline capabilities
- ESG/CSV (**Creating Shared Value**) goals integrated in the plan
- Consistent **financial framework** for creating shareholder value





Strategic focus areas

Strategic focus areas to fully transform our business for growth

Preferred beverage supplier for all Consumers, Customers & Occasions

Winning in focus areas by building a strong and lasting operating model



Enhance portfolio edge in current & new categories led by The Coca-Cola Company

Transform
vending

Customer
engagement,
expand selling
opportunities

Cost efficiencies to fuel investment for growth

Commercial
transformation

Supply chain &
manufacturing
efficiencies

Back office
functions
optimization

Capability, performance culture & accountability

Create Shared Value,
ESG goals



Growth: Enhancing the portfolio edge

Strategy

- **Win big in Core categories:** focused launch and “teiban-ization” efforts for big bets / profitable new SKUs to increase per-SKU sales
- **Channel specific pack-price** initiatives for core categories
- Entering **white spaces**
 - Evaluating Lemondo chu-hi (alcopop) expansion
 - Expansion of Energy, high value-added offerings

Enablers

- Closer and faster **System co-working model** for big bets
- **Expansion of** pack/price segmentation initiatives via joint System working model
- System **joint “Agile Team”** working model to accelerate innovation and new category entry.
 - Creation of Emerging Growth Platform (EGP) organization at CCJC



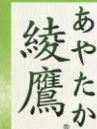
Growth: Innovation Edge, leveraging the core portfolio

GEORGIA.

The world is made up of
someone's work



Coca-Cola uplifts
people to unite and
bridge divides



Ayataka offers the
pleasure of green tea
experience brewed from
the teapot



ILOHAS turns
Plain Goodness into
Fun Goodness



Aquarius inspires
everyone to enjoy sports



Coca-Cola BOTTLERS JAPAN HOLDINGS INC.

Growth: Customer and channel-specific initiatives

Convenience Store

Customer-exclusive products



1,800 installed

Supermarket



Business

Coca-Cola to raise prices in Japan for first time in 27 years

Jan. 15 | 10:00 am JST | 13 Comments

Vending

Vending-exclusive products



Coke ON

Exceeded 15MM Downloads
~330K Coke ON enabled VM
New functions such as
Coke ON Pay

Online

Expansion in
customer sites

Strengthen portfolio
(FOSHU/FFC)

Loyalty via
Coke ON



Growth: Entering White Spaces (New categories)

Alcopop category: Lemon-Dou launch



Energy Boost Category: Coca-Cola Energy



Coca-Cola Share in Energy: +4.9pts vs LY

Value Share/SOV/Trial Source: Intage SCI, Energy Market 2019 July 1-28
Awareness source: CCJC



Growth and Cost Savings: End-to-end vending transformation

Comprehensive reset to stabilize & grow vending business

Growth

Deliver sustainable growth in vending

Horizontal growth: Increase # of columns

- Install high sales-potential locations
- Alliance with other manufactures & third-party ops

Vertical growth: Improve volume per machine

- Optimize portfolio with retailer approach
- Selective pricing interventions to increase attractiveness
- Expand cashless and Coke On to drive customer traffic and loyalty

Cost savings

Reengineer vending value chain

- Improve utilization of fixed assets (trucks, warehouses) by transforming filling operations
- Redesign vending RTM, order generation, filling
 - Centralize and digitize from planning to execution
 - Pre-seller/pre-picking initiatives
 - Manage returns on service trucks
- Optimize cost of vending equipment and rationalize service cost

Enablers:

- Joint Japan Coca-Cola System commitment to grow Vending / One Vending team
- Build front-line capabilities and improve productivity of our salesforce
- Use digital to improve productivity and improve customer experience in the core “owned retail” channel (e.g. CokeON Pay)

RTM: Route-to-market



Growth and cost savings: Strengthen customer engagement

Capture growth potential in OTC channels and expand selling opportunities

Customer Activation & Portfolio Execution

- Optimized salesforce structure to expand space to sell and improve frontline capabilities.
- Step up investments in new selling spaces, extra racks, activation in stores
- New package size and price points to capture consumer demand, through Occasion, Brand, Package, Price, Channel (OBPPC) segmentation

Customer Partnership

- Multi-functional teams serving National Customers
- Evolve price (wholesale price), terms and conditions. Reinvest for growth
- Tailored portfolio for convenience store / online channels
- Invest into new capabilities for growth – Consumer/shopper insights, digital, category management



Infrastructure to lead transformation and cost savings

Lean, streamlined and optimized operation

Supply Chain & Manufacturing

- Deliver current project Shinsei logistics network plan, expanding automation and digitization. Additional savings to offset expected higher costs
- Vending service model integrated into one efficient and sustainable operating model
- Maximize utilization of high-speed and efficient production capacity to become lowest cost operator
- Leverage technology and big data to optimize supply chain planning

Back Office

- Centralized control and optimization of total direct & indirect procurement processes and spend
- Expand and leverage shared service organization (BSO) by consolidating transactional processes into cost-efficient centers of excellence
- Digitalize operations through effective use of CokeOne+ ERP and Robotic Process Automation (RPA)



Enablers: Foundation to lead transformation and drive growth

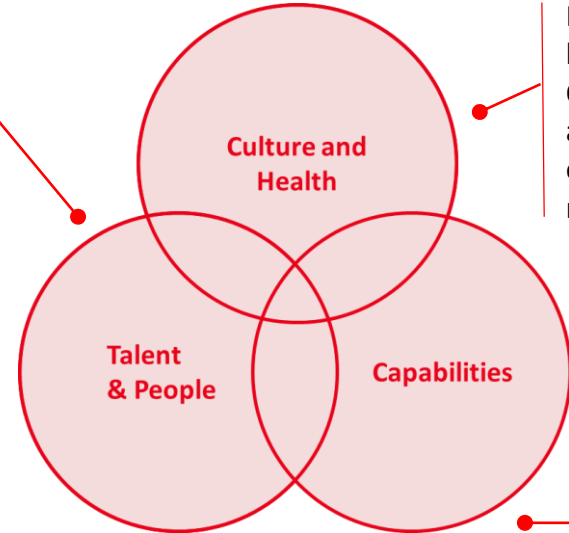
Need to address both the “hardware” and the “software” of CCBJH

Capabilities, performance culture and accountability

- Building a disciplined performance culture, reinforcing accountability
- Organize for change, but guarding against “transformation fatigue”
- Training: English, digital skills, leadership, managing scale & complexity
- Monitor organizational health via employee survey and benchmarking

3 elements of organizational “software”

How to source and develop talented employees and retain them in the company



People's mindset, behaviors. Organization's ability to align, execute and renew sustainably

Organizational skills embedded in the people, processes and systems across leaders and functions



THE ROUTE to Shared Value

Integrated strategic plan includes ESG goals and vision for a World Without Waste

THE ROUTE to Shared Value



Products

- 100%: Zero/low-calorie options for core brands
- 300%: FOSHU/functional product growth
- 100%: Front-of-pack calorie label & straightforward nutritional information
- 100%: Observation of The Coca-Cola Company Responsible Marketing Policy



Water

- 200%: Water source replenishment. Focus on watersheds near our plants
- 30% by 2030: Water usage reduction



Climate Change

- 25% by 2030: Reduction in greenhouse gas emissions
- Promotion of renewable energy



※Baseline 2015, target year 2025 unless otherwise stated

THE ROUTE to Shared Value

Integrated strategic plan includes ESG goals and vision for a World Without Waste



*New Environmental Targets
Toward Acceleration of Recycling*

World Without Waste

Design

- 50% by 2022: Content of recycled PET in PET bottles
- 90% by 2030: Sustainable PET without fossil fuel use
- 100% by 2025: Adopt recyclable packaging
- 35% by 2030: Further light-weighting of PET packaging

Procurement

- 100%: Sustainable sourcing

Human Rights

- 100%: Adherence to Supplier Guiding Principles across the CCBJH Group value chain

Diversity & Inclusion

- 6%: Ratio of female managers



Collect

- 100% by 2030: Collection % against sales volume

Partner

- By 2030: Extensive partnerships across industry and environmental organizations

Society

- 10%: Employee volunteers
- 1 million: Participants in community programs

※Baseline 2015, target year 2025 unless otherwise stated

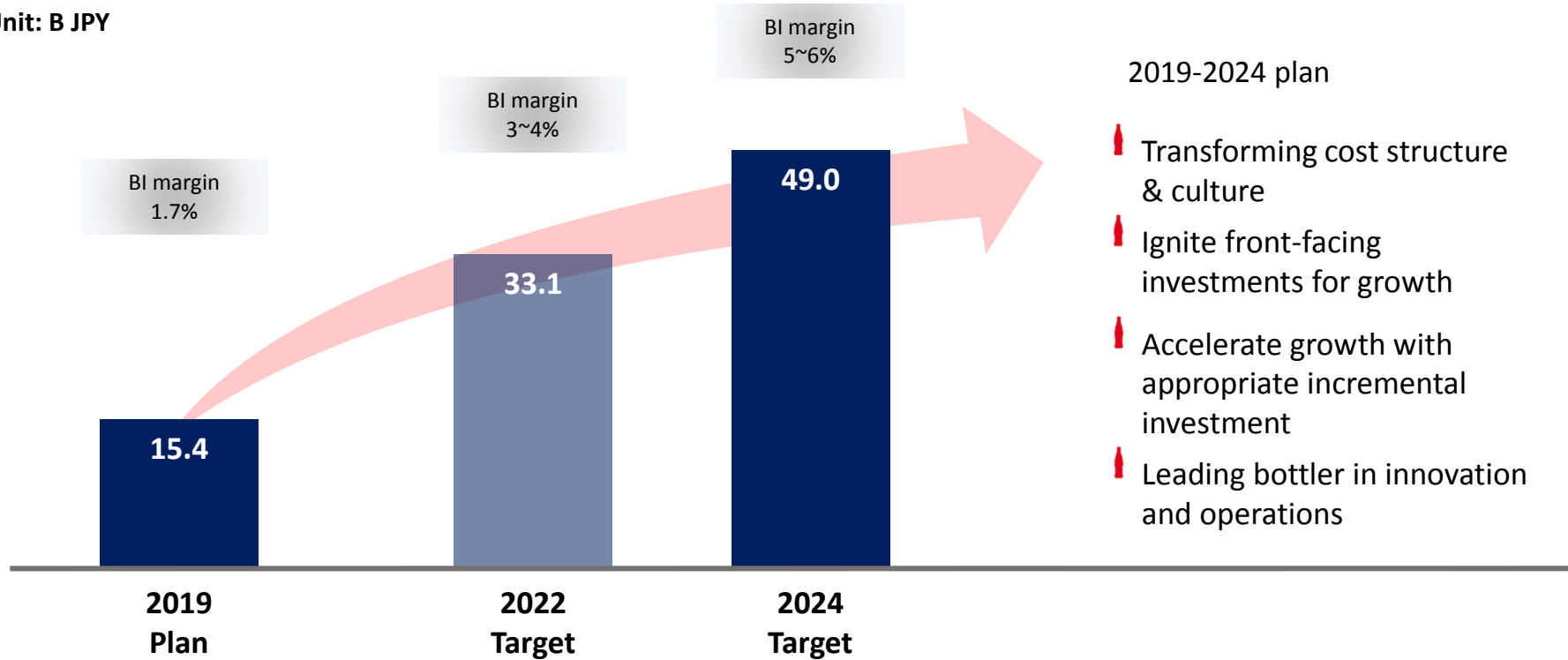


Financial targets and framework

Reset and transform to become best-in-class in Japan

Business income growth driven by cost savings & investment for growth

Unit: B JPY



Key metrics and picture of success by 2024

2024 Target		
Revenue	Expand selling space, OTC growth while vending decline moderated	Revenue +0.5~1% CAGR Volume +1~1.5% CAGR
Volume & Value Share	Volume and value share growth. Volume share growth may be ahead in initial phase of transformation	Value share growth ↗
Business Income Margin	Improving back to trajectory anticipated in our initial midterm plan	5~6%
Earnings per Share (EPS)	Improving profitability through reset & transformation and growing bottom line profit	Normalized EPS: 3x+ (EPS excluding non-recurring impact)
Return on Equity (ROE)	Optimized and efficient balance sheet while improving profitability	5~6%
Shareholder Return	Prioritize stable dividend during transformation period. Consider share repurchases, etc. when appropriate	Long-term, 30%+ payout ratio, but stable in mid-term

*Base for growth target: 2019 current forecast

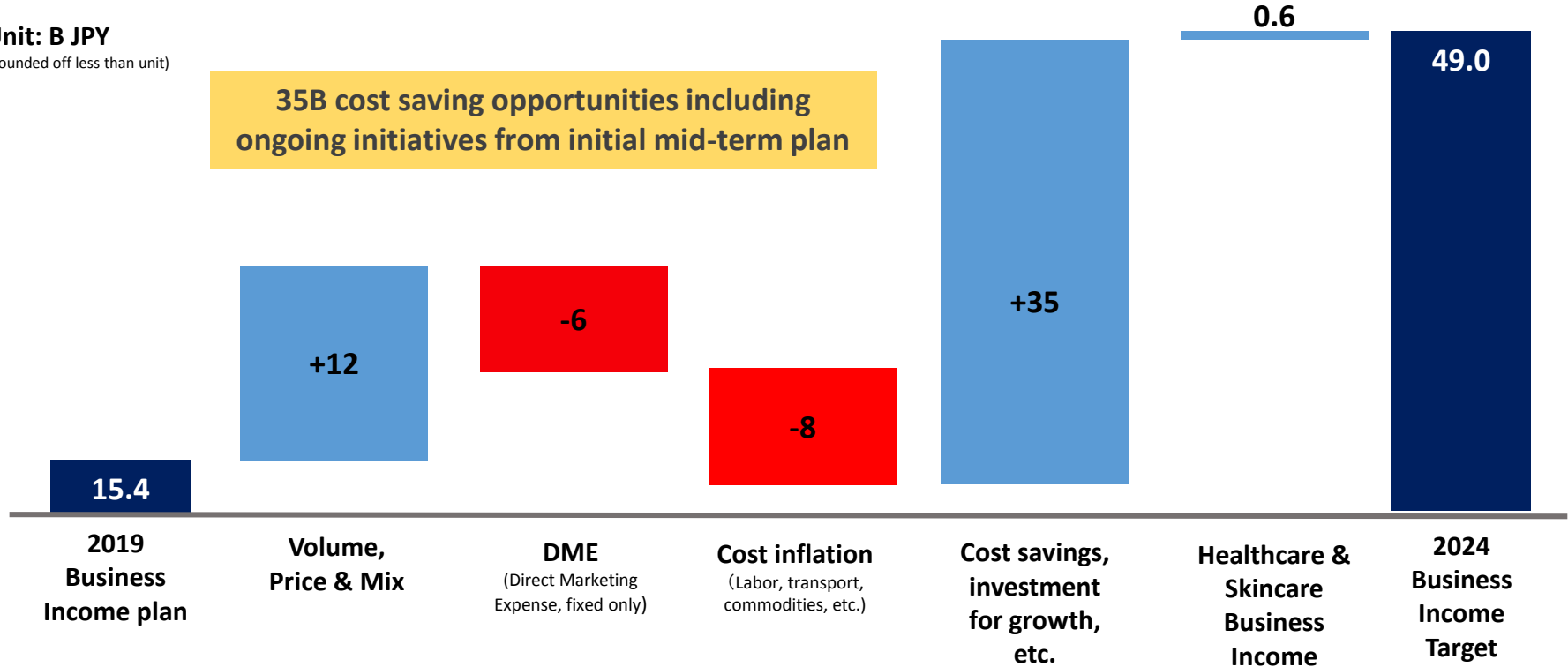


Midterm plan drivers of business income

Business Income growth driven by cost savings & investment for growth

Unit: B JPY

(Rounded off less than unit)



Drive cost savings through resetting and transformation

~35B yen cost saving till 2024

Area	Contribution	Initiatives
<i>Commercial</i>	~40%	<ul style="list-style-type: none">• End-to-end vending transformation• OTC Route-to-Market transformation• Vending equipment maintenance & procurement• Digital to improve productivity and customer experience
<i>Supply chain & procurement</i>	~40%	<ul style="list-style-type: none">• Shinsei logistic/distribution optimization• Manufacturing efficiency from new line investment• Leverage digital/IT across supply chain network• Package light weighting, aligning with our CSV goals• Saving from standardized/optimized procurement
<i>Back office & IT</i>	~20%	<ul style="list-style-type: none">• Expand shared service organization (BSO) with standardized, digitalized and automated back office operations

Cost savings includes remaining originally identified synergies from initial midterm plan announced on June 2017

RTM: Route-to-market



Financial framework

Continue efforts to build efficient capital structure and improve ROE

Context

- Growth plan requires additional financing due to operations and investments
 - 2020-2024 Cumulative capex ~350B
- Planning 2019 bond issuance
- Impairment of goodwill
- Current credit rating at A+/AA-

Guiding principles

- 1 Investment for growth
- 2 Increase of leverage while maintaining an acceptable credit rating
- 3 Create shareholder value
 - Stable dividend over transformation period
 - Consider share repurchases as appropriate

Target
ROE
5-6%
by 2024

Optimize capital structure to maximize Shareholder returns





Key takeaways

- Coca-Cola BOTTLETS JAPAN HOLDINGS INC.**



Q & A

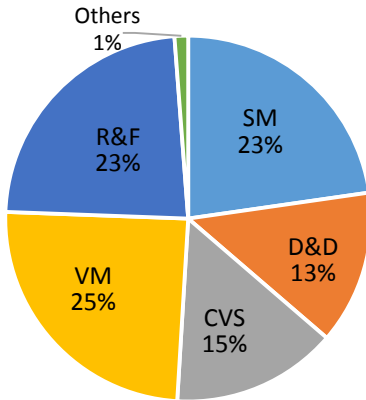


Appendix

Q2 2019 channel and category volume performance

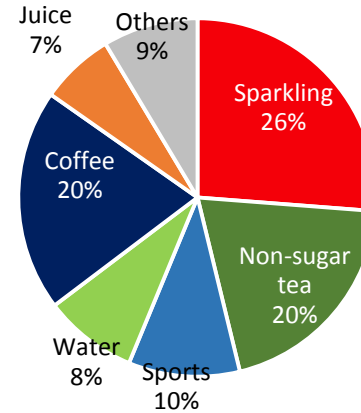
Q2 2019 Volume: -7%

By channel



Vs. PY	Volume	Revenue per case (Yen)
Supermarket (SM)	-13%	+113
Drug & Discounter (D&D)	-10%	+87
Convenience Store (CVS)	-8%	+31
Vending (VM)	-2%	-35
Retail & Food (R&F)	-1%	-9

By category



Vs. PY	Volume
Sparkling	-9%
Non-sugar tea	-10%
Sports	-2%
Water	-16%
Coffee	-3%
Juice	-3%

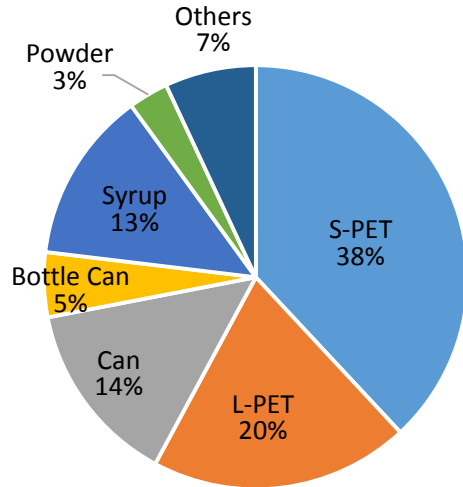
Note: Sales volume doesn't include alcohol. Revenue per case doesn't include DFR (deduction from revenue) Some inconsistencies with the data provided in past presentations may be expected as a result of standardization of volume and revenue calculation.



Volume by package

Q2 YTD 2019

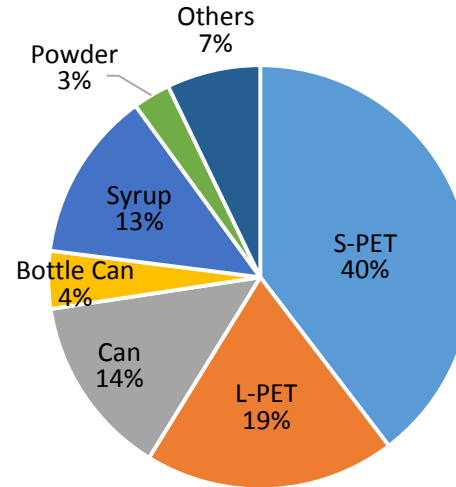
Volume: -4%



vs PY	Volume
S-PET	Even
L-PET	-13%
Can	-2%
Bottle Can	-17%
Syrup	-1%
Powder	+7%

Q2 2019

Volume: -7%



vs PY	Volume
S-PET	+1%
L-PET	-22%
Can	-3%
Bottle Can	-15%
Syrup	Even
Powder	+9%

S-PET : PET under 600ml

L-PET : PET above 1.5L

Note: Sales volume doesn't include alcohol. Some inconsistencies with the data provided in past presentations may be expected as a result of standardization of volume and revenue calculation.



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 Direct Marketing Expenses . Sales promotion-related expenses, including advertisement, rebates, 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.).
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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Coca-Cola Bottlers Japan Holdings Inc.

ir@ccbj.co.jp

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