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Consolidated Financial Summary for the Second Quarter Ended June 30, 2019 (IFRS)

August 7, 2019

Listed company name: Coca-Cola Bottlers Japan Holdings Inc.
Listed stock exchanges: Tokyo and Fukuoka
Code number: 2579
URL: https://en.ccbj-holdings.com/
Representative: Representative Director & President
Name: Calin Dragan
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Expected date of quarterly report submission: August 9, 2019
Expected date of the dividend payments: September 2 2019
FY 2019 2Q supplementary information: Yes
FY 2019 2Q earnings presentation: Yes

(Fractions of one million yen are rounded)

1. Consolidated financial results for the 2nd quarter 2019 (from January 1, 2019 to June 30, 2019)

(Percentages indicate changes over the same period in the prior fiscal year)

(1) Consolidated financial results

	Net sales		Business Income		Operating profit		Net profit		Net profit for the year attributable to owners of the parent		Total comprehensive income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
2nd quarter 2019	433,710	(3.2)	4,122	(64.4)	(65,457)	—	(64,537)	—	(64,565)	—	(63,537)	—
2nd quarter 2018	448,103	—	11,571	—	12,052	—	7,764	—	7,740	—	6,078	—

	Earnings per share	Diluted earnings per share
	yen	yen
2nd quarter 2019	(358.14)	—
2nd quarter 2018	39.30	—

* "Business Income" is a measure of our underlying or recurring business performance after the adoption of IFRS, and deducts cost of goods and SG&A from revenue, and includes other income and expenses which we believe are recurring in nature.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to parent owners	Ratio of equity attributable to parent owners
	million yen	million yen	million yen	%
Jun. 30, 2019	883,777	499,551	499,087	56.5
Dec. 31, 2018	877,472	580,906	580,448	66.2

2. Dividends

	Dividends per share				
(Record date)	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
Year ended	yen	yen	yen	yen	yen
Full year 2018	—	25.00	—	25.00	50.00
Full year 2019	—	25.00			
Full year 2019 (forecast)			—	25.00	50.00

Note: Revisions to the cash dividends forecasts most recently announced: None

3. Forecast of consolidated financial results 2019 (from January 1, 2019 to December 31, 2019)

(Percentages indicate changes over the same period in the prior fiscal year)

	Net sales		Business Income		Operating profit		Net profit		Net profit for the year attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year 2019	923,300	(0.4)	15,400	(33.8)	(53,100)	—	(56,700)	—	(56,700)	—	(315.26)

Note: Revisions to the forecasts of consolidated financial results most recently announced: Yes

Notes

(1) Changes in significant subsidiaries during the current period : None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

1) Changes in accounting policies due to revisions to accounting standards under IFRS : Yes

2) Changes other than those in 1) above : None

3) Changes in accounting estimates : None

(3) Number of outstanding shares (common shares)

1) Number of outstanding shares at the end of period (including treasury shares):

2Q 2019: 206,268,593 shares FY 2018: 206,268,593 shares

2) Number of treasury shares at the end of period:

2Q 2019: 26,915,309 shares FY 2018: 22,793,049 shares

3) Average number of outstanding shares during the period:

2Q 2019: 180,280,315 shares 2Q 2018: 196,932,506 shares

* These Consolidated Financial Results are not subject to quarterly review procedures conducted by certified public accountant or audit firm.

* Explanation regarding appropriate use of the forecast, other special instructions

Figures in the above forecast are based on information available to management at the time of announcement. Due to number of inherent uncertainties in the forecast, actual results may differ materially from the forecast. Furthermore, please refer to “1. Qualitative Information on the Financial Summary for this Quarter (3) Information on the Future Outlook, Such as Forecast of Consolidated Financial Results” on page 5 for matters relating to performance forecasts.

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1. Qualitative Information on the Financial Summary for this Quarter

(1) Details of Consolidated Financial Results

Coca-Cola Bottlers Japan Holdings Inc. (“CCBJH” or the “Company”) announced year-to-date second-quarter results for the fiscal year ending on December 31, 2019 (January 1, 2019 to June 30, 2019). In this period, total nonalcoholic ready-to-drink (NARTD) beverage industry volume performance is estimated to be slightly negative versus prior year. The health food and cosmetics industries continue to grow, driven by demand from health-conscious consumers and inbound tourism, while the competitive environment has been marked by successive product launches by various industry players.

For CCBJH, 2019 is a transition year that has been focused on recovery from the flooding damage and disruption to product supply in 2018, and building a solid foundation for future growth, including the creation of an updated mid-term strategic plan under the direction of a new leadership team. We have been making major investments to recover our supply network and progressively expand production capacity through second quarter 2020. We were the first in the beverage industry to announce and implement a wholesale price increase for large PET products in April—the first time in 27 years, and we are actively monitoring the results of this important initiative to learn for the future. Importantly, we have developed a new five-year strategic business plan, “THE ROUTE to 2024”, announced together with year-to-date second quarter results, which outlines steps to first reset and transform the business with major cost efficiencies and investments for growth in alignment with the Coca-Cola (Japan) Company.

Our year-to-date second quarter results were impacted by a decline of topline revenue due to lower beverage business sales volume, combined with continued lower manufacturing efficiencies and elevated logistics and distribution expenses as we recover our supply and distribution infrastructure over the course of this year. Year-to-date results also reflect a one-time, non-cash charge related to impairment of goodwill in the second quarter.

In addition to the qualitative information contained in this report, please also see our earnings presentation material posted on the Company IR website (https://en.ccbj-holdings.com/ir/library/presentation.php) to be used at our earnings presentation on Thursday, August 8, 2019 at 1:30pm (JST). The earnings presentation and audio will be available live and on demand as an audio webcast in the IR section of the CCBJH website.

Highlights

- Year-to-date beverage volume down 4% and net revenue down 3%, reflecting a 7% volume decline in the second quarter after initial rollout in April of the first customer price increase in 27 years.
- Year-to-date Business Income decreased 64% versus prior year, trending in line with the revised full-year plan announced in May, reflecting expected quarterly phasing in 2019 as we cycle supply disruption primarily in the second half of 2018.
- Announced a one-time, non-cash goodwill impairment charge of 61.9 billion yen resulting from the strategic business plan evaluation process and updated business outlook.
- Year-to-date operating loss of 65.5 billion yen (12.1 billion yen operating income in 2018) reflecting the second-quarter goodwill impairment. 2019 full-year operating income forecast has been revised due to this impairment.
- Interim dividend of 25 yen per share as planned, with no change to expected year-end dividend. Prioritizing stable dividend payment in a year of transition and recovery.
- New mid-term business plan, “THE ROUTE to 2024” announced, focusing on important cost savings from transformation and necessary investments for sales growth in order to grow volume and value share, improve profit margins and increase return on equity (ROE).

Overview of strategic mid-term business plan

CCBJH developed a new five-year strategic business plan with full alignment of the leadership teams of both CCBJH and the Coca-Cola (Japan) Company on the need for transformational change to drive cost savings as well as focused investments to reignite sales growth. This strategic plan is a multiple step roadmap to return CCBJH to a growth trajectory, with targets for both Business Income margin and ROE in 2024 of 5-6%. Over the course of the five-year plan, we expect cost savings of approximately 35 billion yen, representing ongoing savings initiatives and incremental programs focused on transforming our vending machine operations, evolving our frontline salesforce capabilities and identifying opportunities across procurement and our supply chain to offset anticipated higher costs. We have also integrated into the strategic plan key non-financial ESGrelated initiatives and commitments, which we refer to as CSV, or Creating Shared Value. For more information about the new strategic business plan, please refer to our second-quarter earnings presentation material posted on the Company IR website.

Review of Results

Year-to-date Q2 (January to June) In Million JPY, IFRS	2018	2019	YoY
Net Revenue	448,103	433,710	(3.2%)
Gross Profit	220,525	210,246	(4.7%)
Selling, General & Administrative Expenses	208,213	205,202	(1.4%)
Other income (Recurring)	689	560	(18.7%)
Other expenses (Recurring)	1,396	1,457	4.4%
Investment gain (loss) on equity method	(34)	(24)	–
Business Income (Loss)	11,571	4,122	(64.4%)
Other income (Non-recurring)	481	1,240	157.8%
Other expenses (Non-recurring)	–	70,819	–
Operating Income (Loss)	12,052	(65,457)	–
Net Income (Loss) Attributable to Owners of Parent	7,740	(64,565)	–
Sales volume of beverage business (Million cases)	247	237	(4%)

Q2 (April to June) In Million JPY, IFRS	2018	2019	YoY
Net Revenue	242,489	234,978	(3.1%)
Gross Profit	119,597	115,644	(3.3%)
Selling, General & Administrative Expenses	107,192	107,062	(0.1%)
Other income (Recurring)	272	267	(2.0%)
Other expenses (Recurring)	882	657	(25.4%)
Investment gain (loss) on equity method	(32)	(10)	–
Business Income	11,763	8,182	(30.4%)
Other income (Non-recurring)	481	1,240	157.8%
Other expenses (Non-recurring)	–	62,054	–
Operating Income	12,244	(52,633)	–
Net Income Attributable to Owners of Parent	8,029	(56,563)	–
Sales volume of beverage business (Million cases)	136	127	(6%)

* Sales volume of beverage business does not include alcoholic beverage volume
* We have introduced "Business Income" as a measure of our underlying or recurring business performance after the adoption of IFRS in 2019. Business income deducts cost of goods and SG&A from revenue and includes other income and expenses which we believe are recurring in nature.

Year-to-date second quarter net revenue was 433.7 billion yen, a decrease of 14.4 billion yen, or 3.2% compared to the prior-year period. Net revenue of the beverage business decreased 12.0 billion yen (down 2.8%) versus the prior-year period, to 421.4 billion yen, reflecting a 4% decline in sales volume and improved revenue-per-case as a result of the price increase of large PET packages introduced in April, first by CCBJH and later in the quarter by other industry players. Net revenues of the healthcare & skincare business fell by

2.4 billion yen (down 16.1%) year-on-year to 12.3 billion yen, as mail/web order sales slowed in the quarter.

Year-to-date second quarter business income, an indicator of our recurring business performance, was 4.1 billion yen, a decrease of 7.5 billion, or 64.4% year-on-year. Business income of the beverage business was negative 2.5 billion yen (down 6.2 billion yen or 71.1% year-on-year). This reflects weak topline revenue due to the sales volume decline and continued lower manufacturing efficiencies and elevated logistics and distribution expenses this year as we recover and expand supply capacity after the disruption in the second half of 2018. Partly offsetting this pressure, we achieved labor savings as a result of integrating retirement benefit programs and completing a voluntary employee retirement program in the second quarter. Promotional expenses in the period were also lower, in line with volume performance and cycling prior-year marketing activities. Business income in the healthcare & skincare business was 1.6 billion yen, a decrease of 1.2 billion yen or 43.7% year-on-year, reflecting lower revenues while we continue to focus on promotional expense control and other cost savings opportunities.

Consolidated operating loss was 65.5 billion yen (12.1 billion yen operating income in prior year period), mainly driven by the impairment of goodwill. Net income attributable to owners of parent was a loss of 64.6 billion yen (7.7 billion yen in the prior-year period).

Beverage volume performance by channel and category

Year-to-date volume performance reflects the initial impact of the large PET customer price increase in April as well as underperforming new product launches and renewals in the first quarter, and gradual recovery of customer shelf space after the supply constraints in late 2018. Supermarket, Drug & Discounter and Convenience Store channel volume declined 8%, 6% and 5%, respectively. Wholesale price per case improved in the Supermarket and Drug & Discounter channels but volume declined 13% and 10%, respectively, in the second quarter as the composition of large PET package volume is relatively high in both channels. Vending channel volume declined 3% year to date and 2% in the second quarter, in line with the 2019 plan, reflecting a continued moderation of the negative trend from 2018. This moderating trend is supported by initiatives to drive vending purchase transaction growth, such as new package sizes and price points, as well as an improving outlook for the coffee category with expanded coverage of the Georgia Japan Craftsman brand in aseptic PET packaging. Year-to-date sales volume was even in the Retail & Food channel.

By category, non-sugar tea and sports volume decreased 4% and 2%, respectively, impacted by large PET package volume declines after the price hike in April. Coffee volume was negative 2% year-to-date and X% in the second quarter. We have been expanding coverage of Georgia Japan Craftsman across all channels to improve coffee performance. Sparkling beverages declined 7% year to date due to weak performance of Coca-Cola Peach and Fanta product renewals as well as the price increase. Water declined 15%, mainly driven by weak performance of iLohas brand flavored water as we cycled prior year launches, and lower sales of large PET packages in the second quarter due to the price rise.

(2) Details of Consolidated Financial Position

Assets at the end of the quarter were JPY 883.8 billion yen, an increase of 6.3 billion yen from the end of the previous fiscal year. This is mainly attributable to an increase of inventory by building stock of products ahead of peak season, as well as an increase of non-current assets by newly including Right-of- use assets as a result of the implementation of IFRS 16 starting from this fiscal year. Fixed assets increased as a result of commissioning two new production lines in Kumamoto and Kyoto in the first quarter. Finally, we also booked an impairment of goodwill in the second quarter.

Liabilities at the end of the quarter were 384.2 billion yen, an increase of 87.7 billion yen from the end of previous fiscal year. This is mainly due to an increase of Bonds and debt in current liabilities driven by higher bank borrowing for operational needs, and an increase of Lease liabilities in conjunction with including Right-of-use assets, etc.

Net assets at the end of the quarter were 499.6 billion yen, a decrease of 81.4 billion yen. This is mainly due to a decrease of Retained Earnings as a result of the goodwill impairment and an increase of Treasury Shares due to the completion of the share buyback program in February 2019.

Cash flows for the year-to-date period are as follows:
Net cash used for operations was 9.1 billion yen (3.7 billion net cash generated from operations in the previous

year period). This results mainly from the 65.5 billion yen net loss before tax, loss due to impairment of goodwill, depreciation expenses, increase of notes and account payable-trade, etc. offset by an increase of trade and other receivable, inventories, payment of taxes, etc.

Net cash used for investment activities was 38.8 billion yen (21.4 billion yen in the previous year period), due to purchases of fixed assets as we recover our supply network and progressively expand production capacity, etc.

Net cash generated from financing activities was 27.7 billion yen (46.9 billion yen net cash used for financing activities in the previous year period), driven by an increase of short-term loans for operating capital, partially offset by cash spent for share buy-back, payment of year-end dividends, etc.

As a result of these activities, cash and cash equivalents at the end of the second-quarter was 45.2 billion yen, a decrease of 8.9 billion yen versus the prior year period.

(3) Information on the Future Outlook, Such as Forecast of Consolidated Financial Results
The Company revised its full-year 2019 (January 1 to December 31, 2019) earnings forecast, which was previously released on May 15, 2019 due to impairment of goodwill. For details, please refer to the "Loss due to Impairment of Goodwill and Revision of Full-Year 2019 Forecast" separately announced today.

2. Condensed Quarterly Consolidated Financial Statements and Main Notes

(1) Condensed Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	65,510	45,230
Trade and other receivables	92,402	101,786
Inventories	68,781	84,437
Other financial assets	645	490
Other current assets	10,740	17,293
Total current assets	238,078	249,236
Non－current assets:		
Property, plant and equipment	435,305	449,256
Right－of－use assets	－	41,636
Goodwill	88,880	27,021
Intangible assets	66,539	67,135
Investments accounted for using equity method	298	304
Other financial assets	34,796	32,420
Net defined benefit asset	38	－
Deferred tax assets	6,264	9,527
Other non－current assets	7,274	7,242
Total non－current assets	639,394	634,541
Total assets	877,472	883,777

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities:		
Trade and other payables	105,701	114,933
Bonds and debts	45,512	95,454
Lease liabilities	—	7,381
Other financial liabilities	993	641
Income taxes payable	3,069	754
Provisions	18	24
Other current liabilities	22,230	14,576
Total current liabilities	177,524	233,763
Non－current liabilities:		
Bonds and debts	56,401	55,545
Lease liabilities	—	35,910
Other financial liabilities	749	322
Net defined benefit liabilities	33,712	28,798
Provisions	2,191	2,171
Deferred tax liabilities	23,082	24,686
Other non－current liabilities	2,907	3,031
Total non－current liabilities	119,042	150,463
Total liabilities	296,566	384,227
Equity;		
Capital stock	15,232	15,232
Capital Surplus	450,533	450,467
Retained earnings	182,418	115,283
Treasury Shares	(72,651)	(85,644)
Accumulated other comprehensive income	4,915	3,749
Equity attributable to owners of parent	580,448	499,087
Non－controlling interests	458	464
Total equity	580,906	499,551
Total liabilities and equity	877,472	883,777

(2) Condensed Quarterly Consolidated Statements of Income and Comprehensive Income

(Condensed Quarterly Consolidated Statements of Income)

(First six−month period of a fiscal year)

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net sales	448,103	433,710
Cost of sales	227,578	223,465
Gross profit	220,525	210,246
Selling and general administrative expenses	208,213	205,202
Impairment losses of goodwill.	―	61,859
Other income	1,170	1,800
Other expenses	1,396	10,417
Share of income (loss) of entities accounted for using equity method	(34)	(24)
Operating income (loss)	12,052	(65,457)
Financial revenue	560	501
Finance costs	437	557
Income (loss) for the period before income taxes	12,175	(65,513)
Income tax expense	4,411	(976)
Net income (loss) for the period	7,764	(64,537)
Net income (loss) for the period attributable to:		
Owners of parent	7,740	(64,565)
Non－controlling interests	25	28
Earnings (loss) per share (yen)		
	39.30	(358.14)

(Condensed Quarterly Consolidated Comprehensive Income)

(First six−month period of a fiscal year)

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net income (loss) for the period	7,764	(64,537)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	4	1,785
Net changes in financial assets measured at fair value through other comprehensive income	(1,232)	(408)
Subtotal	(1,229)	1,377
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments of foreign operations	(0)	—
Cash flow hedges	(457)	(377)
Subtotal	(457)	(377)
Total other comprehensive income (loss) for the period	(1,686)	1,000
Total comprehensive income (loss) for the period	6,078	(63,537)
Comprehensive income (loss) attributable to:		
Owners of parent	6,053	(63,566)
Non－controlling interests	25	28

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Six months ended June 30, 2018

(Millions of yen)

	Equity attributable to owners of parent							
	Capital stock	Capital surplus	Retained earnings	Treasury Shares	Accumulated other comprehensive income	Total	Non－controlling interests	Total
Balance as of January 1, 2018	15,232	450,498	184,317	(4,693)	9,258	654,611	427	655,038
Comprehensive income for the period								
Net income (loss) for the period	―	―	7,740	―	―	7,740	25	7,764
Other comprehensive income (loss)	―	―	―	―	(1,686)	(1,686)	―	(1,686)
Total comprehensive income (loss) for the year	―	―	7,740	―	(1,686)	6,053	25	6,078
Transactions with owners, etc.								
Dividends of surplus	―	―	(4,494)	―	―	(4,494)	(21)	(4,514)
Purchase of treasury stock	―	(25)	―	(55,943)	―	(55,968)	―	(55,968)
Disposal of treasury stock	―	0	―	1	―	1	―	1
Transactions of share－based payment	―	78	―	―	―	78	―	78
Reclassification from accumulated other comprehensive income to retained earnings	―	―	(1)	―	1	―	―	―
Reclassification from accumulated other comprehensive income to non－financial assets	―	―	―	―	(92)	(92)	―	(92)
Other changes	―	(7)	―	―	―	(7)	7	―
Total transactions with owners, etc.	―	46	(4,494)	(55,942)	(92)	(60,482)	(14)	(60,495)
Balance as of June 30, 2018	15,232	450,543	187,563	(60,635)	7,480	600,183	438	600,621

Six months ended June 30, 2019

(Millions of yen)

	Equity attributable to owners of parent							
	Capital stock	Capital surplus	Retained earnings	Treasury Shares	Accumulated other comprehensive income	Total	Non－controlling interests	Total
Balance as of January 1, 2019 (Before restatement)	15,232	450,533	182,418	(72,651)	4,915	580,448	458	580,906
Adjustments resulting from the adoption of IFRS 16	－	－	(338)	－	－	(338)	－	(338)
Balance as of January 1, 2019 (After restatement)	15,232	450,533	182,080	(72,651)	4,915	580,110	458	580,568
Comprehensive income for the year								
Net income (loss) for the period	－	－	(64,565)	－	－	(64,565)	28	(64,537)
Other comprehensive income (loss)	－	－	－	－	1,000	1,000	－	1,000
Total comprehensive income (loss) for the year	－	－	(64,565)	－	1,000	(63,566)	28	(63,537)
Transactions with owners, etc.								
Dividends of surplus	－	－	(4,587)	－	－	(4,587)	(22)	(4,609)
Purchase of treasury stock	－	(64)	－	(12,995)	－	(13,059)	－	(13,059)
Disposal of treasury stock	－	(0)	－	1	－	1	－	1
Transactions of share－based payment	－	(2)	－	－	－	(2)	－	(2)
Reclassification from accumulated other comprehensive income to retained earnings	－	－	2,355	－	(2,355)	－	－	－
Reclassification from accumulated other comprehensive income to non－financial assets	－	－	－	－	189	189	－	189
Total transactions with owners, etc.	－	(66)	(2,232)	(12,994)	(2,166)	(17,458)	(22)	(17,480)
Balance as of June 30, 2019	15,232	450,467	115,283	(85,644)	3,749	499,087	464	499,551

(4) Condensed Quarterly Consolidated Cash Flows

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from operating activities		
Income (loss) for the period before income taxes	12,175	(65,513)
Adjustments for:		
Depreciation and amortization	23,893	28,114
Impairment loss	—	62,109
Change in allowance for doubtful accounts	48	(471)
Interest and dividends income	(312)	(308)
Interest expenses	307	557
Share of loss (profit) of entities accounted for using equity method	34	24
Gain on sale of property, plant and equipment	(86)	(1,259)
Loss on disposal and sale of property, plant and equipment	1021	1,014
Decrease (increase) in trade and other receivables	(19,277)	(9,355)
Decrease (increase) in inventories	(16,974)	(15,656)
Decrease (increase) in other assets	(3,626)	(2,715)
Increase (decrease) in trade and other payables	20,661	10,860
Increase (decrease) in net defined benefit liabilities	158	(2,148)
Increase (decrease) in other liabilities	(5,844)	(7,389)
Others	72	436
Subtotal	12,250	(1,702)
Interest received	3	0
Dividends received	284	308
Interest paid	(278)	(527)
Income taxes paid	(8,854)	(8,882)
Income taxes refund	271	1,662
Net cash provided by operating activities	3,676	(9,141)
Cash flows from investing activities		
Acquisitions of property, plant and equipment and intangible assets	(22,090)	(42,892)
Proceeds from sales of property, plant and equipment and intangible assets	213	2,346
Purchases of other financial assets	(29)	(27)
Proceeds from sale of other financial assets	50	1,683
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	406	—
Other	10	71
Net cash used in investing activities	(21,441)	(38,820)

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from financing activities		
Increase (decrease) in short－term loans payable	15,000	50,000
Repayments of long－term loans payable	(909)	(943)
Dividends paid	(4,494)	(4,587)
Dividends paid to non－controlling interests	(21)	(22)
Proceeds from disposal of treasury stock	1	1
Purchases of treasury stock	(55,968)	(13,088)
Repayments of lease liabilities	―	(3,681)
Other	(463)	―
Net cash provided by (used in) financing activities	(46,853)	27,680
Net foreign exchange differences on cash and cash equivalents	(0)	―
Net increase (decrease) in cash and cash equivalents	(64,618)	(20,281)
Cash and cash equivalents at the beginning of the year	118,742	65,510
Cash and cash equivalents at the end of the year	54,124	45,230

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

The Group has adopted following standards from the first quarter.

Establishment or revision of accounting standards and interpretations	Summary of requirements
IFRS 16 Leases (published January 2016)	New standard for leases, replacing IAS 17, requires all leases to be shown on the statements of financial position as if they were financed purchases. The new standard sets out the principles for the recognition, measurement, presentation and disclosures of leases.

The Group has adopted IFRS 16 “Leases” (hereinafter, “IFRS 16”), from the first quarter ended March 31, 2019. The Group retrospectively applied IFRS 16 according to transitional measures, the cumulative effect of the commencement of application is recognized as an adjustment to the opening balance of retained earnings in the first quarter. In the transition to IFRS 16, the practical expedient of IFRS 16.C3 was selected as to whether an arrangement contains a lease or not, it takes over the judgment of IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

IFRS 16 requires that lessee's lease not be classified as finance lease or operating lease, but rather as a single accounting model and, in principle, recognize the right-of-use asset representing the right to use the underlying asset and the lease liability representing the obligation to pay the lease payments for all lease. However, for short-term lease or leases for which the underlying asset is of low value, the Group may elect not to apply the requirements of this standard. After recognizing right-of-use asset and lease liability, right-of-use asset depreciation and interest expense related to lease liability are recognized.

In the Group, the lease term of the right-of-use assets is estimated by adding a reasonably reliable period in which the option to extend the lease is not exercised or the option to cancel the lease is not exercised. In addition, the discount rate applied to the lease liabilities for the right-of-use assets uses the lessee's incremental borrowing rate, and the weighted average is 1.0%. Right-of-use assets are depreciated using the straight-line method mainly over 15 years from the start date.

As of the end of the previous consolidated fiscal year, finance lease liabilities that were recognized by applying IAS 17 were 901 million yen.

Of 7,644 million yen (before discount) of the operating lease contracts disclosed by applying this standard,549 million yen (before discount) is accounted for as a small-value asset lease, in addition, there is 37,409 million yen increase in lease liabilities over a period in which it is reasonably certain that the extension option will be exercised.

As a result, in the consolidated statement of financial position at the beginning of the first quarter under review, right-of-use assets increased by 44,034 million yen, deferred tax assets increased by 15,200 million yen, lease liabilities increased by 44,505 million yen, deferred tax liabilities increased by 15,028 million yen and long-term accounts payable increased by 40 million yen, retained earnings decreased by 338 million yen. Deferred tax assets and Deferred tax liabilities are offset on the consolidated balance sheets based on IAS 12 “Income taxes”.

In addition, cash flow from operating activities increased by 3,350 million yen and cash flows from financing activities decreased by 3,350 million yen in condensed quarterly consolidated cash flows for the second quarter.

(Segment Information)

Operating segments of the Group are components for which discrete separate financial information is available and which are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. The Group establishes organizational management system for each product and service and identified "Beverage Business" and "Healthcare & Skincare Business" as operating segment and reportable segment based on the type and the nature of the products and sales market. Following reportable segments are identified by the Group and there are no business segments or summarized segments that consist of reportable segments other than followings.

Reportable segments	Principal Products and Services
Beverage Business	Purchase, manufacture and sale of carbonated beverages such as Coca－Cola, coffee and black tea beverages, mineral water, etc. bottling, packaging, distribution and marketing, vending machine－related business in Japan
Healthcare & Skincare Business	Manufacture and sale of kale juice (aojiru) and other products made from Kale, as well as the manufacture and sale of health foods, cosmetics and other related products

The Board of Directors evaluates the performance of each segment compared to other companies in the same industry by using operating income as reported in accordance with generally accepted accounting principles (IFRS).

Information about reportable segments is as follows:

Impairment loss of 61,859 million yen was recorded in Beverage Business during first six-month period of this fiscal year.

First six−month period of the previous fiscal year (January 1, 2018 – June 30, 2018)

(Millions of yen)

	Reportable segments				
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total	Adjustment	Total
Sales revenue to external customers	433,427	14,675	448,103	—	448,103
Intersegment sales revenue	—	—	—	—	—
Total sales revenue	433,427	14,675	448,103	—	448,103
Segment profit (loss)	8,732	3,320	12,052	—	12,052
Adjustments					
Financial revenue					560
Finance costs					437
Income (loss) before tax					12,175

First six−month period of this fiscal year (January 1, 2019 – June 30, 2019)

(Millions of yen)

	Reportable segments				
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total	Adjustment	Total
Sales revenue to external customers	421,404	12,306	433,710	—	433,710
Intersegment sales accumulation	—	—	—	—	—
Total sales revenue	421,404	12,306	433,710	—	433,710
Segment profit (loss)	(67,057)	1,600	(65,457)	—	(65,457)
Adjustments					
Financial revenue					501
Finance costs					557
Income (loss) before tax					(65,513)