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Coca-Cola BOTTLERS JAPAN HOLDINGS INC.

Consolidated Financial Summary for the Third Quarter Ended September 30, 2019 (IFRS)

November 7, 2019

Listed company name: Coca-Cola Bottlers Japan Holdings Inc.
Code number: 2579
Representative: Representative Director & President
Contact: Head of Controllers Senior Group, Finance
Listed stock exchanges: Tokyo and Fukuoka
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Expected date of quarterly report submission: November 11, 2019
Expected date of the dividend payments: —
FY 2019 3Q supplementary information: Yes
FY 2019 3Q earnings presentation: Yes

(Fractions of one million yen are rounded)

1. Consolidated financial results for the 3rd quarter 2019 (from January 1, 2019 to September 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	%
3rd quarter 2019	694,763	(2.2)	17,103	(40.1)	(51,880)	—	(55,650)	—	(55,693)	—	(54,877)	—
3rd quarter 2018	710,317	—	28,548	—	20,090	—	12,882	—	12,854	—	12,266	—

	Earnings per share	Diluted earnings per share
	yen	yen
3rd quarter 2019	(309.40)	—
3rd quarter 2018	66.26	—

* “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	%
Sep. 30, 2019	968,031	503,473	502,994	52.0
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: None

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):

3Q 2019: 206,268,593shares FY 2018: 206,268,593 shares

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

3Q 2019: 26,915,847 shares FY 2018: 22,793,049 shares

3) Average number of outstanding shares during the period:

3Q 2019: 180,002,117 shares 3Q 2018: 194,004,590 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 third quarter results for the fiscal year ending on December 31, 2019 (January 1, 2019 to September 30, 2019). In this period, total nonalcoholic ready-to-drink (NARTD) beverage industry volume performance is estimated to be slightly negative versus prior year mainly due to cycling of strong demand driven by hot summer weather last year as well as unseasonably rainy and cool weather in July. The health food and cosmetics market continues to grow, driven by consumer interest in products with healthy and anti-aging appeal, continued growth of inbound tourism and industry innovation in marketing and new product launches.

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. We have been making major investments to recover our supply network and progressively expand production capacity through second quarter 2020. In addition, we implemented a wholesale price increase for large PET products in April—the first increase in 27 years, and an important initiative to encourage more balanced growth between both volume and value.

We also developed and announced a new five-year strategic business plan, “THE ROUTE to 2024”, with targets for both Business Income margin and ROE in 2024 of 5% to 6%. The new five-year strategic business plan includes focused investments to reignite sales growth in close collaboration between CCBJH and the Coca-Cola (Japan) Company as well as transformational change to drive cost savings. 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 channel operations, evolving our frontline salesforce capabilities and identifying opportunities across procurement and our supply chain network.

Our year-to-date third quarter Business Income results are roughly in line with our revised full-year outlook (announced in May 2019) for the beverage segment, with continued topline pressure in our health and skincare segment. Business results in 2019 reflect manufacturing capacity constraints in aseptic PET packaging combined with ongoing lower manufacturing efficiencies and elevated logistics and distribution expenses as we recover our supply and distribution infrastructure over the course of this year after the flooding and supply disruption in 2018. Year-to-date results also reflect 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 Friday, November 8, 2019 at 3:30pm (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

・Moderating beverage-volume performance year to date, with third-quarter volume down 1% and year-to-date volume down 3%. Flat beverage business revenue in the quarter and 2% decline year-to-date as the April wholesale price increase settles in.

・OTC market share growth in the third quarter in both value and volume. Strong volume performance in coffee and improving trend in vending channel.

・Year-to-date Business Income decreased 40% versus prior year, trending in line with the revised full-year plan announced in May for the beverage segment, reflecting expected quarterly phasing in 2019 as we cycle supply disruption primarily in the second half of 2018. Continued topline pressure in the health and skincare segment.

・Year-to-date operating loss of 51.9 billion yen reflecting the second-quarter goodwill impairment.

・150 billion yen straight bond issued in September to fund the recovery of our supply network and necessary investments for growth.

・Commissioned new high-speed aseptic manufacturing line at our Kyoto plant in October in addition to two new lines in the first quarter. On track to add four additional lines through second quarter 2020, including the newly built Hiroshima Plant to replace the flooded Hongo facility.

・Company-wide implementation of ERP system “CokeOne” completed in October. Now one integrated IT infrastructure across operations nationwide.

・Announced the national launch of alcohol brand Lemon-dou in October 2019, the first-ever alcoholic beverage brand in the global Coca-Cola system, with in-house production in CCBJI facilities.
・Strong commitment to capability development grounded in new company mission, vision and values aligned with the strategic business plan.

Review of Results

Year-to-date Q3 (January to September) In Million JPY, IFRS	2018	2019	YoY
Net Revenue	710,317	694,763	(2.2%)
Gross Profit	349,385	337,265	(3.5%)
Selling, General & Administrative Expenses	319,943	318,810	(0.4%)
Other income (Recurring)	1,113	889	(20.1%)
Other expenses (Recurring)	1,853	2,150	16.1%
Investment gain (loss) on equity method	(154)	(90)	—
Business Income (Loss)	28,548	17,103	(40.1%)
Impairment losses of goodwill	—	61,859	—
Other income (Non-recurring)	481	2,137	344.4%
Other expenses (Non-recurring)	8,939	9,260	3.6%
Operating Income (Loss)	20,090	(51,880)	—
Net Income (Loss) Attributable to Owners of Parent	12,854	(55,693)	—
Sales volume of beverage business (Million cases)	396	384	(3%)

Q3 (July to September) In Million JPY, IFRS	2018	2019	YoY
Net Revenue	262,214	261,053	(0.4%)
Gross Profit	128,860	127,019	(1.4%)
Selling, General & Administrative Expenses	111,731	113,608	1.7%
Other income (Recurring)	424	329	(22.4%)
Other expenses (Recurring)	456	693	51.9%
Investment gain (loss) on equity method	(120)	(66)	—
Business Income	16,977	12,980	(23.5%)
Other income (Non-recurring)	—	897	—
Other expenses (Non-recurring)	8,939	300	(96.6%)
Operating Income	8,038	13,578	68.9%
Net Income Attributable to Owners of Parent	5,115	8,872	73.5%
Sales volume of beverage business (Million cases)	148	147	(1%)

* 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 third quarter net revenue was 694.8 billion yen, a decrease of 15.6 billion yen, or 2.2% compared to the prior-year period. Net revenue of the beverage business decreased 13.0 billion yen (down 1.9%) versus the prior-year period, to 676.0 billion yen. Third-quarter beverage volume declined 1%, reflecting unseasonably cool and rainy weather in July (July volume declined 13%), partly offset by positive cycling of prior year supply restrictions after the flooding of our Hongo plant. Third-quarter net revenue of the beverage business was flat versus prior year supported by improved revenue-per-case as a result of the large PET wholesale price increase implemented in April. Year-to-date net revenues of the healthcare & skincare business declined 2.6 billion yen (down 12.1%) to 18.7 billion yen, as new product launches and other sales initiatives could not offset the continued decline of mail/web order sales.

Year-to-date third quarter business income, an indicator of our recurring business performance, was 17.1 billion yen, a decrease of 11.4 billion yen (-40.1%). Business Income of the beverage business was 14.6 billion yen (down 10.0 billion yen or 40.5%), roughly in line with our revised forecast announced in May. This reflects volume and revenue trends outlined above, combined with continued lower manufacturing efficiencies and elevated logistics and distribution expenses this year as we progressively recover and grow supply capacity after the flooding in the prior year. 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. Business income in the healthcare & skincare business was 2.5 billion yen, a decrease of 1.5 billion yen or 37.4% year-on-year, reflecting lower revenues while we continue to focus on promotional expense control and other cost savings opportunities.

Consolidated operating loss was 51.9 billion yen (20.1 billion yen operating income in prior year period), mainly driven by the impairment of goodwill in the second quarter. Net income attributable to owners of parent was a loss of 55.7 billion yen (12.9 billion yen in the prior-year period).

Beverage volume performance by channel and category

Year-to-date volume performance has been impacted by weaker new and renewal launches this year, especially in the first half, as well as lower large PET volume due to the wholesale price increase in April and unseasonably rainy and cool weather in July. As a result, supermarket, drug & discounter and convenience store channel volume declined 5%, 3% and 6% during the period, respectively, while vending volume declined 2% and retail & food volume declined 1%. Supermarket and drug & discounter channels initially were impacted by the April wholesale price increase, as large PET volume contribution is relatively higher in these channels, with double digit volume declines in the second quarter. The trend turned positive in the third quarter with 1% and 2% volume growth, respectively, as the impact of the wholesale price rise began to moderate and we benefited from positive cycling of prior year flooding damage and supply constraints. Wholesale revenue per case has continued to improve in the third quarter. Vending channel turned to 1% volume growth in the third quarter as the negative trend from 2018 continues to moderate. This improving trend is driven by initiatives to drive vending purchase transaction growth, such as new package sizes and price points, as well as third-quarter coffee volume growth of 9% in the vending channel, supported by expanded coverage of the Georgia Japan Craftsman brand in aseptic PET packaging.

By category, coffee volume grew 1% year-to-date and 7% in the third quarter. We have been expanding coverage of Georgia Japan Craftsman across all channels as supply capacity becomes available. This, together with expanded small package offerings in vending has contributed to improving coffee performance. Year-to-date non-sugar tea and sports volume decreased 2% and 4%, respectively, impacted primarily by large PET package volume declines after the wholesale price increase. Sparkling beverages declined 6% year to date due to weaker product renewals and the wholesale price increase, which was partially offset by the newly-launched Coca-Cola Energy in the third quarter. Year-to-date water volume declined 11% as we cycled launches of iLohas brand flavored water as well as the impact of the wholesale price increase. In the third-quarter water volume declines moderated to negative 3% due to renewed sales of large PET water as we started to cycle the supply constraints of the prior year.

(2) Details of Consolidated Financial Position

Assets at the end of the quarter were 968.0 billion yen, an increase of 90.6 billion yen from the end of the previous fiscal year. This is mainly attributable to an increase of cash and cash equivalents from the bond issuance in the third quarter and an increase of fixed assets as a result of commissioning two new production lines in Kumamoto and Kyoto in the first quarter. In addition, non-current assets increased as a result of newly including right-of-use assets after the implementation of IFRS 16 starting from this fiscal year. This was partially offset by a decrease of goodwill from the goodwill impairment recorded in the second quarter.

Liabilities at the end of the quarter were 464.6 billion yen, an increase of 168.0 billion yen from the end of previous fiscal year. This is mainly due to an increase of bonds and debt in non-current liabilities due to issuance of the bond, and an increase of lease liabilities in conjunction with including Right-of-use assets, etc.

Net assets at the end of the quarter were 503.5 billion yen, a decrease of 77.4 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.

(3) Information on the Future Outlook, Such as Forecast of Consolidated Financial Results
There is no change to the full-year 2019 forecast the company announced on August 7, 2019.

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 September 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	65,510	138,215
Trade and other receivables	92,402	97,524
Inventories	68,781	73,823
Other financial assets	645	535
Other current assets	10,740	16,920
Total current assets	238,078	327,017
Non-current assets:		
Property, plant and equipment	435,305	456,785
Right-of-use assets	—	40,538
Goodwill	88,880	27,021
Intangible assets	66,539	67,475
Investments accounted for using equity method	298	302
Other financial assets	34,796	33,034
Net defined benefit asset	38	—
Deferred tax assets	6,264	9,101
Other non-current assets	7,274	6,757
Total non-current assets	639,394	641,014
Total assets	877,472	968,031

	As of December 31, 2018	(Millions of yen) As of September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities:		
Trade and other payables	105,701	112,156
Bonds and debts	45,512	21,286
Lease liabilities	—	6,678
Other financial liabilities	993	1,183
Income taxes payable	3,069	650
Provisions	18	19
Other current liabilities	22,230	22,456
Total current liabilities	177,524	164,426
Non-current liabilities:		
Bonds and debts	56,401	204,471
Lease liabilities	—	35,090
Other financial liabilities	749	472
Net defined benefit liabilities	33,712	29,791
Provisions	2,191	2,178
Deferred tax liabilities	23,082	25,024
Other non-current liabilities	2,907	3,107
Total non-current liabilities	119,042	300,132
Total liabilities	296,566	464,558
Equity:		
Capital stock	15,232	15,232
Capital Surplus	450,533	450,499
Retained earnings	182,418	119,670
Treasury Shares	(72,651)	(85,645)
Accumulated other comprehensive income	4,915	3,238
Equity attributable to owners of parent	580,448	502,994
Non-controlling interests	458	479
Total equity	580,906	503,473
Total liabilities and equity	877,472	968,031

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

(Condensed Quarterly Consolidated Statements of Income)

(First nine-month period of a fiscal year)

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Net sales	710,317	694,763
Cost of sales	360,931	357,499
Gross profit	349,385	337,265
Selling and general administrative expenses	319,943	318,810
Impairment losses of goodwill	—	61,859
Other income	1,594	3,026
Other expenses	10,791	11,410
Share of income (loss) of entities accounted for using equity method	(154)	(90)
Operating income (loss)	20,090	(51,880)
Financial revenue	703	872
Finance costs	594	840
Income (loss) for the period before income taxes	20,200	(51,848)
Income tax expense	7,319	3,802
Net income (loss) for the period	12,882	(55,650)
Net income (loss) for the period attributable to:		
Owners of parent	12,854	(55,693)
Non-controlling interests	28	43
Earnings (loss) per share (yen)	66.26	(309.40)

(Condensed Quarterly Consolidated Comprehensive Income)

(First nine-month period of a fiscal year)

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Net income (loss) for the period	12,882	(55,650)
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	(329)	(325)
Subtotal	(325)	1,460
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments of foreign operations	(0)	—
Cash flow hedges	(290)	(686)
Subtotal	(290)	(686)
Total other comprehensive income (loss) for the period	(615)	773
Total comprehensive income (loss) for the period	12,266	(54,877)
Comprehensive income (loss) attributable to:		
Owners of parent	12,239	(54,920)
Non-controlling interests	28	43

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine months ended September 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	—	—	12,854	—	—	12,854	28	12,882
Other comprehensive income (loss)	—	—	—	—	(615)	(615)	—	(615)
Total comprehensive income (loss) for the year	—	—	12,854	—	(615)	12,239	28	12,266
Transactions with owners, etc.								
Dividends of surplus	—	—	(9,173)	—	—	(9,173)	(21)	(9,194)
Purchase of treasury stock	—	(25)	—	(55,946)	—	(55,971)	—	(55,971)
Disposal of treasury stock	—	1	—	2	—	3	—	3
Transactions of share-based payment	—	80	—	—	—	80	—	80
Reclassification from accumulated other comprehensive income to retained earnings	—	—	60	—	(60)	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	—	—	—	—	(197)	(197)	—	(197)
Other changes	—	(7)	—	—	—	(7)	7	—
Total transactions with owners, etc.	—	49	(9,113)	(55,944)	(257)	(65,265)	(14)	(65,278)
Balance as of September 30, 2018	15,232	450,546	188,058	(60,637)	8,386	601,586	441	602,026

Nine months ended September 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	—	—	(55,693)	—	—	(55,693)	43	(55,650)
Other comprehensive income (loss)	—	—	—	—	773	773	—	773
Total comprehensive income (loss) for the year	—	—	(55,693)	—	773	(54,920)	43	(54,877)
Transactions with owners, etc.								
Dividends of surplus	—	—	(9,071)	—	—	(9,071)	(22)	(9,093)
Purchase of treasury stock	—	(64)	—	(12,998)	—	(13,061)	—	(13,061)
Disposal of treasury stock	—	(0)	—	3	—	2	—	2
Transactions of share-based payment	—	30	—	—	—	30	—	30
Reclassification from accumulated other comprehensive income to retained earnings	—	—	2,355	—	(2,355)	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	—	—	—	—	(96)	(96)	—	(96)
Total transactions with owners, etc.	—	(34)	(6,716)	(12,995)	(2,451)	(22,196)	(22)	(22,218)
Balance as of September 30, 2019	15,232	450,499	119,670	(85,645)	3,238	502,994	479	503,473

(4) 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”.

(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 nine-month period of this fiscal year.

First nine-month period of the previous fiscal year (January 1, 2018 – September 30, 2018)

(Millions of yen)

	Reportable segments				
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total	Adjustment	Total
Sales revenue to external customers	688,989	21,327	710,317	―	710,317
Intersegment sales revenue	―	―	―	―	―
Total sales revenue	688,989	21,327	710,317	―	710,317
Segment profit (loss)	15,630	4,460	20,090	―	20,090
Adjustments					
Financial revenue					703
Finance costs					594
Income (loss) before tax					20,200

First nine-month period of this fiscal year (January 1, 2019 – September 30, 2019)

(Millions of yen)

	Reportable segments				
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total	Adjustment	Total
Sales revenue to external customers	676,015	18,748	694,763	―	694,763
Intersegment sales accumulation	―	―	―	―	―
Total sales revenue	676,015	18,748	694,763	―	694,763
Segment profit (loss)	(54,369)	2,489	(51,880)	―	(51,880)
Adjustments					
Financial revenue					872
Finance costs					840
Income (loss) before tax					(51,848)