



***Full-year 2019  
Earnings Presentation  
February 14, 2020***

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

**Calin Dragan, President**

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

(Posted to CCBJH website on February 13, 2020)

# 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 2019 earnings presentation*

Full-year 2019 financial results

Full-year 2020 outlook, strategy & initiatives

Q&A

# Presentation highlights

- ‡ **Full-year Business Income (BI) roughly in-line with plan.** Core beverage business BI ahead of plan despite underachievement of health care & skin care business
- ‡ **Q4 revenue grew 1%, 1% decline full-year in beverage business**
- ‡ **Q4 beverage volume grew 1%, down 2% full-year, driven by July weather and April wholesale price increase on large PET packages**
- ‡ Improving market share; Q4 **value share growth ahead of volume share** led by coffee, tea, sports. New products contribute to price/mix and value share growth
- ‡ Strong commitment to investing for growth; **90 billion yen capex in 2019**
- ‡ **Major transformation ongoing as planned.** “Business as usual is not an option”. Starting 2020 with a solid foundation for the new five-year strategic plan.

# Our progress

<b>Areas of focus</b> (as announced in Aug. 2019)	<b>Current status &amp; deliverables</b>
<b>“Business as usual” is not an option</b>	✓ Change in board of directors; wholesale price hike- first in 27 years; voluntary retirement program; shared services (BSO) expansion; new organization structure; Lemon-dou alcohol brand nationwide launch; WWW (World Without Waste) packaging commitments; Tokyo-area Commercial transformation; 7 sales centers closed/consolidated in 2019
<b>Vending transformation</b>	✓ One vending business unit; piloting operational optimization; initial signs of moderating trend in vending business
<b>Enablers</b>	✓ Four new lines and two new warehouses as of 2/14; CokeONE ERP completion; Mega DC under construction; new corporate Mission, Vision & Values and related people strategies; Coca-Cola University Japan
<b>Financials</b>	✓ 2019 BI roughly in-line with plan; 150B yen bond issuance with sustained credit rating; stable per-share dividends in 2019 & 2020
<b>Way we work</b>	✓ Deeper and agile collaboration across Coca-Cola system; initial progress on fewer big bets; diversity & inclusion recognition; “Sawayaka Style” work environment
<b>Execution and tracking</b>	✓ Creation of Business Transformation function reporting to President; variable equity-linked executive compensation; testing pay-for-performance for salespeople



# Full-year 2019 financial results

# Full-year 2019 results vs. 2018

*Beverage Business Income ahead of revised plan; offsets weak health & skin care results.  
Operating & net loss include 62B yen goodwill impairment in Q2*

IFRS	Full-year 2019	Full-year 2018	YoY
Revenue	914,783	927,307	-1.4%
Beverage Business Sales Volume (Million Cases)*	503	515	-2%
COGS	473,723	475,156	-0.3%
Gross Profit	441,060	452,151	-2.5%
SG&A	423,685	426,195	-0.6%
Business Income	15,042	23,276	-35.4%
Operating Income (Loss)	(55,389)	14,682	-
Net income (loss) attributable to owners of parent	(57,952)	10,117	-

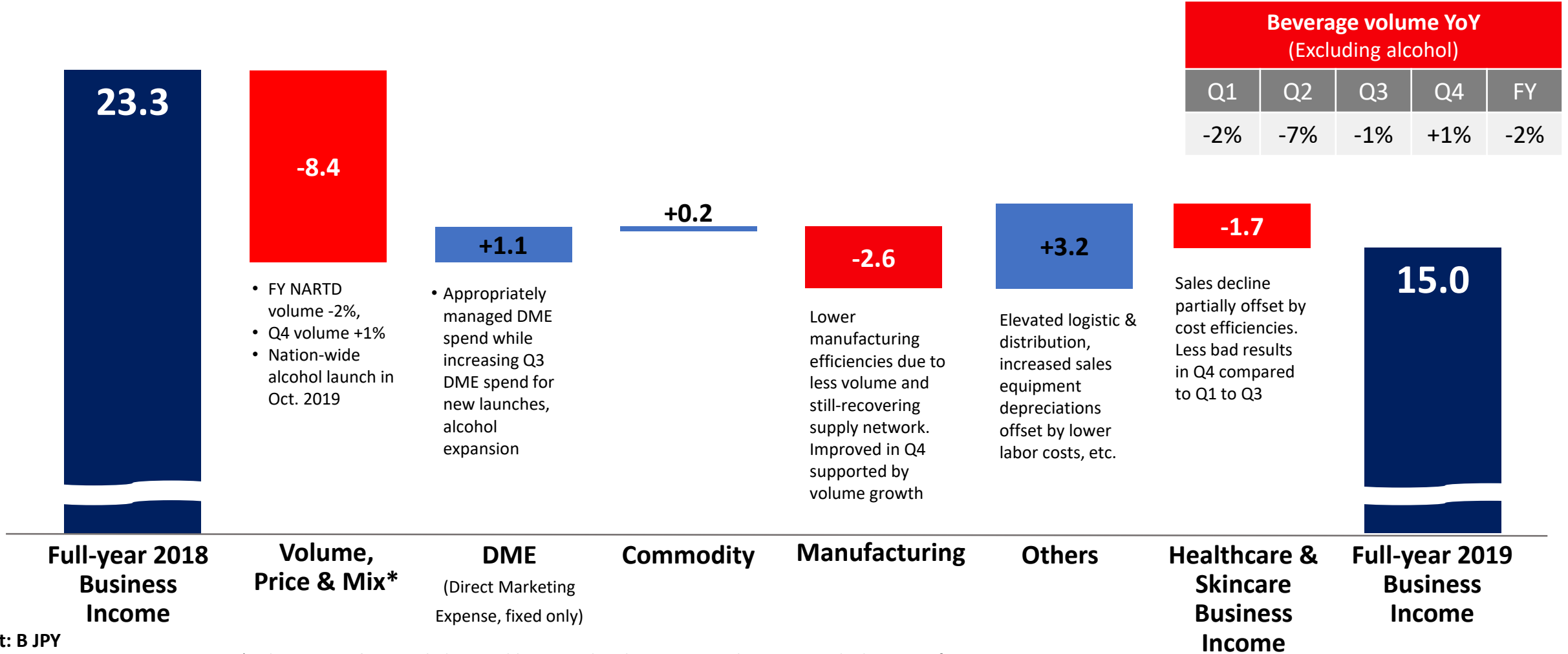
Beverage Business	Full-year 2019	Full-year 2018	YoY	Health Care & Skin Care Business	Full-year 2019	Full-year 2018	YoY
Revenue	890,009	899,863	-1.1%	Revenue	24,774	27,444	-9.7%
Business Income	11,447	17,939	-36.2%	Business Income	3,595	5,337	-32.7%

Unit: Million JPY

\*Beverage business sales volume doesn't include alcohol which company-wide launch on October 2019. The alcohol sales volume was 1.9M cases in 2019.

# Full-year 2019 Drivers of Business Income

*Topline improvement in 2H shows benefit of product launches, including expansion of Lemon-dou alcohol brand, after cool & rainy weather in July, large PET wholesale price rise in April, expense control*



Beverage volume YoY (Excluding alcohol)				
Q1	Q2	Q3	Q4	FY
-2%	-7%	-1%	+1%	-2%

Unit: B JPY  
(Rounding off less than unit)

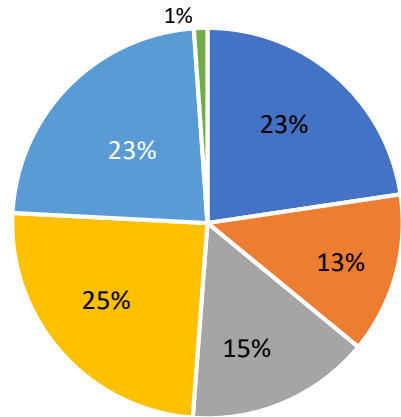
\*Volume, Price & mix includes variable costs related to commercial activities and adjustment for IFRS, etc.



# Full-year 2019 NARTD channel & category volume performance

*Volume decline moderated to -2% full-year, +1% in Q4. Revenue per case improvement driven by April wholesale price increase, new product launches in 2H.*

## By channel

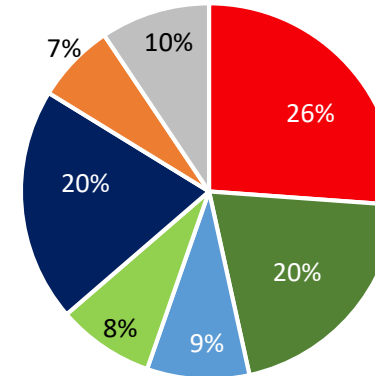


	Vs. PY	Volume	Wholesale revenue per case
Supermarket (SM)		-3%	+44 Yen
Drug & Discounter (D&D)		-2%	+54 Yen
Convenience Store (CVS)		-4%	+24 Yen
Vending (VM)		-1%	-35 Yen
Retail & Food (R&F)		-1%	-3 Yen

Improved revenue per case in **SM & D&D**-- volume decline reflects Q2 price rise. Second half reflects cycling of prior-year flooding and supply constraints as well as moderating impact of the price increase. **CVS** volume decline reflects July weather and weak new launches/renewals in first half, partially offset by NST & coffee recovery in Q4. **VM** performance supported by expanded coverage of Georgia Japan Craftsman and initiatives to drive purchase transactions. VM volume even in Q4.

NARTD: Non-alcoholic ready-to-drink

## By category



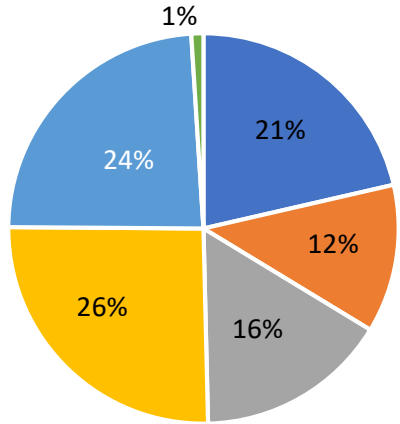
	Vs. PY	Volume
Sparkling		-5%
Non-sugar tea (NST)		-1%
Sports		-3%
Water		-8%
Coffee		Even
Juice		Even

**Coffee** volume supported by expanding coverage of Georgia Japan Craftsman across all channels and 170g can offering in VM. **Sparkling** declines driven by the April price rise, partially offset by newly launched Coca-Cola Energy. **NST** and **Sports** largely driven by large PET decline in Q2 by the price hike and rainy/cool weather, partially offset by recovery in Q4. **Water** impacted by 2L package decrease and cycling prior year flavor launches, slightly positive in Q4 driven by iLohas plain water.

# NARTD Channel/category/package volume performance

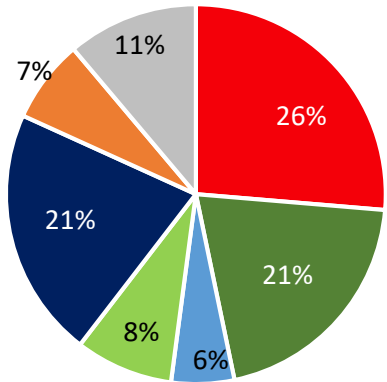
Q4 2019 Volume: +1%

## By channel



	Vs. PY	Volume	Wholesale revenue per case
Supermarket (SM)		+3%	+28 Yen
Drug & Discounter (D&D)		+4%	+66 Yen
Convenience Store (CVS)		+2%	+19 Yen
Vending (VM)		Even	-67 Yen
Retail & Food (R&F)		-3%	-7 Yen

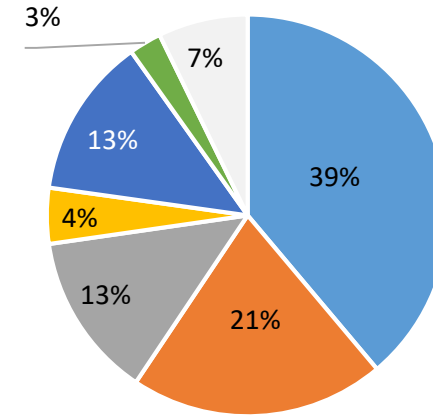
## By category



	Vs. PY	Volume
Sparkling		-1%
Non-sugar tea (NST)		+2%
Sports		+3%
Water		+1%
Coffee		-3%
Juice		Even

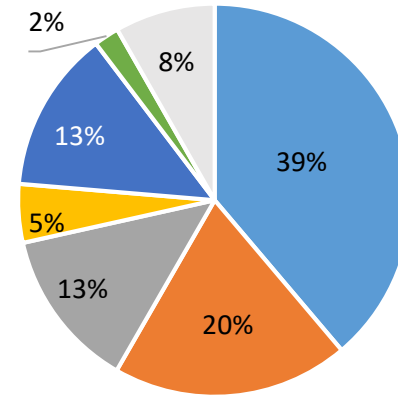
## By package

### Full-year 2019



	vs PY	Volume
S-PET		+3%
L-PET		-8%
Can		-4%
Bottle Can		-15%
Syrup		-3%
Powder		-7%

### Q4 2019



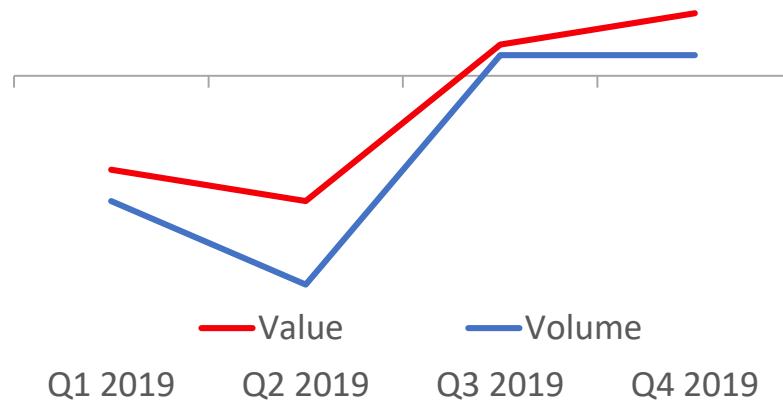
	vs PY	Volume
S-PET		+8%
L-PET		-2%
Can		-10%
Bottle Can		-12%
Syrup		-4%
Powder		-39%

S-PET: PET under 600ml/L-PET: PET above 1.5L

# NARTD OTC market share and retail pricing trend

*Positive market share momentum in Q4 with value share growth ahead of volume*

NARTD OTC Market Share		
Market Share (vs. PY, PP)	Value	Volume
Q4	+0.6	+0.2
Full-year 2019	-0.2	-0.7



- Value share growth ahead of volume in Q4
- Market share growth led by growth in coffee, non-sugar tea and sports. Premium-priced new products contributed to value share growth.

NARTD OTC Retail Price		
OTC Retail Price (Jan. to Dec. 2019, JPY per bottle)	Vs. Market Average	Vs. PY
Small PET	+2.3	-1.7
Large PET (2L PET)	+23.3	+6.3

- Continued retail price growth in large PET observed
- Observing moderated retail price growth in second half as we cycle less promotional activities after the supply disruption last year

Source: Intage

NARTD: Non-alcoholic ready-to-drink

# Full-year 2020 outlook

# Full-year 2020 forecast

*20% Business Income growth; Transformation investments to impact 2020 operating income*

	2020 Forecast	2019 Actual	YoY
<b>Beverage Volume</b> (Million cases, includes alcohol)	<b>518</b>	505	+3% (+2% in NARTD)
<b>Revenue</b>	<b>927,200</b>	914,783	+1.4%
<b>Business Income</b>	<b>18,000</b>	15,042	+19.7%
<b>Operating Income (Loss)</b>	<b>14,000</b>	(55,389)	-
<b>Net Income (Loss) attributable to Owners of Parent</b>	<b>9,000</b>	(57,952)	-
<b>EPS</b>	<b>50.18 Yen</b>	-322.22 Yen	+372.40 Yen
<b>EBITDA (BI base)</b>	<b>79,900</b>	71,993	+11.0%

Beverage Business	2020 Forecast	2019 Actual	YoY	Health Care & Skin Care Business	2020 Forecast	2019 Actual	YoY
Revenue	<b>900,000</b>	890,009	+1.1%	Revenue	<b>27,200</b>	24,774	+9.8%
Business Income	<b>14,000</b>	11,447	+22.3%	Business Income	<b>4,000</b>	3,595	+11.3%

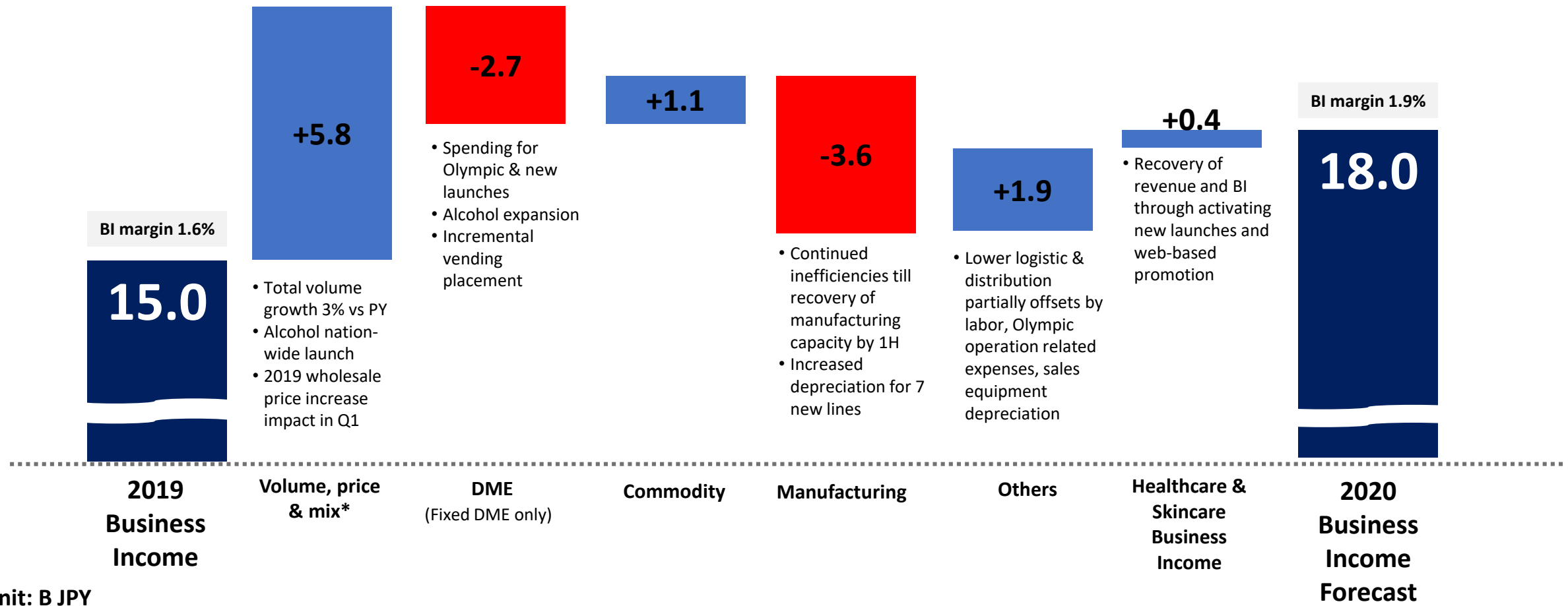
Unit: Million JPY, except for EPS

NARTD: Non-alcoholic ready-to-drink



# 2020 Drivers of business income forecast

*Recovering supply network before summer, investment for enablers & infrastructure to drive transformation*



Unit: B JPY

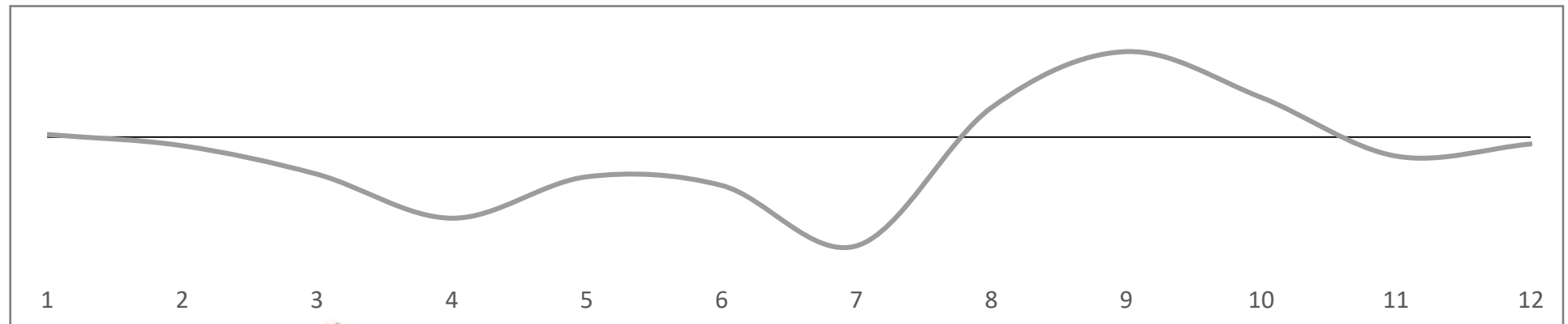
(Rounded off less than unit)

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

# Expected quarterly phasing and cycling outlook in 2020

	Q1	Q2	Q3	Q4
<b>2020 impact</b>	<ul style="list-style-type: none"> <li>- Supply constraints/network inefficiencies till Q2</li> <li>- Higher marketing due to Olympics &amp; new launches</li> </ul>		<ul style="list-style-type: none"> <li>- Completion of new Hiroshima plant &amp; other capacity investments</li> <li>- Tokyo 2020 Olympic and Paralympic games</li> </ul>	
<b>2019 impact</b> (Cycling 2020)	<ul style="list-style-type: none"> <li>- Pension integration (Negative impact in Q1 2020 Labor expenses)</li> </ul>	<ul style="list-style-type: none"> <li>- Voluntary retirement program (Benefit to labor expenses till Q1 2020)</li> <li>- Wholesale price hike benefit (Benefit to revenue per case till Q1 2020)</li> </ul>	<ul style="list-style-type: none"> <li>- Bad weather in July 2019</li> </ul>	<ul style="list-style-type: none"> <li>- Alcohol nation-wide expansion in Oct. 2019 (Benefit to sales volume till Sep.)</li> </ul>
2019 Non-recurring (Below BI) (One time expenses)	<ul style="list-style-type: none"> <li>- Voluntary retirement program</li> </ul>	<ul style="list-style-type: none"> <li>- Goodwill impairment</li> </ul>		

2019 vs. 2018  
CCBJH monthly  
NARTD beverage  
volume % trending



# Financial framework: 2019 results & 2020 outlook

## Balance Sheet/Cash flow

- Year-end cash & cash equivalents grew due to 150 billion yen bond issued Sep. 2019
- Negative cash flow trend expected driven by upfront investment
- Consistent focus on cleaning-up balance sheet; ~10 billion yen cash-in by selling fixed assets and investment securities
- 13 billion yen share buyback in 2019
- Focus on delivering stable dividend-per-share for 2019 and 2020

Dividend per share	2019	2020 Plan
Interim	25 Yen	25 Yen
Year-end	25 Yen	25 Yen

## CAPEX & Depreciation

- 2019 capex and depreciation were generally in-line with the plan, including impact of IFRS 16
- 2020 capex plan includes ~ 50 billion yen of strategic investment;
  - Four aseptic manufacturing lines, including new Hiroshima factory
  - Quality vending machine placement
  - Digital transformation
  - Optimizing logistic/distribution network (Project Shinsei)

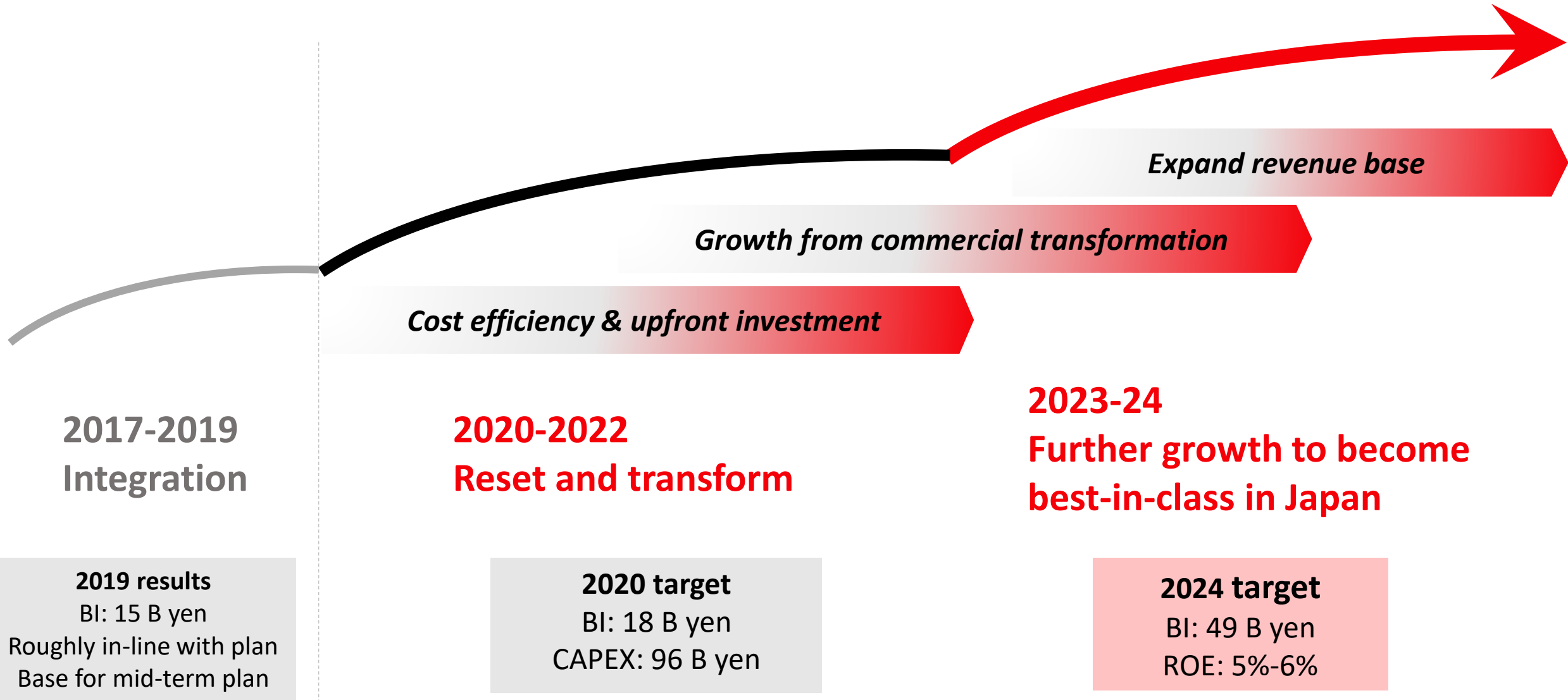
(Billion JPY)	2019 Actual	2020 Plan
Capex	89.5	96.0
Depreciation	57.0	61.9

2020 Capex includes 10B of Right of use assets in IFRS 16

# 2020 Key metrics and picture of success

Revenue growth	Fewer big bets, market execution, RGM initiatives. Value growth driven by volume growth	Revenue <b>+1.4%</b> Beverage volume <b>+3%</b>
Value share	Improve price/mix with wholesale pricing, packaging, innovation, focus on value	<i>Focus on</i> <i>value share growth</i>
Cost reduction	Implementing vending operation process transformation. Net of upfront strategic investment for capex and capability development	Net <b>~5</b> billion yen
Business Income (BI)	Recovery while building foundation for growth.	<b>18</b> billion yen Up 20% vs. PY
CAPEX	Continue significant investment in infrastructure & capability to drive growth	<b>96</b> billion yen
EBITDA (BI base)	Reflecting continued investment to drive reset and transform	<b>80</b> billion yen 9% EBITDA margin
Dividend	Consistent focus on shareholder returns despite transition period for business	Full-year <b>50</b> yen/share

# Fundamental change driving a return to a growth trajectory





# Full-year 2020 strategy & initiatives

# 2020: Reset and transform for growth

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



## Enhance portfolio edge



## Growth mindset

- Focus on big bets execution
- Vending – Vertical & Horizontal growth to drive transaction
- Commercial initiatives to improve space to sell
- Improve market execution routine, pay-for-performance with clear assessment and capability

## Drive cost efficiencies

- Vending operation transformation to improve cost-to-serve
- Standardize and optimize processes across the company – Commercial route-to-market, CokeONE ERP system, shared services organization (BSO)

## Enhancing infrastructure

- Supply chain – Supporting growth. Recovery and enhancing manufacturing capacity including new Hiroshima plant completion in-line with plan
- Investing in capability, digital transformation, sustainability



# Review of 2019 Q4 Activity

## Lemon-dou National Launch



National launch results surpassing  
Kyushu pilot



## Vending Machine Program



High engagement with consumers  
Gained frequency in vending

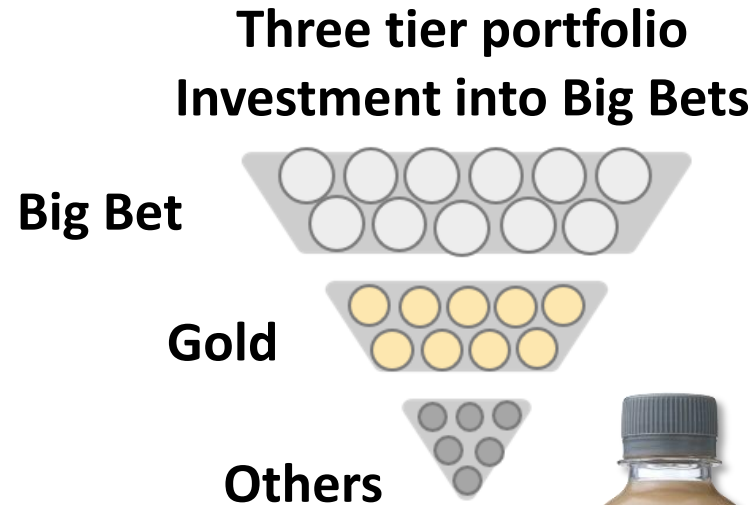


# 2020 Marketing Plan

## Strengthen the Core



## Highly Differentiated Innovation





# 2020 Marketing Plan

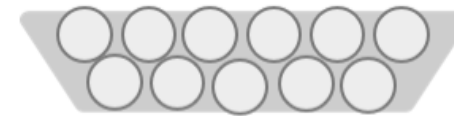
## Strengthen the Core



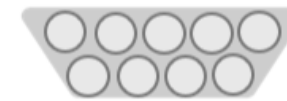
## Highly Differentiated Innovation

Three tier portfolio  
Investment into Big Bets

Big Bet



Gold



Others







## Video content

Coca-Cola Shibuya countdown 2019 to 2020 showed in earnings presentation



# We kicked off the Tokyo 2020 Olympics Year on Jan 1st



**Paint it RED!** 未来を塗りかえろ。

*Coca-Cola* BOTTLERS JAPAN HOLDINGS INC. 25



# Core Brands Activation



GEORGIA.



TOKYO 2020 も、誰かの仕事でできている。



あやたか  
綾鷹



Paint it RED! 未来を塗りかえろ。

Coca-Cola BOTTLETS JAPAN HOLDINGS INC.



## Video content

Three TVCMs showed in earnings presentation.

# 2020 Marketing Plan

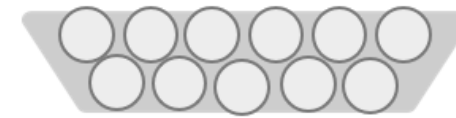
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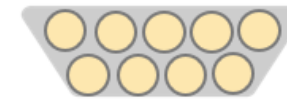
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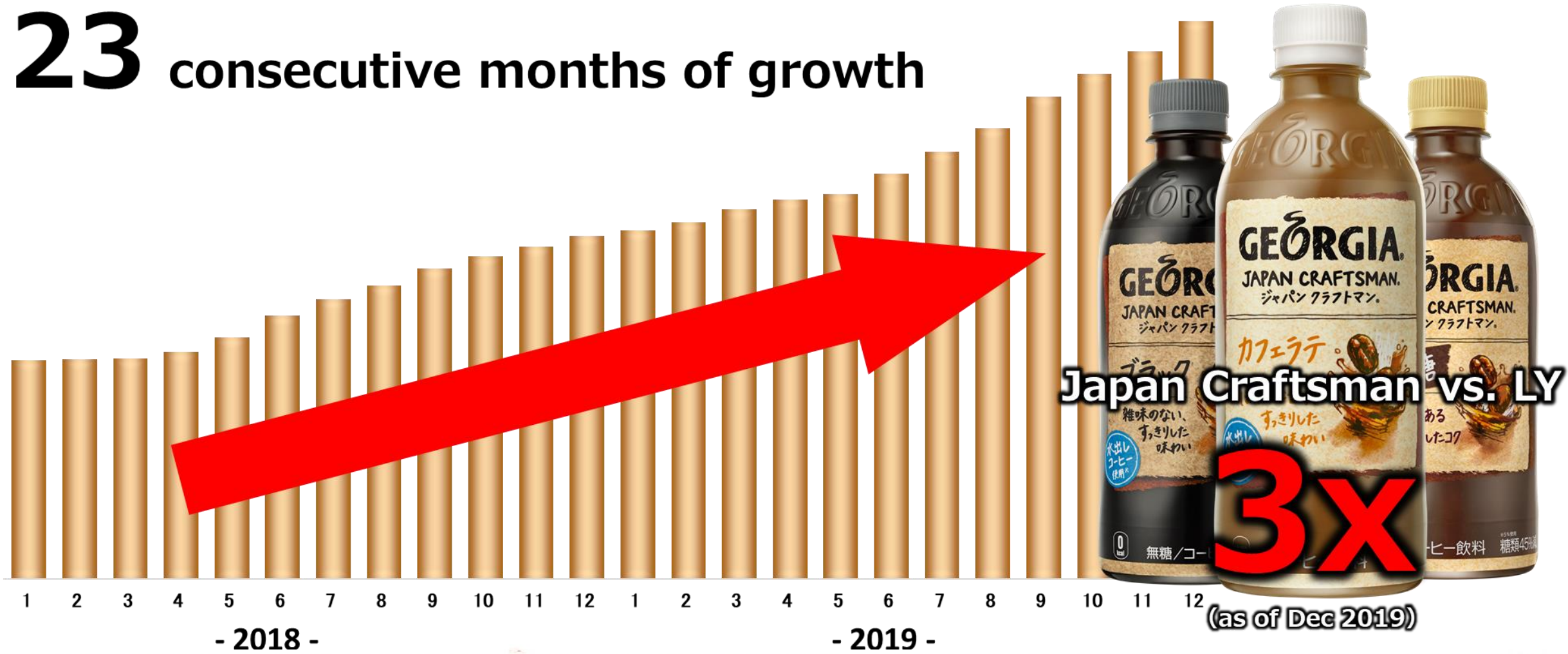




# Coca-Cola System: Strong Performance of PET Bottle Coffee

(Under 500ml, 12 month moving, Revenue)

23 consecutive months of growth



# Growth opportunity

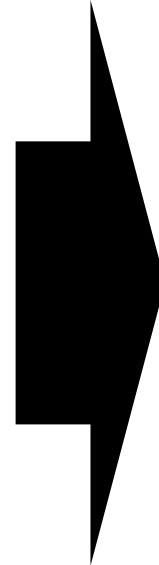


New type of coffee drinkers

## Café Natives

Prefer the taste of the milkiness of a Latte rather than the selection of the bean or roast technique

Not satisfied with the milkiness of package design of RTD coffee



The same MILKINESS even in PET Bottle



# Georgia Lattenista



## New Latte Experience for Café Natives



Compared to existing Georgia PET products

**3 times the milkiness\***



**Contemporary** Design

# Georgia Lattenista

## Café Latte & Bitter Latte

# March 30<sup>th</sup> Launch

\*Comparison of level of fat between Georgia Zeitaku Milk Café au Lait and Georgia Lattenista Café au Lait

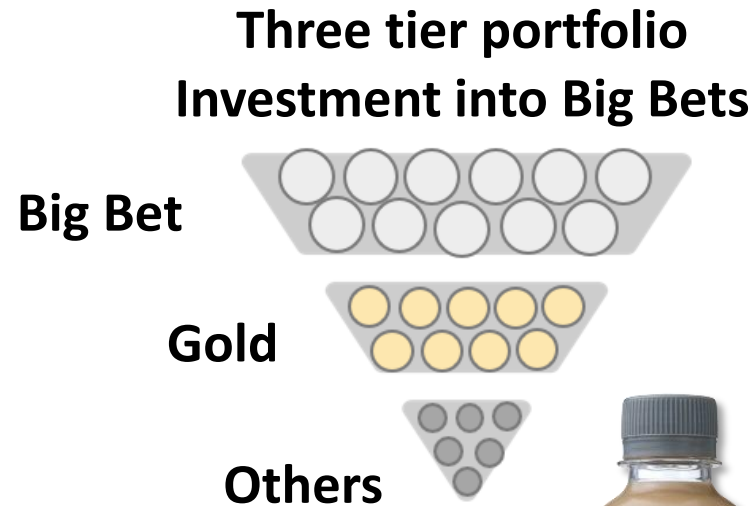


# 2020 Marketing Plan

## Strengthen the Core



## Highly Differentiated Innovation



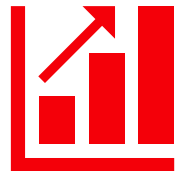
# Establish sustainable vending business

*Recover topline performance and reduce cost-to-serve*

## Industry environment



Vending revenue  
& profit decline



Increasing cost-  
to-serve



Shortage of  
labor

### Our vending business

**40%~** beverage gross profit  
**~50%** coffee volume sold  
**~700K** vending machine

## What we started in 2019

- ✓ Established one vending business unit with CCJC
- ✓ TV commercial & campaign focused on vending
- ✓ Focus on coffee
- ✓ End-to-end operation process transformation

**+1.3%**  
2019 vending value  
share growth

## What we are accelerating

### ↑ **Topline growth**

#### Column expansion

- Increase # of new machine placement
- Alliance with other players

#### Big bets focus

- Coffee
- New launches

#### Dedicated OBPPC

- Coke ON smartphone app
- One-coin small package offering
- Vending exclusive products

### ↑ **Reduce cost-to-serve**

- Roll-out end-to-end operation process transformation across CCBJI territory





# Commercial initiatives

*Quality revenue growth through price/mix improvement, supported by cost efficiencies and capability development*

## Topline growth

- Execute big bets, including Lemon-dou
- More visibility in space to sell
  - Increase **net new machine placement**
  - Increasing **point of sales** in the outlets
- More leverage in consumer engagement
  - Coke ON** app, **Olympic** activation
- Whitespace expansion



## Price & mix improvement

- Sustain large PET **wholesale price hike momentum**
- Focus on **IC package**; hero in all communications
- Revenue growth management**; Tokyo-area launch of 350/700 ml Coca-Cola
- Continuous revision on **Price** (wholesale), **terms and conditions**
- Increase value of categories by **more consumer promotion**



## Cost efficiencies & Capability

- Vending end-to-end cost-to-serve & Commercial route-to-market transformation
- DME management, focus on ROI
- Salesforce automation & CokeONE ERP
- Bringing best in Japan and across global Coca-Cola system
- Invest in recruiting, training, developing best category expert



# Enhancing infrastructure, capability and people

## Supply chain

### Recovery & enhance capacity to support growth

- On track to add four new aseptic manufacturing lines through Q2 2020
  - Hakushu new line commissioned in January
  - Zao new line expected to be commissioned in May and Hiroshima 2 lines in June
- Shinsei logistic/distribution optimization project, construction ongoing for Saitama mega DC



Hiroshima plant



New line under construction  
at Zao plant

## Back office

### Streamlining transactional process

- Continue to optimize and expand shared service (BSO) offerings across the company
- Drive digital transformation

## People strategy

### Investing capability development

- Investing people capability with new people strategy
  - Coca-Cola University
  - Commercial on-the-job development

# ESG initiatives updates

*Non-financial initiatives for sustainable growth and solid governance*

- Recognition around diversity activities
- Inclusion of ESG indices
- Executive compensation linked to performance – up to 2/3 variable incentives, including equity
- ESG goals including WWW (World Without Waste) vision target embedded into 2020 business plan

MEMBER OF  
Dow Jones  
Sustainability Indices  
In Collaboration with RobecoSAM



*New Environmental Targets Toward  
Acceleration of Recycling*

## Design

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

\*Baseline 2015, target year 2025 unless otherwise stated

## Collect

- 100% by 2030: Collection % against sales volume

## Partner

- By 2030: Extensive partnerships across industry and environmental organizations



# Key takeaway & our commitment

2017-2019  
Integration

2020-2022  
Reset and transform

2023-24  
Further growth to become  
best-in-class in Japan

Gaining traction in our  
core beverage business  
in 2019, good starting  
point for 2024

## Building strong momentum toward 2024 by achieving 2020 target

-  **Growth mindset and driving cost efficiency**
  - Quality topline growth
  - End-to-end vending transformation to protect & grow our important business
-  **Strong commitment to invest for enablers and infrastructure to reset & transform our core business**
  - Focus on capability development and learning culture to become best-in-class
  - Stable products supply through normalizing supply capacity
-  **ESG initiatives and strong governance embedded in our business plan**



# Q & A

# Appendix

# We are part of the global Coca-Cola system

*An enduring and effective partnership*

## *The Coca-Cola Company* *Coca-Cola (Japan) Company*

- Brands
- Innovation
- Global perspective
- Consumer focus
- Superior insight



**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.).
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

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