



# *Coca-Cola Bottlers Japan Kick-off Presentation*

June 6, 2017

コカ・コーラ ボトラーズジャパン株式会社

Tamio Yoshimatsu, President

Vikas Tiku, CFO  
*Head of Transformation*

*Coca-Cola*  
BOTTLERS JAPAN INC.



# 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 Inc. (CCBJI) 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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CCBJI 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.



# Agenda

**CCBJI: A model bottler...now and for the future**

**Our vision – Growth roadmap for 2020 & beyond**

**Financial framework for creating shareholder value**

**Key takeaways**

**Q&A**





# CCBJI: A Model Bottler... Now and for the Future





**THE BIGGER WE ARE,  
THE BETTER WE CAN  
SERVE YOU.**

On April 1, 2017,  
Coca-Cola West and  
Coca-Cola East Japan  
became one company.

**New Company is Born, Coca-Cola Bottlers Japan Inc.**





# The bigger we are, the better we can serve you



## OUR AMBITION

We will lead the beverage industry in Japan to more profitable and sustainable growth

## WHAT WE DO

We have the front line advantage and scale to drive growth with our customers

## WHO WE ARE

We are the leading Japanese beverage company and the largest Coca-Cola bottler in Asia



# A defining moment in Japan's bottling consolidation

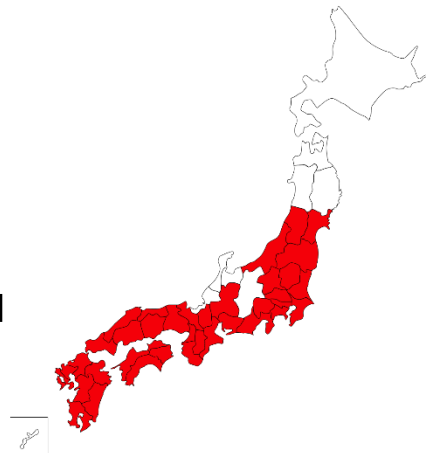
## *Coca-Cola* BOTTTLERS JAPAN INC.

*Coca-Cola West*  
(CCW)

+

*Coca-Cola East Japan*  
(CCEJ)

Kitakyushu  
Sanyo  
Mikasa  
Kinki  
Minamikyushu  
Shikoku



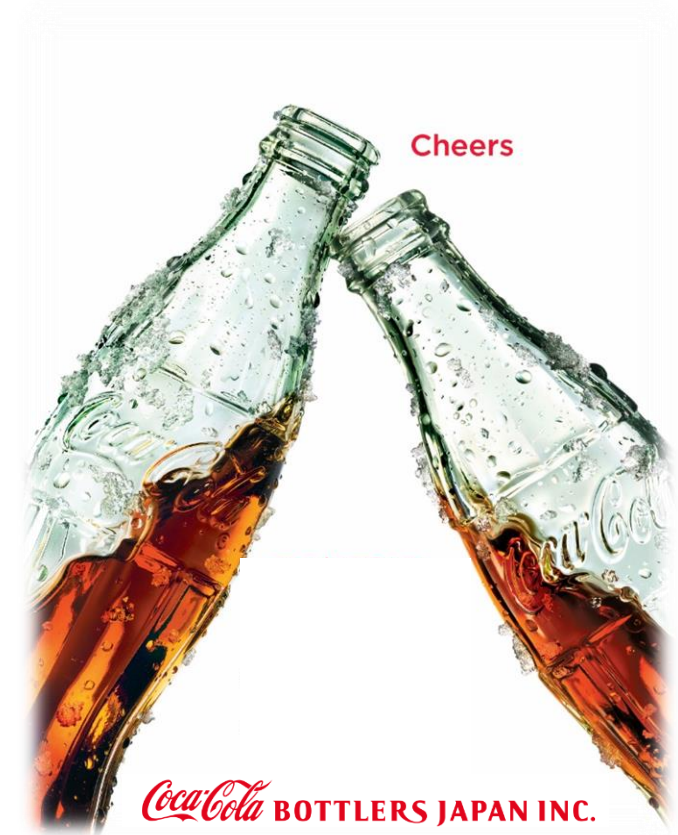
Tokyo  
Tone  
Mikuni  
Fuji  
Chukyo  
Sendai





# A strong heritage & winning capabilities

- ‡ The right combination at the **right time**
- ‡ The **leader in the NARTD market in Japan** with national scale
- ‡ A **growth mindset** to build a strong Coca-Cola system with a shared vision
- ‡ Built on the **strong momentum at CCW and CCEJ**
- ‡ **A model bottler**...now and for the future





# CCBJI at a glance

- 🍷 The world's **third largest** Coca-Cola bottler by revenue
- 🍷 Total Beverage Company, offering **50+ brands, 600+ SKUs**
- 🍷 Represents **~90% of total sales volume** for the Coca-Cola system in Japan

## Number of Employees

About  
**25,000**



\*Including temp staff

## Sales Area

**Tokyo, Osaka, Kyoto**  
and **35** prefectures



## Annual Revenue

About  
**1 trillion** yen



\*Aggregation of CCW and CCEJ 2016 results

## Sales Centers

**351** centers



\*As of January 2017, including distribution centers

## Manufacturing Plants

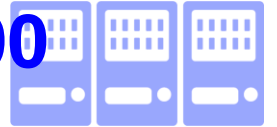
**17** plants



## Number of Vending Machines

**740,000**

\*As of end of 2016



## Number of Consumers

**50** million households  
**112** million consumers



## Annual Sales Volume

More than **500** million cases

\*Actual 2016



## Customer Outlets

**320,000** outlets

\*As of end of 2016



## Number of Fleets

**16,300** vehicles

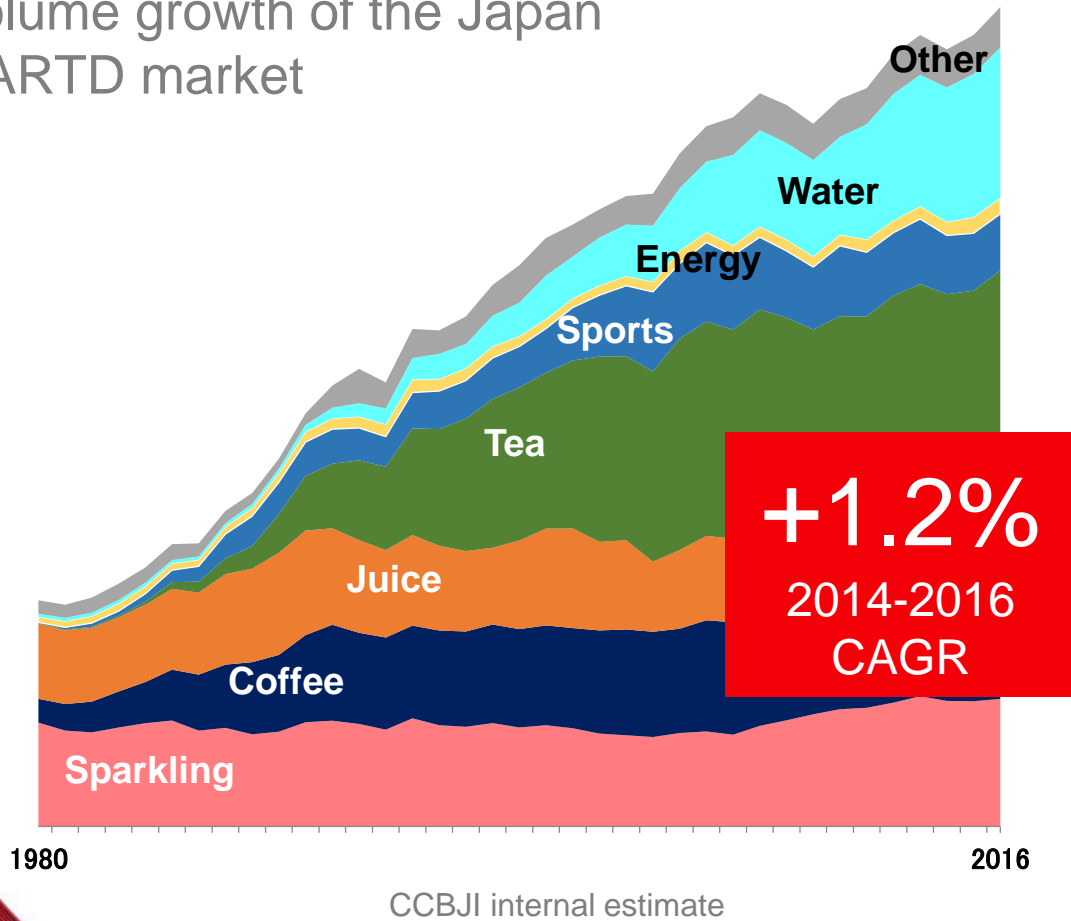
\*As of end of July 2016



# We are a Total Beverage Company

## *Operating in a growth market*

Volume growth of the Japan  
NARTD market



## Water



## Tea



## Sparkling



## Coffee



## Sports



# *Beverages for Life*



# Led by a diverse and experienced leadership team

## *Leveraging the best from Japan and the Coca-Cola system*



**Tamio Yoshimatsu**  
President



**Vikas Tiku**  
Transformation & CFO



**Yasunori Koga**  
Corporate Administration



**Costin Mandrea**  
Commercial



**Kyoichi Takagi**  
Corporate Planning



**Bruce Herbert**  
Supply Chain



**Shigeki Okamoto**  
Corporate Communications



**Haruko Ozeki**  
Legal



**Shunichi Nasu**  
Integration Management Office



**Jawahar Solai**  
Finance



**Toyoji Okada**  
Human Resources



**Maki Kado**  
Procurement



**Asako Aoyama**  
Transformation Projects



**Raymond Shelton**  
Investor Relations



**Yoshiaki Murata**  
Key Account Management



# Supported by a solid corporate governance structure

- Company with Audit and Supervisory Committee
- Blend of experienced board members with a diversified and global mindset
- The Coca-Cola Company owns 16.35%\* as largest shareholder

\*Including indirect ownership through subsidiaries

## Board of Directors



**Tamio Yoshimatsu**  
Representative Director & President



**Vikas Tiku**  
Representative Director & Vice President, Chief Financial Officer, Head of Transformation



**Yasunori Koga**  
Director & Senior Executive Officer, Head of Administration



**Costin Mandrea**  
Director & Senior Executive Officer, Head of Commercial



**Hiroshi Yoshioka**  
Outside, Independent Director



**Zenji Miura**  
Outside, Independent Director  
Audit & Supervisory Committee Member  
Former president & CEO of Ricoh Co., Ltd.



**Tadanori Taguchi**  
Director  
Audit & Supervisory Committee Member



**Irial Finan**  
Outside Director  
Audit & Supervisory Committee Member  
President of Bottling Investment Group, The Coca-Cola Company



**John Murphy**  
Outside Director  
Audit & Supervisory Committee Member  
President of Asia Pacific Group, The Coca-Cola Company



# 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





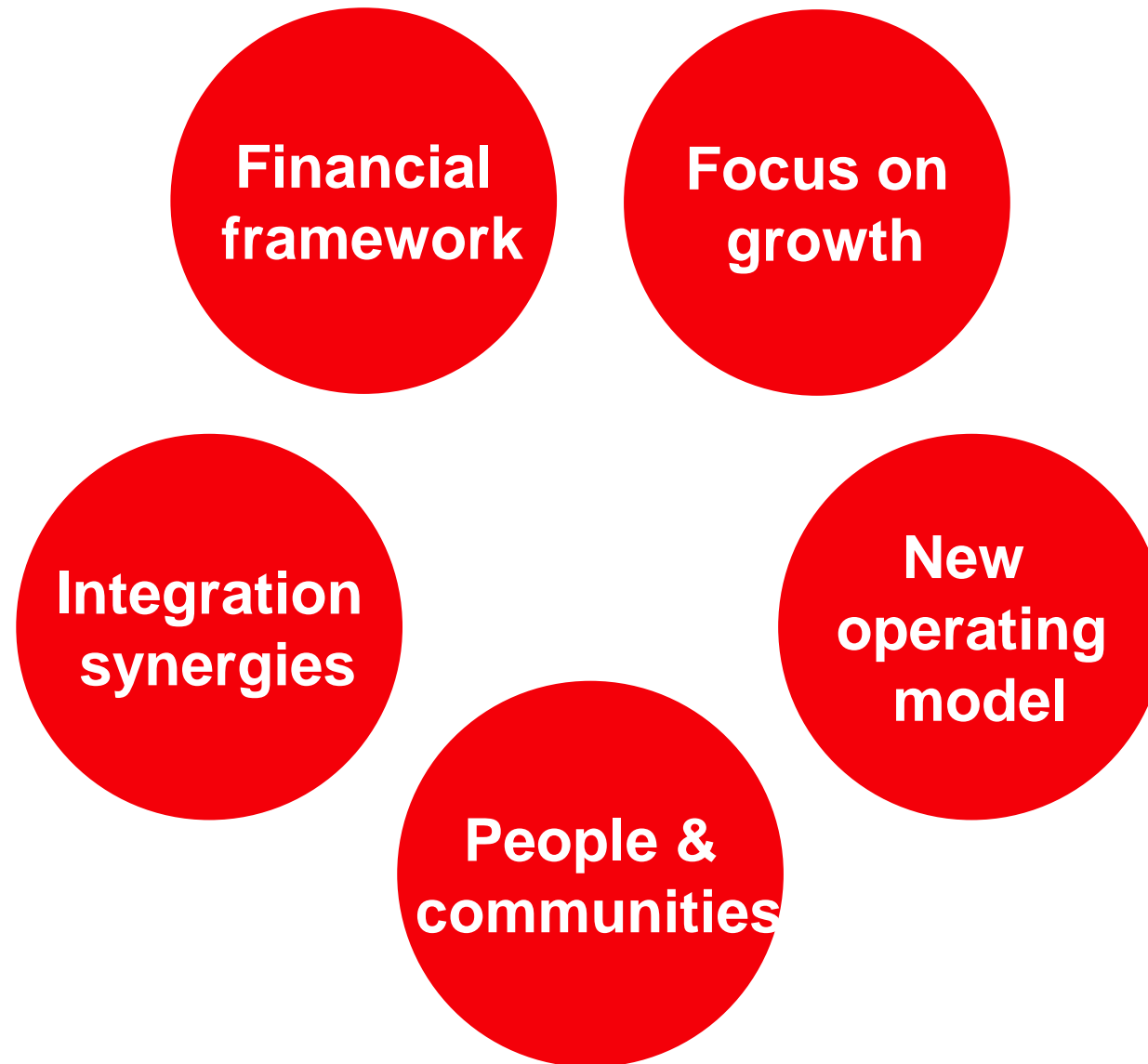
# Video Message from James Quincey, CEO The Coca-Cola Company





# Our Vision – Growth Roadmap for 2020 & Beyond

# Our vision – Growth roadmap for 2020 & beyond





# Key metrics and picture of success



<b>Revenue Growth</b>	Stabilize topline, RGM initiatives, revenue-rich innovation
<b>Value Share</b>	Value share growth ahead of volume share growth
<b>Transactions</b>	Growth in smaller, immediate consumption packs
<b>EBITDA Margin</b>	Deliver strong cash flow from operations
<b>Return on Equity (ROE)</b>	Optimize balance sheet to maximize returns





# Focus on Growth



# Committed to a growth agenda



## Strategic Growth Pillars

### Renewed Focus on Revenue Growth



### Re-imagine Vending Business



### Enrich Innovation Pipeline



## Customer Engagement

Best-in-Class Execution

In-depth Local Knowledge



# Renewed focus on revenue growth



- Continue to prioritize profitable investments
- Everything starts from the consumer – activate based on consumption and shopping occasions
- Continue to grow value where CCBJI has competitive advantage
- Expand premium innovation initiatives across the channels
- Showcase Tokyo to the world in 2020; superior, segmented market execution





# Re-imagine vending – for growth and profit



- ❗ The most convenient channel for consumers – fast, reliable, at an arm's reach
- ❗ Focus where the growth is – indoor and high traffic locations
- ❗ Leverage technology innovation to improve operational efficiency
- ❗ Rapid expansion & continued evolution of Coke ON
- ❗ Be a better partner for communities & environment



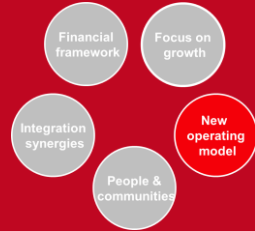
# Enrich and sustain our innovation pipeline



- Value-added innovation for our consumers and customers
- Package, product, equipment, occasion, operations – innovation is everywhere
- Stronger bottler voice to drive innovation
- Sharing, implementing and execution of successful examples of other global Coca-Cola bottlers







# New Operating Model

# Guiding principles for a new operating model



## Organize for growth

- **Customer focus, externally-driven**
- **Simple and speedy** decision making

- Lean corporate center with empowered regions
- We all "sell or help sell"
- Prioritizing "biggest bang" synergy projects

## Operate as one enterprise

- **Common enterprise system**
- **Standardized processes** and **world-class governance**
- Optimized number of **entities**

- Functionally focused operations from Day One
- Coke One+ ERP system rollout planned

## System mindset

- Speak as a **single bottler voice**
- Put **decision rights** at the appropriate level

- Roadmap for integrating system support companies (Customer, Procurement, IT)
- Strong bottler voice w/ CCJC

## Lead the industry

- Leverage **world-class capabilities**
- **Centralize** what benefits most from leveraging scale
- Create **centers of excellence**

- Cooperating with other global Coca-Cola bottlers
- Moving forward with integrated business services organization

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CCJC: Coca-Cola (Japan) Company

コカ・コーラ ボトラーズジャパン株式会社

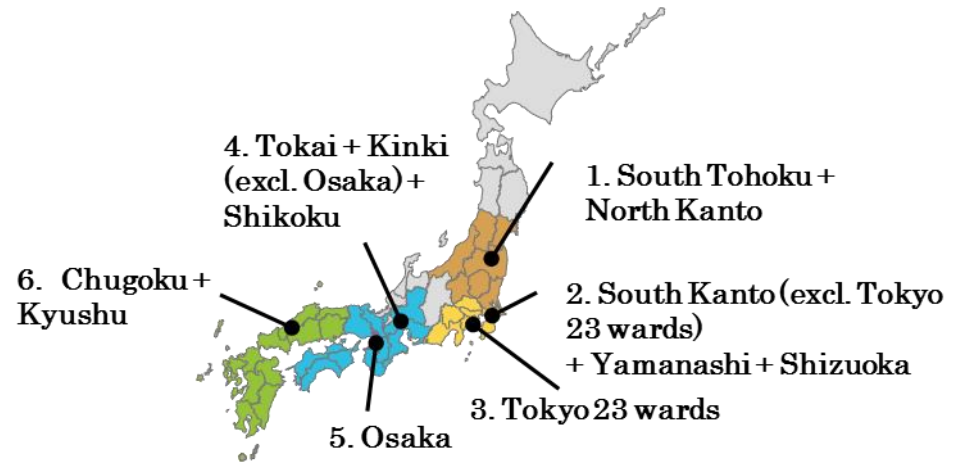




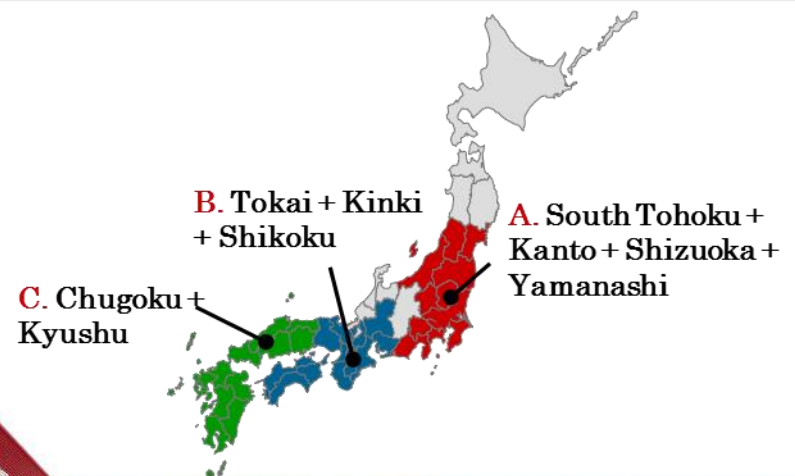
# Organized to serve our customers even better



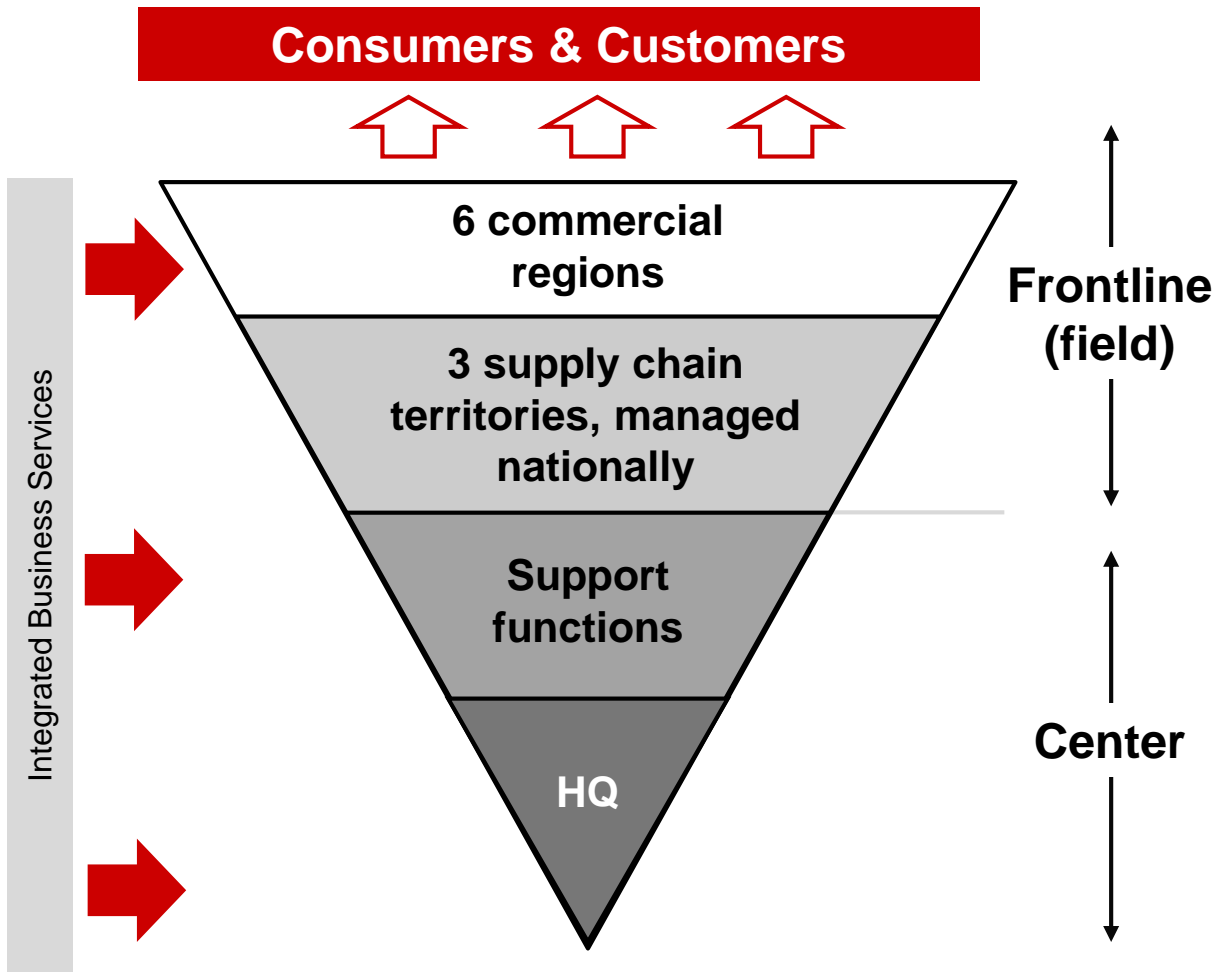
## COMMERCIAL: 6 REGIONS



## SUPPLY CHAIN: 3 REGIONS



## OPERATING MODEL DESIGN



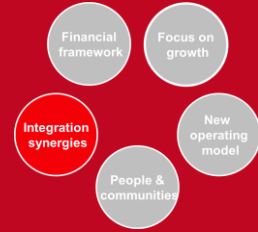
# Committed to a new partnership model with TCCC



- Joint transformation initiatives
- Simplify decision-making
- Align incentives to capture market opportunities
- Enhance mutual accountability
- Stronger bottler voice to drive innovation







# Integration Schedule Synergy Target

# Integrating with speed



**WORLDWIDE PARTNER**



## Ready for 2020

- HR & IT system integration
- Host Bottler of the 2020 Tokyo Olympic Games

**2020**

**2018**

## Delivering results

- Organizational integration complete, including system support companies
- Establish optimized operating structure/organization
- Investment for further growth

**Apr  
2017**

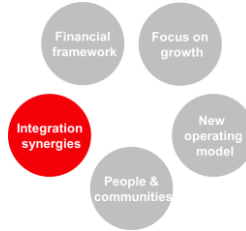
## Establish CCBJI

- Operating functionally
- Balanced leadership team
- World-class governance model



# Driving synergies across our business

## *Led by Supply Chain*



Total synergies  
by 2020

**25<sub>B</sub>**

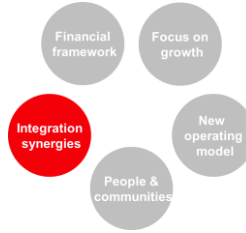
Areas	High Impact Initiatives
Supply Chain and Procurement	<ul style="list-style-type: none"><li>• Network optimization</li><li>• Site and route optimization</li><li>• Manufacturing productivity improvement</li><li>• Increasing insourcing capacity</li><li>• Price negotiation with suppliers</li></ul>
Commercial	<ul style="list-style-type: none"><li>• Standardized pricing, terms, conditions (PTC)</li><li>• Optimizing route-to-market (RTM)</li><li>• Vending cost-to-serve</li><li>• Sharing of best practice</li></ul>
Back Office	<ul style="list-style-type: none"><li>• Establish integrated business support function</li><li>• Integrate legacy systems into CokeOne+</li></ul>

PTC: Price, terms and conditions RTM: Route-to-market

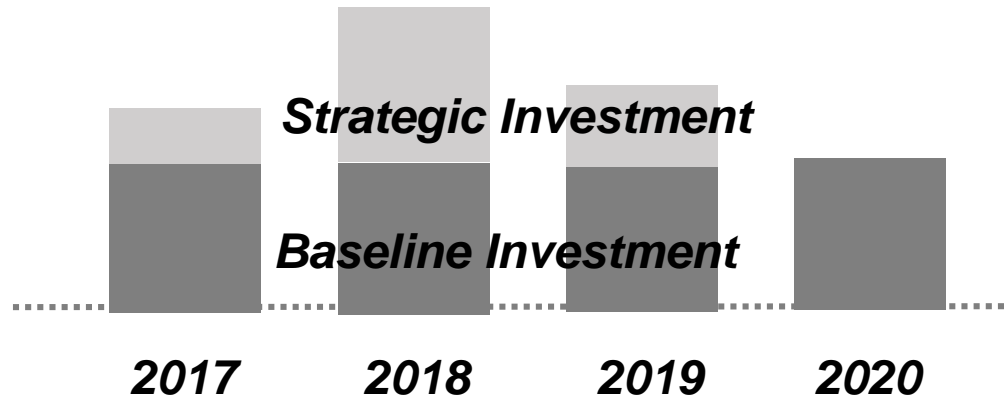
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# Supply chain optimization will generate synergies up to and beyond 2020

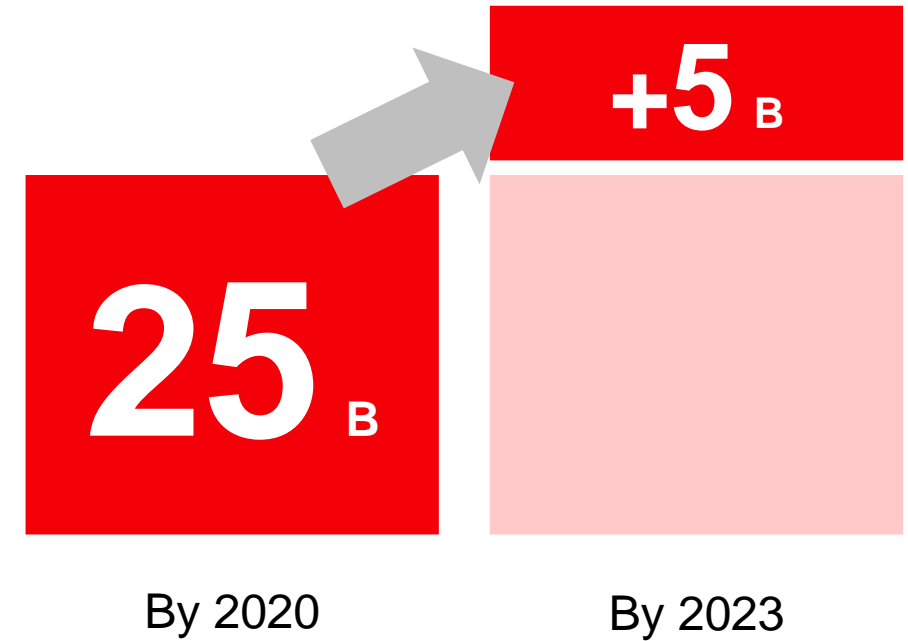


## Capex Plan

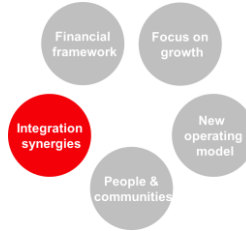


- Accumulated strategic Capex plan of 80B by 2019 for supply chain optimization and ERP
- Specific investments for longer-term benefit beyond 2020

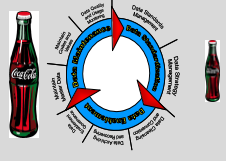
## Synergy Targets



# Consolidate, eliminate & integrate legacy systems across CCBJI

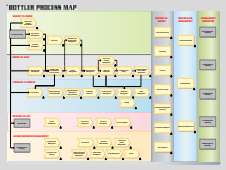


## Data Standards



- Enable data accuracy and consistency by combining in one repository, improving transparency and insight

## Standard Processes



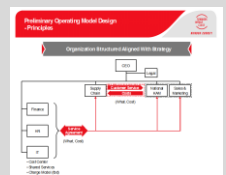
- Provide a single application with standardised, shared, enhanced and controlled processes

## One ERP System



- Streamline applications portfolio and infrastructure
- Standardises activity between functions & with business partners

## Flexible Organization



- Enable organisational flexibility, integrated business services and national supply chain





# CCBJI 2017 – 2020 Operating Income Growth Plan

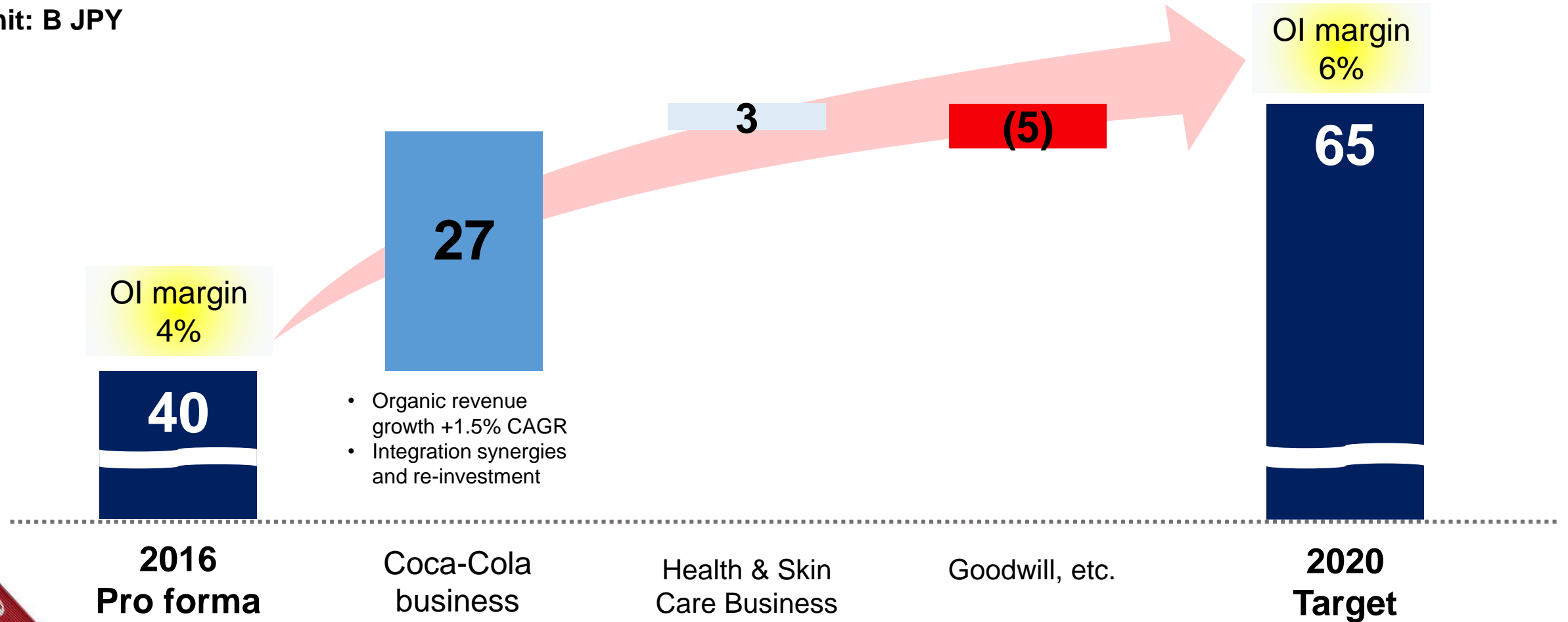


# Deliver synergy commitments & reinvestment to drive growth

## Operating income growth plan 2017 – 2020



Unit: B JPY

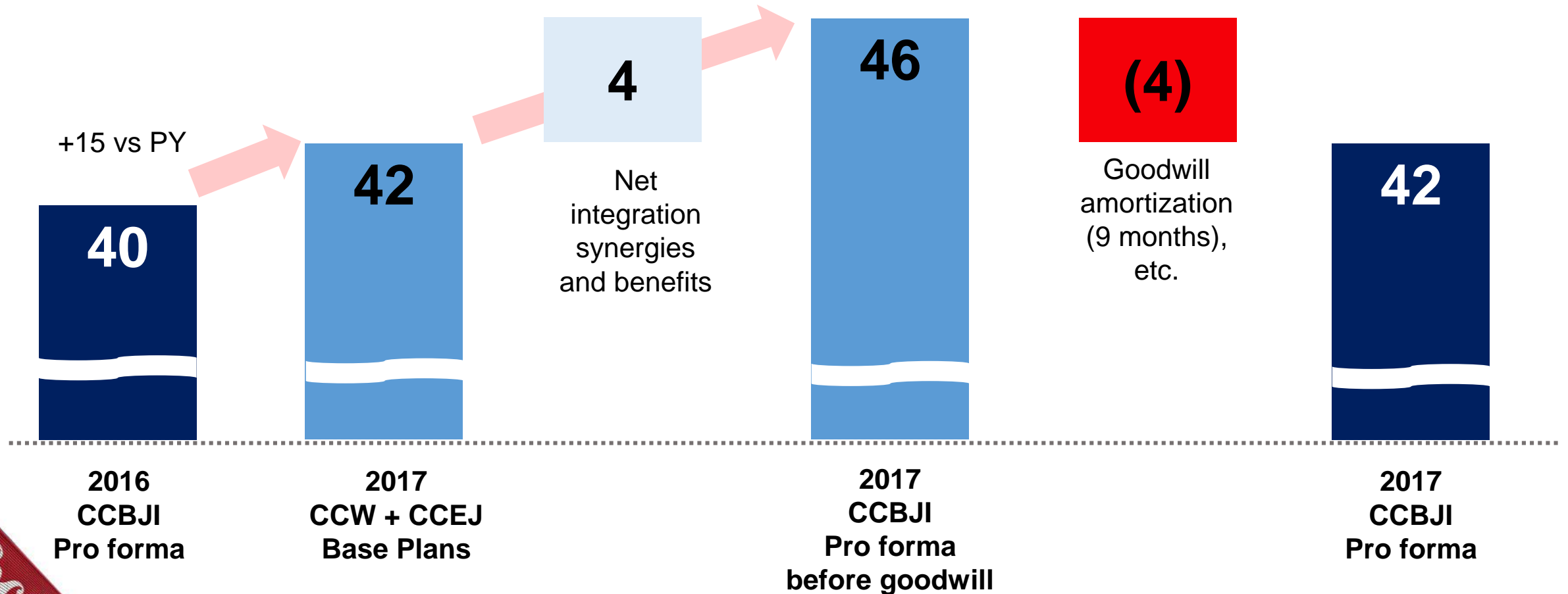


# Year-one synergies building on solid 2016 momentum

## Pro forma 2017 operating income growth plan



Unit: B JPY



# 2017 Business plan (Reported)

*Consolidated CCEJ from Q2. Prior year CCW only*



Consolidated	2017 Plan	2016 Actual	YoY
Revenue	906,500	460,455	+96.9%
Operating Income	40,100	21,143	+89.7%
Ordinary Income	38,100	20,602	+84.9%
Net Income	21,500	5,245	+309.9%
EPS	122.85 JPY	48.05 JPY	+74.80 JPY

Coca-Cola Business	2017 Plan	2016 Actual	YoY
Revenue	872,400	428,394	+103.6%
Operating Income	36,500	18,369	+98.7%

Health & Skin Care Business	2017 Plan	2016 Actual	YoY
Revenue	34,100	32,061	+6.4%
Operating Income	3,600	2,774	+29.7%

Unit: Million JPY except EPS

Net Income: Net income attributable to owners of parent

2016 actual results are former Coca-Cola West and YoY calculated on former Coca-Cola West results.





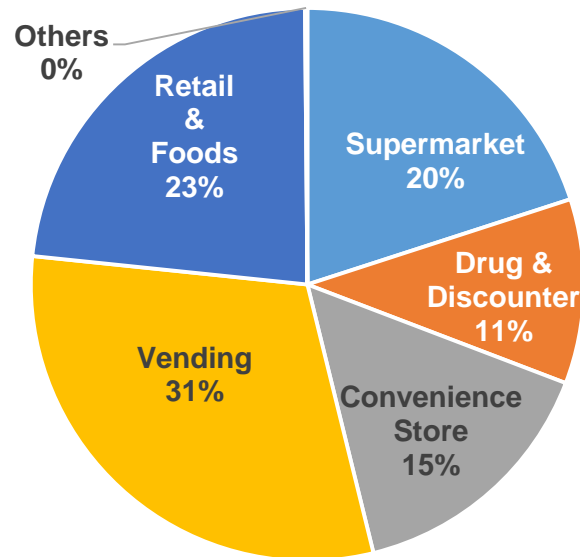
# Strong operating income in Q1 2017

## *Driven by pricing discipline and cost optimization*

Q1 2017 Pro forma: Volume -0.9% / Revenue per Case +3 JPY / OI +70% vs PY

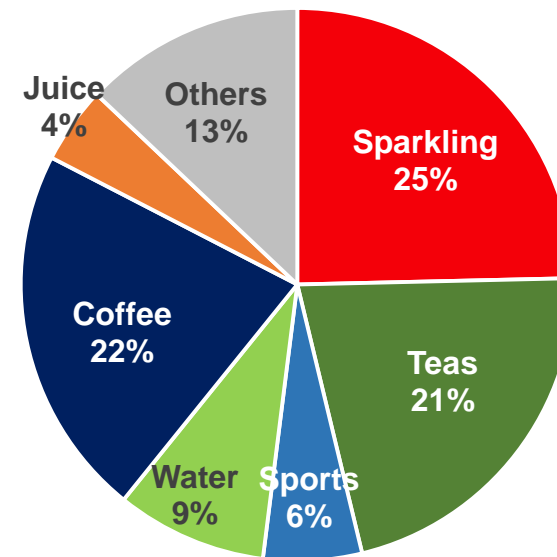


**By Channel**



vs PY	Volume	Revenue per Case
Supermarket	-1%	+43
Drug & Discounter	+2%	+51
Convenience Store	-2%	+10
Vending	-4%	+16
Retail & Foods	+3%	-17

**By Category**



vs PY	Volume
Sparkling	+7%
Teas	+1%
Sports	-8%
Water	-13%
Coffee	-5%
Juice	+1%

### Year-to-date Business Update

- Strong improvement in operating income, driven by price discipline, phasing of expenditures, etc.
- Seeing revenue per case improvements with improved profitability
- Expect continued volume pressure as we “stay the course” on pricing





# Financial Framework

# A clear framework for value creation



- ① Grow earnings to generate free cash flow
- ② Invest to grow & deliver synergy commitments
- ③ Leverage debt capacity to build efficient capital structure
- ④ Drive shareholders' return with focus on ROE





# Grow earnings to generate steady cash flow



Strategic Approach		2020 Vision		
		2016	2020	Beyond 2020
	Key Metrics			
Deliver revenue growth through market leadership and comprehensive top-line management	Revenue	-	1.8%	2%+
Building strong and efficient foundation to maximize company profitability and cash flow generation	EBITDA margin	8%	11%	12-13%
	OI margin	4%	6%	8%



**Steady free cash flow generation**



# Investing to grow & deliver synergy commitments



**Focus on investments with attractive returns to drive growth & efficiency**

## Cash Flow Plan

2017~2020  
Cumulative

Cash flow from operations	358
CAPEX	272
Free cash flow	86

Unit: Billion JPY

## Capex Investment Principles

**Baseline  
Investment**

**~4% of revenue**

**Ensure strong  
foundation to keep  
the business running**

**Strategic  
investment**

**~2% of revenue**

**Synergy investment to  
drive efficiency including  
SCM areas**

**Other growth  
opportunity**

**Capacity to fund additional  
opportunities as they arise**



# Build efficient capital structure and improve ROE



*Optimize capital structure to maximize shareholder returns*

1

Utilize debt capacity to operate up to 2.5X EBITDA

2

Focus on maintaining investment grade rating

3

Optimize WACC by periodically evaluating capital structure

## Target ROE

Today

4%



2020

6%



Beyond  
2020

8+%





# Maintaining shareholder returns in 2017

## Dividend forecast and shareholder benefits program



### Annual Dividend

# 44

## JPY/Share

Interim	Year-end
22	22
JPY/Share	JPY/Share

### Prioritized stable dividend

- 2017 CCBJI dividend forecast slightly increased from 2016 dividend per share for former CCW/CCEJ shareholders\*
- Estimated dividend payout: 42%

### Shareholder benefits program that encourages long-term holding

- Shareholders can exchange the shareholder benefit points for Coca-Cola products, CCBJI goods, donate them to charity, etc.

\*Excluding CCW special commemorative dividend, average of CCW and CCEJ based on adjusted share count after the share exchange



# A holistic approach for value creation



- Renewing topline growth, improving profit margins
- Committed to investments, best-in-class execution and capabilities
  - Revenue Growth Management
  - Vending transformation
  - Innovation
- Targeting 25B Yen in synergies by 2020, another 5B by 2023
- Capital structure, dividend payout ratio to be reviewed periodically to maximize total shareholder return while maintaining flexibility to pursue expansion opportunities





# People & Communities



# Always connected to our employees and local communities



🍷 Inspiring our people

🍷 Community connections

🍷 Sustainability in all that we do





# Key Takeaways

# Key metrics and picture of success

<b>Revenue Growth</b>	Stabilize topline, RGM initiatives, revenue-rich innovation	<b>Revenue +1.8% CAGR</b>
<b>Value Share</b>	Value share growth ahead of volume share growth	<b>Value ahead of volume</b> ↗
<b>Transactions</b>	Growth in smaller, immediate consumption packs	<b>IC package growth</b> ↗
<b>EBITDA Margin</b>	Deliver strong cash flow from operations	<b>&gt;10% EBITDA margin</b>
<b>Return on Equity (ROE)</b>	Optimize balance sheet to maximize returns	<b>&gt;6%</b>








# CCBJI: Growth roadmap for 2020 & beyond

## Key takeaways

*The heart of the decision to form CCBJI:*

*Bringing together a proven leadership team committed to growth, partnering with our customers and communities, and driving shareholder value*

-  A compelling business combination at the right time with clear opportunities and plans for profitable growth
-  Working with appropriate speed to make sure we realize our potential
-  We are making good early progress as we kick off toward 2020 and beyond





Q & A



# Appendix



# Key Glossaries

DME	Abbreviation of Direct Marketing Expenses. Sales promotion-related expenses, including advertisement, rebates, sales, 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.).
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.).
OBPPC	Abbreviation of Occasion, Brand, Package, Price, Channel. A segmentation strategy tailored to consumption opportunities to drive revenue growth in five areas: occasion, brand, package, price and channel.
Pro forma	Assuming integration from January 2017 and estimate 2016 results same standard
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 grow revenue and profit
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, online sales channels customers, etc.
Others	Wholesale to customers other than above



# THANK YOU



*Coca-Cola* BOTTLEERS JAPAN INC.

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