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Consolidated Financial Summary for the First Quarter Ended March 31, 2018 (Japanese Standard)



May 11, 2018

Listed company name: Coca-Cola Bottlers Japan Holdings Inc.
Code number: 2579
Delegate: Title: Representative Director & President
Contact: Title: Head of Controllers Senior Group, Finance
Expected date of quarterly report submission: May 14, 2018
FY 2018 1Q supplementary information: Yes
FY 2018 1Q financial presentation: Yes

Listed stock exchanges: Tokyo and Fukuoka
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Expected date of the dividend payments: —

(Fractions of one million yen are rounded down)

1. Consolidated financial results for the 1st quarter 2018 (from January 1, 2018 to March 31, 2018)

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

(1) Consolidated financial results

	Net revenues		Operating income		Ordinary income		Net profit attributable to shareholders of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
1st quarter 2018	213,828	115.7	3,162	45.9	3,042	56.2	1,530	62.4
1st quarter 2017	99,141	(1.4)	2,167	(1.9)	1,947	(5.9)	942	(1.2)

Note: Comprehensive income

1Q 2018: (465) million yen - %

1Q 2017: 1,101 million yen - %

	Earnings per share	Diluted earnings per share
	yen	yen
1st quarter 2018	7.49	—
1st quarter 2017	8.63	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets (excl. non-controlling interests) to
As of	million yen	million yen	%
1st quarter 2018	888,897	622,495	70.0
Full year 2017	883,918	627,485	70.9

Reference: Net assets (excl. non-controlling interests)

1Q 2018: 622,076 million yen

End of 2017: 627,058 million yen

2. Dividends

(Record date)	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
Year ended	yen	yen	yen	yen	yen
Full year 2017	—	22.00	—	22.00	44.00
Full year 2018	—	—	—	—	—
Full year 2018 (forecast)	—	25.00	—	25.00	50.00

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

3. Forecast of consolidated financial results 2018 (from January 1, 2018 to December 31, 2018)

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

	Net revenues		Operating income		Ordinary income		Net profit attributable to shareholders of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Full year 2018	1,007,300	15.4	49,700	22.5	47,900	20.2	28,800	14.1	149.66

Note: Revisions to the forecasts of consolidated financial results most recently announced: None

As a result of the acquisition of treasury stock in April 2018, we revised the average number of outstanding shares during the fiscal year and changed the forecast of earnings per share.

Notes

- (1) Changes in significant subsidiaries during the current period : None
- (2) Application of special accounting in preparing the quarterly consolidated financial statement : None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- 1) Changes in accounting policies due to revisions to accounting standards : None
 - 2) Changes other than those in 1) above : None
 - 3) Changes in accounting estimates : None
 - 4) Restatement of prior period financial statements : None
- (4) Number of outstanding shares (common shares)
- 1) Number of outstanding shares at the end of period (including treasury stock):
1Q 2018: 206,268,593 shares FY 2017: 206,268,593 shares
 - 2) Number of treasury stock at the end of period:
1Q 2018: 2,018,159 shares FY 2017: 2,015,532 shares
 - 3) Average number of outstanding shares during the period (three months):
1Q 2018: 204,251,699 shares 1Q 2017: 109,136,375 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, Including Forecast of Consolidated Financial Results” on page 4 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”) has been diligently executing integration and transformation initiatives with speed, and establishing a foundation for sustainable growth based on our mid-term plan, the “Growth Roadmap for 2020 & Beyond” announced in June 2017. In 2018, we are pivoting from an integration focus to a sustainable growth mindset, leveraging the solid foundation we have established over the past year, with initiatives led by the principles of local presence on a national scale, driving innovation and delivering synergy commitments.

For the first quarter of the fiscal year ending on December 31, 2018, (January 1, 2018 to March 31, 2018, or “first quarter”), total nonalcoholic ready-to-drink (NARTD) beverage industry volume performance is expected to be slightly positive, supported by favorable weather in March which offset the impact of cold weather earlier in the year as well as increased competitive intensity, including new product launches by many industry players. 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 to meet growing consumer demand.

CCBJH’s first quarter results are summarized as follows. In addition to this qualitative information section, please also see the supplemental earnings presentation material posted on our Company IR website (<https://en.ccbj-holdings.com/ir/library/presentation.php>), which will be used for the earnings presentation and webcast on Monday, May 14, 2018 at 1:30 p.m. (JST).

Highlights of First-Quarter Results

- Reported net revenue increased significantly due to the prior-year business integration, effective April 1, 2017. Net revenue decreased 2% on a pro-forma basis, as vending channel performance drove negative channel mix and the competitive environment intensified.
- Pro-forma beverage volumes grew 1% versus the prior year. Market share grew in both value and volume terms, with value share growth ahead of volume, and consistently improving share trends since integration.
- Reported operating income grew 46% versus prior year. Pro-forma operating income decreased 14%, primarily due to 1.4 billion yen goodwill amortization in the first quarter from the prior-year business integration. Without this integration-related goodwill amortization, pro-forma operating income growth was positive.
- Generated 4 billion yen net synergies mainly from supply chain and procurement, on track to achieve full-year target of 8 billion yen.
- Clear financial framework for value creation: Completed repurchase of 8.28% of total outstanding shares, announced new dividend policy and introduced performance-oriented equity-based compensation program for directors and executive officers.
- Continued to simplify our organizational and legal entity structure. The number of legal entities decreased from 25 on Day One to 14 on April 1, 2018.

*Pro-forma: Assuming the business integration of Coca-Cola West Co., Ltd. (CCW) and Coca-Cola East Japan Co., Ltd. (CCEJ) from January 2017 and estimating 2017 results using the same standard.

Review of Results

Reported Results

Q1 (January to March)

In Million JPY	2017	2018	YoY
Net Revenue	99,141	213,828	+115.7%
Operating Income	2,167	3,162	+45.9%
Net Income Attributable to Owners of Parent	942	1,530	+62.4%

*2017 results are consolidated results of former CCW in the first quarter, and integrated results of CCBJH from

April 1, 2017 to December 31, 2017.

First-quarter reported consolidated net revenue was JPY 213,828 million, an increase of 114,686 million yen, or 116% compared to the prior year period, and consolidated net revenue of the beverage business increased 114,943 million yen to 206,588 million yen (up 125%) year-on-year, primarily due to the business integration of CCW and CCEJ effective April 1, 2017. Consolidated net revenues of the healthcare & skincare business fell by 257 million yen to 7,240 million yen (down 3%) year-on-year as growth of new products launched in 2017 did not fully offset weaker performance of the underlying product portfolio.

First-quarter reported operating income was JPY 3,162 million, an increase of 995 million or 46% year-on-year. Operating income of the beverage business increased 951 million yen, or 72% year-on-year to 2,272 million yen, led by the business integration of CCW and CCEJ. Operating income in the healthcare & skincare business was 890 million yen, an increase of 43 million yen or 5% year-on-year, as we continued a strong focus on operating efficiency in sales promotion expenses, etc. First-quarter net income attributable to owners of parent was JPY 1,530 million, an increase of JPY 588 million, or 62% versus prior year period reflecting increase of operating income, etc.

<Reference>

Pro forma Results
Q1 (January to March)

In Million JPY	2017	2018	YoY
Net Revenue	218,081	213,828	-2%
Operating Income	3,690	3,162	-14%
Net Income (Loss) Attributable to Owners of Parent	1,498	1,530	+2%
Sales volume of beverage business (Million cases)	110	111	+1%

Pro-forma net revenue, assuming the business integration of CCW and CCEJ from January 2017 and estimating 2017 results using the same standard, decreased 4,253 million yen or 2% year on year to 213,828. The beverage business sales volume grew 1% year on year, with value and volume-share improvements continuing. The volume decrease in profitable vending, together with an increase in pricing competition, negatively impacted overall price/mix. Pro-forma operating income decreased 528 million yen, or 14%, to 3,162 million yen mainly due to goodwill amortization resulting from the business integration in April 2017. Without the first-quarter impact of goodwill amortization, pro-forma operating income growth would have been positive. Other drivers of operating income performance include higher direct marketing expenses (DME) in the quarter, partially offset by a decrease of depreciation expenses due to cycling of accounting harmonization actions (change of depreciation method, useful lives, etc.) in the prior year. First quarter pro-forma net income attributable to owners of parent was JPY 1,530 million, an increase of JPY 31 million or 2% year on year.

Beverage business pro-forma volume performance:

First quarter volume grew 1%. This performance was mainly driven by growth of OTC (over-the-counter) channels. The Supermarket channel grew 6% versus prior year led by growth in sparkling, non-sugar tea, waters, etc. The Drug & Discounter channel grew 12%, driven by the broad-based growth across multiple beverage categories. Convenience Store volume grew 3% supported by the growth of sparkling, non-sugar tea, etc. Vending volume declined 6% versus prior year, with growth of sparkling, non-sugar tea and sports categories being offset by overall weakness in the vending market as well as negative performance in coffee.

By beverage category, sparkling beverages and non-sugar tea showed solid performance across major sales channels, supported by the newly-launched Coca-Cola Peach, Canada Dry The TANSAN sparkling water, Ayataka Chaba no Amami green tea, and others. Volume in both categories grew 6% versus prior year. The sports category grew 4% with a recovery in Drug & Discounter, Convenience Stores and Vending channels supported by the PyongChang Olympic Games campaign. Coffee volume in the Convenience Store channel was flat versus prior year, supported by customer-exclusive products, etc., however, category volume declined 7% as a result of weak performance in Vending. Water volume declined 3% mainly in Convenience Stores and Vending due to cycling of new product launches in the prior year as well as intensified competition, etc.

(2) Details of Consolidated Financial Position

The financial positions at the end of the first quarter are as follows:

Assets at the end of the quarter were JPY 888,897 million, an increase of JPY 4,978 million from the end of the previous fiscal year. This is mainly attributable to an increase of cash and deposits, etc. in anticipation of the settlement of the tender offer to repurchase shares announced in February.

Liabilities at the end of this quarter were JPY 266,402 million, an increase of JPY 9,969 million from the end of previous fiscal year. This is mainly due to an increase of accounts payable-trade as well as short-term loans payable in anticipation of the settlement of the tender offer to repurchase shares announced in February.

Net assets at the end of this quarter were JPY 622,495 million, a decrease of JPY 4,990 million. This is mainly due to decrease of retained earnings as a result of paying year-end dividends, net unrealized gain on other marketable securities, deferred gain/loss on hedges, etc.

(3) Information on the Future Outlook, Such as Forecast of Consolidated Financial Results

Full-year consolidated performance forecasts for the fiscal year ending December 31, 2018 remain unchanged from the performance forecast released on February 13, 2018.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	101,858	127,034
Trade notes and accounts receivable	69,266	69,576
Marketable securities	17,000	—
Merchandise and finished goods	54,357	52,727
Work in process	267	564
Raw materials and supplies	7,323	9,845
Other	36,277	37,849
Allowance for doubtful accounts	(376)	(346)
Total current assets	285,974	297,251
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	73,145	72,292
Machinery, equipment and vehicles, net	67,382	65,498
Sales equipment, net	111,800	112,419
Land	151,375	151,312
Construction in progress	591	311
Other, net	5,897	5,649
Total property, plant and equipment	410,192	407,485
Intangible assets		
Goodwill	76,557	75,426
Franchise intangible	50,098	49,447
Other	14,437	13,960
Total intangible assets	141,092	138,834
Investments and other assets		
Investment securities	31,792	30,381
Retirement benefit assets	257	268
Other	15,567	15,610
Allowance for doubtful accounts	(958)	(935)
Total investments and other assets	46,659	45,325
Total fixed assets	597,944	591,645
Total assets	883,918	888,897

(Millions of yen)

	As of December 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Trade notes and accounts payable	40,496	47,754
Short-term loans payable	—	17,000
Current portion of long-term borrowings	1,817	1,747
Accrued income taxes	8,356	1,094
Other accounts payable	55,410	52,098
Provision for sales and promotion expenses	427	462
Provision for bonuses	2,521	3,058
Provision for directors' bonuses	134	28
Other	17,193	15,244
Total current liabilities	126,357	138,488
Non-current liabilities		
Bonds payable	66,000	66,000
Long-term loans payable	12,031	11,308
Net defined benefit liability	20,358	19,757
Provision for performance-linked incentive	—	38
Liabilities for directors' retirement benefits	30	29
Provision for environmental measures	90	90
Other	31,563	30,687
Total non-current liabilities	130,075	127,913
Total liabilities	256,432	266,402
Equity		
Shareholders' equity		
Capital stock	15,231	15,231
Capital surplus	450,568	450,568
Retained earnings	155,535	152,572
Treasury stock	(4,692)	(4,703)
Total shareholders' equity	616,642	613,668
Accumulated other comprehensive income		
Net unrealized gains (or losses) on	6,886	5,907
Deferred gains (or losses) on hedges	590	(507)
Foreign currency translation adjustments	12	11
Accumulated adjustments for defined	2,926	2,995
Total accumulated other comprehensive	10,416	8,407
Non-controlling interests	426	418
Net assets	627,485	622,495
Total liabilities and equity	883,918	888,897

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income)
(First three-month period of this fiscal year)

(Millions of yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018
Net revenues	99,141	213,828
Cost of goods sold	47,179	103,317
Gross profit	51,962	110,511
Selling, general and administrative expenses	49,794	107,348
Operating income	2,167	3,162
Non-operating income		
Interest income	10	1
Dividends income	18	24
Share of profit of investees equity-method	40	—
Rent income	29	102
Gain on sales of valuable wastes	12	133
Other	94	181
Total non-operating income	204	443
Non-operating expenses		
Interest expense	113	136
Investment loss on equity method	—	1
Loss on disposal of property plant and equipment	134	314
Other	176	110
Total non-operating expenses	424	563
Ordinary income	1,947	3,042
Extraordinary income		
Gain on sale of property plant and equipment	42	—
Gain on sale of investment securities	16	0
Total extraordinary income	59	0
Extraordinary losses		
Business integration-related expenses	536	—
Total extraordinary losses	536	—
Income before income taxes and non-controlling interests	1,470	3,042
Income taxes - current	663	1,149
Income taxes - deferred	(150)	350
Total income taxes	513	1,499
Net profit	956	1,542
Net profit attributable to non-controlling interests	14	12
Net profit attributable to shareholders of parent	942	1,530

(Quarterly Consolidated Statements of Comprehensive Income)
(First three-month period of a fiscal year)

(Millions of yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018
Net profit	956	1,542
Other comprehensive income		
Net unrealized gains (or losses) on other marketable securities	(0)	(979)
Deferred gains or losses on hedges	—	(1,097)
Foreign currency translation adjustments	22	(0)
Remeasurements of defined benefits	127	71
Share of other comprehensive income of investees equity-method	(5)	(2)
Total other comprehensive income	144	(2,008)
Comprehensive income	1,101	(465)
Comprehensive income attributable to shareholders of the parent	1,086	(478)
Non-controlling interests	14	12

(3) Notes to Quarterly Consolidated Financial Statements
(Notes Relating to Assumptions for the Going Concern)

Not applicable.

(Notes for Case Where Shareholders' Equity underwent Significant Changes in Value)

Not applicable.

(Application of Special Accounting for Preparing the Quarterly Consolidated Financial Statement)

Not applicable.

(Additional Information)

(Changes in the Presentation)

(Quarterly Consolidated Statements of Income)

“Rent income” and “gain on sales of valuable wastes,” which were included in “other” in “non-operating income” in the first three-month period of the previous fiscal year, are shown separately from the current period, considering their significant monetary impacts. To reflect this change in presentation, the Company has made certain reclassifications to its consolidated financial statements for the first three-month period of the previous fiscal year.

As a result, 135 million yen, which was presented in “other” in “non-operating income” in the Consolidated Statements of Income for the first three-month period of the previous fiscal year, has been reclassified as rent income (29 million yen), gain on sales of valuable wastes (12 million yen) and other (94 million yen).

(Segment Information)

First three-month period of the previous fiscal year (January 1, 2017 – March 31, 2017)

1. Information on net revenues and profits or losses by reported segment

(Millions of yen)

	Beverage business	Healthcare & skincare business	Total
Net revenues			
Net revenues-outside customers	91,644	7,497	99,141
Net revenues and transfer-inter-segment	—	—	—
Total	91,644	7,497	99,141
Segment profit	1,320	846	2,167

(Note) Net revenues and Segment profit are equivalent to Net revenues and Operating income in Quarterly Consolidated Statements of Income, respectively.

First three-month period of this fiscal year (January 1, 2018 – March 31, 2018)

1. Information on net revenues and profits or losses by reported segment

(Millions of yen)

	Beverage business	Healthcare & skincare business	Total
Net revenues			
Net revenues-outside customers	206,588	7,240	213,828
Net revenues and transfer-inter-segment	—	—	—
Total	206,588	7,240	213,828
Segment profit	2,272	890	3,162

(Note) Net revenues and Segment profit are equivalent to Net revenues and Operating income in Quarterly Consolidated Statements of Income, respectively.

2. Matters relating to changes in the Company's reported segments

(Change of segment name)

From the first quarter consolidated accounting period, the segment name of "Soft drink business" has been changed to "Beverage business" in order to more properly display the business contents.

There is no effect on segment information due to segment name change.