Consolidated Financial Summary for Fiscal Year Ended December 31, 2018 (IFRS)

February 14, 2019

Listed company name: Coca-Cola Bottlers Japan Holdings Inc.
Listed stock exchanges: Tokyo and Fukuoka
Code number: 2579
URL: https://en.ccbj-holdings.com/
Delegate: Title: Representative Director & President
Name: Tamio Yoshimatsu
Contact: Title: Head of Controllers Senior Group Division, Finance
Name: Masakiyo Uike
Phone: +81-3-6896-1707

Expected date of general shareholders meeting: March 26, 2019
Expected date of the dividend payments: March 27, 2019
Expected date of submission of annual securities report: March 27, 2019
FY 2018 supplementary information: Yes
FY 2018 financial presentation: Yes

(Fractions of one million yen are rounded)

1. Consolidated financial results for the fiscal year ended December 31, 2018 (from January 1, 2018 to December 31, 2018)

(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	%
Dec. 31, 2018	927,307	10.8	23,276	(42.1)	14,682	(60.9)	10,162	(53.6)	10,117	(53.9)	3,197	(89.4)
Dec. 31, 2017	837,069	—	40,177	—	37,594	—	21,883	—	21,967	—	30,065	—

	Basic earnings per share	Diluted earnings per share	Ratio of profit to equity attributable to owners of the parent	Ratio of profit before tax to total assets	Ratio of Operating profit to net sales
	yen	yen	%	%	%
Dec. 31, 2018	52.68	—	1.6	1.6	1.6
Dec. 31, 2017	125.53	—	4.6	5.6	4.5

Reference: Share of income (loss) of entities accounted for using
Fiscal Year 2018: (5) million yen　　Fiscal Year 2017: 12 million yen

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to parent owners	Ratio of equity attributable to parent owners	Equity attributable to owners of the parent per share
	million yen	million yen	million yen	%	yen
Dec. 31, 2018	877,472	580,906	580,448	66.2	3,163.63
Dec. 31, 2017	929,304	655,038	654,611	70.4	3,204.90

(3) Consolidated cash flows

	Net cash from (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
Year ended	million yen	million yen	million yen	million yen
Dec. 31, 2018	51,244	(48,628)	(55,835)	65,510
Dec. 31, 2017	73,014	(14,299)	(26,717)	118,741

2. Dividends

	Dividends per share					Total dividend payments (annual)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
(Record date)	1Q	2Q	3Q	Year-end	Annual			
Year ended	yen	yen	yen	yen	yen	million yen	%	%
Dec. 31, 2017	—	22.00	—	22.00	44.00	8,987	35.1	1.5
Dec. 31, 2018	—	25.00	—	25.00	50.00	9,266	94.9	1.6
Dec. 31, 2019 (forecast)	—	25.00	—	25.00	50.00		125.1	

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	%	million yen
Full year 2019	936,100	0.9	18,500	(20.5)	12,700	(13.5)	7,200	(29.1)	7,200	(28.8)	39.97

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):

FY 2018: 206,268,593 shares FY 2017: 206,268,593 shares

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

FY 2018: 22,793,049 shares FY 2017: 2,015,532 shares

3) Average number of outstanding shares during the period:

FY 2018: 192,050,508 shares FY 2017: 174,990,953 shares

(Reference) Summary of the Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended December 31, 2018 (from January 1, 2018 to December 31, 2018)

(1) Non-consolidated financial results

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

	Net revenues		Operating revenue		Operating income		Recurring income		Profit	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Dec. 31, 2018	—	(100.0)	10,375	(10.3)	5,734	99.3	5,224	(14.2)	4,395	(11.9)
Dec. 31, 2017	82,140	(78.7)	11,565	—	2,877	(77.5)	6,087	(58.4)	4,991	(58.5)

	Earnings per share	Diluted earnings per share
	yen	yen
Dec. 31, 2018	22.89	—
Dec. 31, 2017	28.52	—

(2) Non-consolidated financial position

	Total assets	Net assets	Net assets (excl. minority interests) to total assets	Net assets (excl. minority interests) per share
As of	million yen	million yen	%	yen
Dec. 31, 2018	478,594	332,507	69.5	1,812.27
Dec. 31, 2017	475,220	405,242	85.3	1,984.02

Reference: Net assets (excl. minority interests)

Fiscal Year 2018: 332,507 million yen Fiscal Year 2017: 405,242 million yen

* 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. Overview of Operating Results, etc. (1) Analysis of Operating Results (Outlook for 2019)” on page 4 for matters relating to performance forecasts.

Table of contents

1. Overview of Operating Results, etc.

(1) Analysis of Operating Results

(Qualitative Information on the Consolidated Operating Results)

(Overview of Full-Year 2018 Results)

Coca-Cola Bottlers Japan Holdings Inc. ("CCBJH" or the "Company") announced full-year results for the fiscal year ending on December 31, 2018 (January 1, 2018 to December 31, 2018). In this period, total nonalcoholic ready-to-drink (NARTD) beverage industry volume performance is expected to be slightly positive versus prior year, supported by strong demand driven by a record hot summer which helped to offset the negative impact of various natural disasters, such as earthquakes, heavy rain and flooding. 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.

In 2018, CCBJH remained focused on initiatives linked to our "Growth Roadmap for 2020 and Beyond" strategic plan, representing the principles of local presence on a national scale, driving innovation and successfully meeting our synergy and savings commitments. However, our business was significantly impacted by supply constraints and higher manufacturing and logistics costs related to the extraordinary rain and flooding experienced in Western Japan in July 2018. The Hongo manufacturing plant and adjacent warehouse and distribution center of our subsidiary, Coca-Cola Bottlers Japan Inc., located in Mihara City, Hiroshima Prefecture, experienced substantial flooding, with damage to equipment and finished goods inventory resulting in a complete shutdown of the Hongo facilities and disruption to the regional transport infrastructure. We expect the manufacturing and logistics cost outlook to remain elevated through Spring of 2020 as we continue to rely on alternate product supply points and longer shipping distances until new manufacturing capacity is built, including the relocation of the Hongo plant in Hiroshima. Further, rapidly increasing consumer demand for aseptically produced beverages in PET packaging put additional pressure on product supply capacity, which also impacted our 2018 results.

The Company has adopted International Financial Reporting Standards (IFRS) for reporting full-year 2018 results, and prior year results have been converted to IFRS to measure year-on-year performance. For reference purposes, the supporting documentation to be used at our earnings presentation on Friday, February 15, 2019 at 1:30pm (JST) includes both IFRS and JGAAP summaries of full-year 2018 results. The earnings presentation materials and audio webcast will be available live and on demand on our Company IR website (https://en.ccbj-holdings.com/ir/library/presentation.php).

Full-Year 2018 Highlights (IFRS-based)

- Pro-forma beverage volume decreased 2% versus prior year, with a priority on value share performance over volume share.
- Reported net revenue increased 11% versus prior year due to the April 1, 2017 business integration. Net revenue decreased 2% on a pro-forma basis, primarily driven by lower volume and negative mix resulting from weak performance in the vending channel.
- Reported business income decreased 42% and pro-forma business income decreased 41% versus prior year driven by higher manufacturing and logistics expenses due to supply constraints and flooding disruption. Reported operating income decreased 61%, mainly due to loss on disposal and impairment of damaged assets and inventories due to the Western Japan flooding.
- Continued progress on integration and setting foundation for growth. Created one aligned HR and benefit system including equity linked long-term incentive plan; Completed deployment of ERP system back-office solution across all territories; Finalized legal entity consolidation from 25 in December 2017 to 12 in December 2018; Acquired new plant facilities in Hiroshima to replace flooded Hongo factory.
- Announced first customer price increase in 27 years for large PET products, effective April 2019.
- Announced new 25 billion yen share-buyback program in November as part of financial framework for value creation. Also completed share repurchase worth 55.9 billion yen in April. 2018 annual dividend per share expected to be 50 yen, an increase of 6 yen versus prior year.
- Announced management change and restructuring. New board of director nominees reflect best-in-class governance, independence and diversity standards.

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

Review of Results

Reported Results (IFRS)

Full-year (January to December)

In Million JPY	2017	**2018**	YoY
Net Revenue	837,069	**927,307**	+10.8%
Business Income	40,177	**23,276**	-42.1%
Net Income Attributable to Owners of Parent	21,967	**10,117**	-53.9%

*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.

* We introduce "Business Income" as 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.

Following table shows bridge between business income and operating income in IFRS

In Million JPY

	2017	**2018**
Gross Profit	412,782	**452,151**
Selling, General & Administrative Expenses	371,007	**426,195**
Other income (Recurring)	931	**1,635**
Other expenses (Recurring)	2,541	**4,310**
Investment gain/loss on equity method	12	**(5)**
Business Income	40,177	**23,276**
Other income (Non-recurring)	489	**481**
Other expenses (Non-recurring)	3,073	**9,075**
Operating Income	37,594	**14,682**

Full-year reported consolidated net revenue was 927,307 million yen, an increase of 90,238 million yen, or 11% compared to the prior-year period, and net revenue of the beverage business increased 92,698 million yen to 899,863 million yen (up 11%) year-on-year, primarily due to the business integration of CCW and CCEJ effective April 1, 2017. Net revenues of the healthcare & skincare business fell by 2,460 million yen to 27,444 million yen (down 8%) year-on-year, as growth of newly-launched products was unable to offset weakness of existing product performance due to increased competition, etc.

Full-year reported business income, an indicator of our recurring business performance, was 23,276 million yen, a decrease of 16,901 million or 42% year-on-year. Business income of the beverage business decreased 17,198 million yen, or 49% year-on-year to 17,939 million yen, mainly driven by disruptions to product supply caused by the heavy rain in Western Japan and supply constraints due to rapidly growing demand of newly-launched aseptic products. In addition, channel and package mix continued to have a negative impact, primarily as a result of performance in the vending channel. Business income in the healthcare & skincare business was 5,337 million yen, an increase of 297 million yen or 6% year-on-year, as we continued a strong focus on operating efficiency in sales promotion, etc. Reported operating income was 14,682 million yen, a decrease of 22,912 million yen or 61% year-on year driven by loss on disposal of damaged assets and inventories due to disaster in the beverage business. Reported net income attributable to owners of parent was 10,117 million yen, a decrease of 11,850 million yen, or 54% versus prior year.

<Reference>
Pro-forma Results (IFRS)
Full-year (January to December)

In Million JPY	2017 (Pro-forma)	**2018**	YoY
Net Revenue	950,732	**927,307**	-2%
Business Income	39,552	**23,276**	-41%
Net Income Attributable to Owners of Parent	21,161	**10,117**	-52%
Sales volume of beverage business (Million cases)	522	**512**	-2%

Following table shows bridge between business income and operating income in IFRS (Pro-forma)

In Million JPY

	2017 (Pro-forma)	**2018**
Gross Profit	465,779	**452,151**
Selling, General & Administrative Expenses	424,582	**426,195**
Other income (Recurring)	1,229	**1,635**
Other expenses (Recurring)	2,886	**4,310**
Investment gain/loss on equity method	12	**(5)**
Business Income	39,552	**23,276**
Other income (Non-recurring)	492	**481**
Other expenses (Non-recurring)	3,766	**9,075**
Operating Income	36,278	**14,682**

Pro-forma net revenue, assuming the business integration of CCW and CCEJ from January 2017, decreased JPY 23,424 million, or 2% year on year driven by the loss of production capacity at the Hongo plant after the July flooding and supply constraints due to rapidly growing demand for newly-launched aseptic products, coupled with ongoing negative channel and package mix trends. Sales volume for the beverage business declined 2%. Pro-forma business income decreased 16,276 million yen, or 41%, due to the revenue decline as well as higher transportation and logistics costs due to alternate product sourcing, negative channel and package mix, etc. Pro-forma net income attributable to owners of parent decreased JPY 11,044 million or 52% year on year, mainly driven by loss on damaged assets and inventories due to disaster.

Pro-forma beverage volume performance by channel and category

By channel, we were impacted by the decision to rationalize some SKUs, especially in large-package format, as well as the request of the suspension of “chirashi” promotional activities by certain retail customers. Supported by new product launches, volume grew 2% in the drug & discounter channel and 1% in the convenience store channel. Supermarket channel volume declined 1%. Vending channel volume declined 7% as we prioritized customer supply relationships instead of vending due to supply constraints in the third quarter.

By category, although overall volume growth was impacted by supply constraints, primarily in aseptic products, sparkling beverage volume grew 3% and non-sugar tea volume was even. Coffee, sports and water category volumes decreased 3%, 5% and 10%, respectively. Newly-launched products such as The TANSAN STRONG (sparkling water), Coca-Cola Peach, and Ayataka Chaba no Amami (green tea) contributed to sparkling and non-sugar tea category volume performance. Coffee category volume performance was flat in the fourth quarter driven by active product offerings for the winter season as well as growth of the newly-launched aseptic PET coffee, Georgia Japan Craftsman. However, full-year coffee volume declined due to continued weakness in can and bottle can packages and weakness in the vending channel. In the water category, premium iLohas natural mineral water volume grew, however, overall category volume declined as we cycled successful flavor launches in the prior year as well as due to the pull-back in large-package volume.

(Outlook for 2019)

In 2019, we expect overall Japan non-alcoholic ready-to-drink (NARTD) beverage market volume to be slightly negative driven by a number of factors, including cycling of surge demand due to the record-hot summer weather in 2018, weaker consumer sentiment related to the planned consumption tax increase in October 2019 and expected industry price increases stemming from rising input costs and continued distribution and logistics cost pressure.

CCBJH has characterized 2019 as a year of recovery and reestablishment of a solid foundation for growth, following challenges in 2018 related to production capacity constraints and the impact of natural disasters. We are making investments in production and distribution capacity and marketplace execution to address current challenges and return to a growth trajectory in 2020 and beyond as well as ongoing new challenges driven by the rapidly changing business environment.

We announced a change of representative directors and a slate of nominees for our Board of Directors with an eye toward best-in-class standards of governance, independence and diversity. Also, we have announced other organizational changes to swiftly respond to the rapidly changing business environment, including reducing the number of executive officers from 33 to 18 and simplifying management reporting lines as of February 1. Finally, we announced our first price increase in 27 years as well as a voluntary employee retirement program as part of our ongoing work to transform our business.

In the beverage business segment, the company expects flat volume growth in 2019. We will focus on initiatives to drive profitable revenue growth by expanding product offerings to meet the diversified needs of consumers as well as implementing the customer price increase for large PET products from April 2019. We will activate comprehensive marketing campaigns and market execution plans while leveraging the Coca-Cola system's unique partnership assets, including Cola-Cola's official sponsorship of the Japan National Rugby Teams and the Tokyo 2020 Olympic and Paralympic Games. In addition, we have a newly established Vending Business Unit as one virtual organization together with Coca-Cola (Japan) Company. The unit has central responsibility for all aspects of vending channel performance from strategic planning to market execution, to restore momentum to the important vending channel. We continue to grow our manufacturing capacity and optimize our logistics and distribution network to recover and re-build a solid supply chain foundation for growth, while also streamlining business processes by completing the implementation of a new company-wide ERP system.

In the health food and cosmetic industries, we expect continued market growth, but with intensified competition as more players seek to participate in this growing market segment. Our healthcare and skincare business is focused on more effective marketing and advertising to expand our customer base by appealing to consumers in their 40s and 50s, and to increase consumer loyalty. Also, we will continue to make efforts in product development and marketing capabilities to ensure a pipeline of relevant products that meet consumers' changing needs.

We expect consolidated revenue for this year will be 936.1 billion yen, an increase of 1% versus 2018, reflecting the expected impact of the price increases to be implemented in April, as well as our ongoing efforts to balance volume and value growth and improve wholesale pricing and mix in the beverage business. Business income is expected to decrease 21% versus the prior year, to 18.5 billion yen driven by continued pressure in manufacturing costs and transportation expenses as we rely on alternate sources of product supply until we can fully recover from the extraordinary rain and flooding of July 2018, partially offset by expected cost reductions through restructuring. Reported operating income is expected to decrease 14% versus 2018, to 12.7 billion yen, due to lower business income and special retirement expenses related to the announced voluntary employee retirement program in the beverage business. Net income attributable to the owners of the parent will decrease 29%, to 7.2 billion yen.

(2) Analysis of Financial Position

Assets at the end of this year were 877,472 million yen, a decrease of 51,831 million yen from the end of the previous fiscal year. This is mainly attributable to a decrease of cash and equivalents due to total share repurchases of 68 billion yen completed in 2018. In addition, assets and inventories decreased as a result of write-off/disposal of damaged assets and inventories due to the flooding disaster, etc.

Liabilities at the end of this year were 296,566 million yen, an increase of 22,301 million yen from the end of the previous fiscal year. This is mainly due to an increase of loans, net defined benefits liabilities, etc.

Net assets at the end of this year were 580,906 million yen, a decrease of 74,132 million yen. This is mainly due to an increase of treasury stock due to the completed share repurchases.

The cash flow conditions for the full-year are as follows.

<Cash Flows from Operations>

Net cash generated from operations was JPY 51,244 million (JPY 73,014 million in previous year term). This results mainly from JPY 14,767 million from net profit before tax, depreciation expenses, increase of account payable-trade and others, posting loss on write-off/disposal of fixed assets due to disaster, etc. offset by an increase of accounts receivable-trade and others, inventories, payment of taxes, etc.

<Cash Flows from Investment Activities>

Net cash used for investment activities was JPY 48,628 million (JPY 14,299 million in previous year term), due to purchases of fixed assets to drive growth and synergy capture, etc.

<Cash Flows from Financing Activities>

Net cash used for financing activities was JPY 55,835 million (JPY 26,717 million in previous year term), due to total 68 billion yen share buy-back in 2018, increase of short-term loan for share buyback and operating capital, payment of dividends, etc.

As a result of these activities, cash and cash equivalents at the end of this year was JPY 65,510 million, a decrease of JPY 53,231 million versus prior year term.

(3) Basic Policies for Profit Distribution and Dividends for FY2018 and FY2019

The Company periodically reviews its capital structure and dividend payout ratio to maximize shareholder returns while maintaining flexibility to pursue expansion opportunities. The Company seeks to use retained earnings to fund investment for sustainable growth for our business and further enhancement of corporate value.

CCBJH sets its basic policy regarding dividends, which includes active redistribution of profits while placing the highest priority on paying dividends in a stable manner, by comprehensively reviewing the Company’s business performance and level of retained earnings. In addition, the Company has set a payout ratio target of 30% or more for net profit attributable to owners of the parent, starting from full-year 2018 results announcement (after adoption of IFRS). The company pays interim and year-end dividends.

The Company plans to pay 25 yen per share for year-end dividend for the year ending December 2018, and the annual dividend will be 50 yen per share including the 25 yen-per-share interim dividend. This represents an increase of 6 yen versus prior year.

Regarding the dividend forecast for the year ending December 2019, the Company plans to pay the same amount of dividend per share, which is 25 yen per share for the interim and year-end dividends, respectively, and therefore the expected annual dividend will be 50 yen per share. This reflects the business outlook for the year as well as our policy of prioritizing payment of dividends in a stable manner.

The Company continues to reflect on the implementation of share buybacks by comprehensively reviewing the Company’s business performance and level of retained earnings. The Company completed 55.9 billion yen of share buybacks on April 2018. In addition, the Company announced a separate 25 billion yen share-buyback program from November 2018 to May 2019, and has completed 18.3 billion yen in buybacks related to this new program by the end of January 2019.

2. Basic Concept Concerning the Selection of Accounting Standards

The Group discloses consolidated financial statements based on the International Financial Reporting Standards (IFRS) from the fiscal year ending December 2018, with a view to enhancing the international comparability of financial statements and contributing to the improved convenience for shareholders and investors of the Company.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Assets		
Current asset:		
Cash and cash equivalents	118,742	65,510
Trade and other receivables	88,061	92,402
Inventories	61,989	68,781
Other financial assets	1,691	645
Other current assets	11,688	10,740
Total current assets	282,170	238,078
Non-current asset:		
Property, plant and equipment	439,059	435,305
Goodwill	88,880	88,880
Intangible assets	67,385	66,539
Investments accounted for using the equity method	327	298
Other financial assets	40,353	34,796
Net defined benefit asset	43	38
Deferred tax assets	5,149	6,264
Other non-current assets	5,938	7,274
Total non-current assets	647,133	639,394
Total assets	929,304	877,472

	As of December 31, 2017	(Millions of yen) As of December 31, 2018
Liabilities and equity		
Liability		
Current liabilities:		
Trade and other payables	100,576	105,701
Bonds and debts	1,817	45,512
Other financial liabilities	941	993
Income taxes payable	7,666	3,069
Provisions	57	18
Other current liabilities	20,893	22,230
Total current liability	131,950	177,524
Non-current liabilities:		
Bonds and debts	77,854	56,401
Other financial liabilities	1,285	749
Obligations for retirement pay	27,940	33,712
Provisions	2,080	2,191
Deferred tax liabilities and deferred	29,927	23,082
Other non-current liability	3,229	2,907
Total non-current liability	142,315	119,042
Total liabilities	274,265	296,566
Equity;		
Capital stock	15,232	15,232
Share premium	450,498	450,533
Retained earnings	184,317	182,418
Treasury Shares	(4,693)	(72,651)
Accumulated other comprehensive income	9,258	4,915
Equity attributable to parent owners (total)	654,611	580,448
Non-controlling interests	427	458
Total equity	655,038	580,906
Total liabilities and equity	929,304	877,472

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Millions of yen)

	For the year ended December 31, 2017	For the year ended December 31, 2018
Net sales	837,069	927,307
Cost of sales	424,287	475,156
Gross profit	412,782	452,151
Selling and general administrative expenses	371,007	426,195
Other income	1,421	2,116
Other expenses	5,614	13,385
Share of income (loss) of entities accounted for using equity method	12	(5)
Operating profit	37,594	14,682
Financial revenue	961	830
Finance costs	641	745
Profit for the year before income tax	37,914	14,767
Income tax expense	16,031	4,605
Net profit for the year	21,883	10,162
Net profit for the year attributable to:		
Owners of the parent	21,967	10,117
Non-controlling interests	(83)	45
Earnings per share (yen)		
Basic	125.53	52.68

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the year ended December 31, 2017	For the year ended December 31, 2018
Net income	21,883	10,162
Other comprehensive income.		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	4,126	(2,889)
Share of other comprehensive income of equity method investees	(12)	(4)
Net change in financial assets measured at fair value through other comprehensive income	3,612	(3,344)
Subtotal	7,726	(6,236)
Items that may be reclassified subsequently to profit or loss:		
Foregin currency translation differences of foreign operations	16	(12)
Cash flow hedges	440	(716)
)Subtotal	456	(728)
Total other comprehensive income	8,182	(6,965)
Total comprehensive income	30,065	3,197
Comprehensive income attributable to:		
Owners of the parent.	30,149	3,152
Non-controlling interests	(83)	45

(3) Consolidated Statements of Changes in Equity

For the year ended December 31, 2017

(Millions of yen)

	Equity attributable to owners of the parent company							
	Capital stock	Share premium	Retained earnings	Treasury Shares	Other Comprehensive income Accumulated	Total	Non-controlling interests	Total
Balance as of January 1, 2017 (Before restatement)	15,232	109,072	164,436	(4,593)	7,674	291,821	415	292,235
Adjustments resulting from the adoption of IFRS 9	—	—	577	—	(2,503)	(1,927)	—	(1,927)
Balance as of January 1, 2017 (After restatement)	15,232	109,072	165,012	(4,593)	5,171	289,894	415	290,309
Total comprehensive income								
Net income	—	—	21,967	—	—	21,967	(83)	21,883
Other comprehensive income	—	—	—	—	8,182	8,182	—	8,182
Total comprehensive income for the year	—	—	21,967	—	8,182	30,149	(83)	30,065
Transactions with owners, etc.								
Dividends of surplus	—	—	(7,113)	—	—	(7,113)	(29)	(7,142)
Purchase of treasury stock	—	—	—	(111)	—	(111)	—	(111)
Disposal of treasury stock	—	6	—	12	—	17	—	17
Changes due to business combinations	—	—	—	—	—	—	398	398
Change in ownership interest in subsidiaries	—	(143)	—	—	356	213	(273)	(60)
Reclassification from accumulated other comprehensive income to retained earnings	—	—	4,451	—	(4,451)	—	—	—
Stock issued in exchange of shares	—	341,563	—	—	—	341,563	—	341,563
Other								
Total transactions with owners	—	341,425	(2,662)	(100)	(4,095)	334,569	96	334,664
Balance as of December 31, 2017	15,232	450,498	184,317	(4,693)	9,258	654,611	427	655,038

For the year ended December 31, 2018

(Millions of yen)

	Equity attributable to owners of the parent company							
	Capital stock	Share premium	Retained earnings	Treasury Shares	Other Comprehensive income Accumulated	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
Total comprehensive income								
Net income	–	–	10,117	–	–	10,117	45	10,162
Other comprehensive income	–	–	–	–	(6,965)	(6,965)	–	(6,965)
Total comprehensive income for the year	–	–	10,117	–	(6,965)	3,152	45	3,197
Transactions with owners, etc.								
Dividends of surplus	–	–	(9,173)	–	–	(9,173)	(21)	(9,194)
Purchase of treasury stock	–	(25)	–	(67,961)	–	(67,987)	–	(67,987)
Disposal of treasury stock	–	1	–	4	–	4	–	4
Share-based payment transactions	–	67	–	–	–	67	–	67
Reclassification from accumulated other comprehensive income to retained earnings	–	–	(2,843)	–	2,843	–	–	–
Reclassification from accumulated other comprehensive income to non-financial assets	–	–	–	–	(221)	(221)	–	(221)
Other changes	–	(7)	–	–	–	(7)	7	–
Total transactions with owners	–	36	(12,016)	(67,958)	2,622	(77,316)	(14)	(77,329)
Balance as of December 31, 2018	15,232	450,533	182,418	(72,651)	4,915	580,448	458	580,906

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended December 31, 2017	For the year ended December 31, 2018
Cash flows from operating activities		
Profit before tax	37,914	14,767
Adjustments for:		
Depreciation and amortization expense	41,383	47,531
Impairment losses	1,603	202
Change in allowance for doubtful account	238	255
Interest and dividends income	(494)	(516)
Interest expense	611	612
Share of loss (profit) of entities accounted for using equity method	(12)	5
Loss on step acquisitions	538	—
Gain on sales of property, plant and equipment	(536)	(215)
Loss on disposal and sales of plant and equipment	1,494	9,399
Decrease (increase) in trade and other receivables	(4,693)	(4,355)
Decrease (increase) in inventories	8,474	(6,869)
Decrease (increase) in other assets	1,299	393
Increase (decrease) in trade and other payables	(5,981)	2,234
Increase (decrease) in net defined benefit liability	759	491
Increase (decrease) in other liabilities	(293)	1,148
Other	63	501
Subtotal	82,367	65,579
Amount of interest received	17	3
Amount of dividend received	453	487
Amount of interest paid	(565)	(548)
Amount of income taxes paid	(10,484)	(14,553)
Income tax refund	1,226	275
Aggregate cash flow by operating activities	73,014	51,244
	17	
Cash flows from investing activities		
Acquisitions of property, plant and equipment and intangible assets	(43,111)	(49,752)
Proceeds from sales of property, plant and equipment and intangible assets	1,605	658
Purchases of investment securities	(130)	(137)
Proceeds from sale of investment securities	609	273
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	406
Proceeding by business Combinations	26,798	—
Other	(70)	(75)
Aggregate cash flow by investing activities	(14,299)	(48,628)

	For the year ended December 31, 2017	For the year ended December 31, 2018
		(Millions of yen)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(2,000)	24,000
Repayments of long-term debt	(2,070)	(1,817)
Increase in long-term loans	29	—
Bond redemption	(14,000)	—
Dividends paid	(7,113)	(9,173)
Dividends payments to non-controlling interests	(29)	(21)
Proceeds from sales of treasury stock	22	4
Purchase of treasury stock	(111)	(67,998)
Purchase of treasury stock of subsidiaries in consolidation	(7)	—
Acquisition of shares of subsidiaries not resulting in change in scope of consolidation	(409)	—
Other	(1,028)	(830)
Aggregate cash flow by financing activities	(26,717)	(55,835)
Translation adjustments on cash and Cash Equivalents	16	(12)
Net increase (decrease) in cash and cash equivalents	32,014	(53,231)
Cash and cash equivalents at the beginning of year	86,728	118,742
Cash and cash equivalents at the end of year	118,742	65,510

(5) Notes to Consolidated Financial Statements

(Notes Relating to Assumptions for the Going Concern)

Not applicable.

(Changes in Accounting Policies)

The Group adopted the new accounting standards and interpretations, which became mandatory in the year ended December31, 2018. Significant accounting standards and interpretations are as follows:

New or amended standards and interpretations	Summary of the requirements
IFRS 15 *Revenue from contracts with customers* (issued May 2014) Clarification to IFRS 15 (issued April 2016)	IFRS 15 develops a comprehensive framework as to whether and when to recognize revenue. IFRS 15 supersedes the current revenue recognition guidance in IAS 18 *Revenue*, IAS 11 *Construction contracts*, and IFRIC 13 Customer Loyalty Programs.

The Group elected to apply IFRS 15 retrospectively in accordance with the transitional provisions and recognize the cumulative effect of initially adopting this standard as an adjustment to the opening balance of retained earnings of the year ended December 31, 2018. The adoption of IFRS 15 did not have a material impact on the consolidated financial statements.

(Segment Information, etc.)

(1) Reportable segments

Operating segments are defined as the components of the Group for which separate financial information is available that is evaluated regularly by the chief operating decision maker in making resource allocation decisions and in assessing performance. The Group has identified the following operating segments. No operating segments have been aggregated to form reportable segments.

As a result of the business integration between the Company and CCEJ as of April 1, 2017, the results of operation of CCEJ and its group companies are included in the Beverage segment from the second quarter of the year ended December 31, 2017.

The principal products and services belonging to the reportable segments are as follows, and the Healthcare and skincare segment is operated by a wholly owned subsidiary, Q'sai Co., Ltd. and its subsidiaries.

In the year ended December 31, 2018, the former "Soft Drink" segment was renamed as the "Beverage Business" segment in order to reflect the nature of the business more properly. The change of the name of the segment has no impact on segment information.

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 sell 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:

For the year ended December 31, 2017

(Millions of yen)

	Reportable segments				
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total	Adjustment	Total
Sales revenue to external customer	807,165	29,904	837,069	—	837,069
Intersegment sales revenue	—	—	—	—	—
Sales revenue	807,165	29,904	837,069	—	837,069
Segment profit	33,932	3,662	37,594	—	37,594
Adjustments					
Financial revenue					961
Finance costs					641
Profit before tax					37,914
Other items					
Depreciation and amortization	40,932	451	41,383	—	41,383
Impairment losses	224	1,378	1,603	—	1,603
Equity-method gains	12	—	12	—	12

For the year ended December 31, 2018

(Millions of yen)

	Reportable segments				
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total	Adjustment	Total
Sales revenue to external customer	899,863	27,444	927,307	—	927,307
Intersegment sales accumulation	—	—	—	—	—
Sales revenue	899,863	27,444	927,307	—	927,307
Segment profit	8,864	5,818	14,682	—	14,682
Adjustments					
Financial revenue					830
Finance costs					745
Profit before tax					14,767
Other items					
Depreciation and amortization	47,149	381	47,531	—	47,531
Impairment losses	202	—	202	—	202
Equity-method losses	(5)	—	(5)	—	(5)

(2) Information for each product and service
This information is omitted because the same information is disclosed in "(1) Reportable Segments."

(3) Information for each region
Sales revenue by geographic region is omitted because the revenue of domestic sales to external customer accounts for the majority of sales revenue in the consolidated statements of income.
Since the carrying amount of non-current assets in Japan accounts for the majority of non-current assets in the consolidated statement of financial position, the description of non-current assets by region is omitted.

(4) Major customer

There is no customer to which sales exceeds 10% of the Group’s total revenue.

(Per Share Information)

The calculation of basic earnings per share is based on the net profit for the year attributable to owners of the Company and the weighted-average number of ordinary shares outstanding during the years.

The basis for calculating basic and diluted earnings per share is as follows.

	For the year ended December 31, 2017	For the year ended December 31, 2018
Profit attributable to owners of the parent (Millions of yen)	21,967	10,117
Weighted average number of shares of common stock outstanding (thousands)	174,991	192,051
Earnings per share (yen):		
Basic	125.53	52.68

(Significant Subsequent Events)

The Company, at its Board of Directors meeting held on February 14, 2019, resolved to implement a voluntary retirement program (solicitation of voluntary retirees) targeting employees (excluding some organizations and duties) of our group company. For the details, please refer to the news release “Implementation of Voluntary Retirement Program (solicitation of voluntary retirees)” announced on the same date.

4. Others

Changes in Key Consolidated Management Indicators

		Japanese Standard				IFRS	
		FY2014	FY2015	FY2016	FY2017	FY2017	FY2018
Net revenues / Net sales	(million yen)	424,406	440,476	460,455	872,623	837,069	927,307
Net revenues growth rate / Net sales growth rate	(%)	△1.7	3.8	4.5	89.5	—	10.8
Operating income / Operating profit	(million yen)	11,008	14,262	21,143	40,579	37,594	14,682
Operating marging	(%)	2.6	3.2	4.6	4.7	4.5	1.6
Recurring income	(million yen)	10,609	13,723	20,602	39,859	—	—
Recurring income margin	(%)	2.5	3.1	4.5	4.6	—	—
Income before income taxes and minority interests / Profit for the year before income tax	(million yen)	8,409	15,228	12,707	39,240	37,914	14,767
Ratio of income before income taxes to sales / Ratio of profit for the year before income tax to net sales	(%)	2.0	3.5	2.8	4.5	4.5	1.6
Net profit attributable to owners of the company	(million yen)	4,482	9,970	5,245	25,244	21,967	10,117
Net profit attributable to owners of the company/Net revenues	(%)	1.1	2.3	1.1	2.9	2.6	1.1
Comprehensive income / Total comprehensive income	(million yen)	6,931	11,217	5,022	31,976	30,065	3,197
Earnings per share / Basic earnings per share	(%)	41.07	91.35	48.05	144.26	125.53	52.68
Diluted earnings per share / Diluted earnings per share	(yen)	—	—	—	—	—	—
ROE	(%)	1.8	3.9	2.0	5.7	4.6	1.6
ROA	(%)	3.0	3.8	5.5	6.3	5.6	1.6
Total assets	(million yen)	337,260	378,105	377,468	883,918	929,304	877,472
Net assets / Total equity	(million yen)	254,150	260,878	261,173	627,485	655,038	580,906
Net assets (excl. minority interests) to total assets / Ratio of equity attributable to parent owners	(%)	75.2	68.9	69.1	70.9	70.4	66.2
Net assets (excl. minority interests) per share / Equity attributable to owners of the parent per share	(yen)	2,325.19	2,386.81	2,389.28	3,070.01	3,204.90	3,163.63
Price earnings ratio / Ratio of equity attributable to parent owners	(times)	40.4	26.9	71.7	28.5	32.8	62.4

*1. Items with "/" will be named "Japanese Standard / IFRS".

*2. As for the amount, Japanese Standards are rounded down, and IFRS is rounded off. In addition, the ratio is rounded off.