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Coca-Cola BOTTLERS JAPAN HOLDINGS INC.

Consolidated Financial Summary for Fiscal Year Ended December 31, 2019 (IFRS)

February 13, 2020

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: Calin Dragan
Contact: Title: Head of Controllers Senior Group Division, Finance Name: Cordula Thomas Phone: +81-3-6896-1707

Expected date of general shareholders meeting: March 26, 2020
Expected date of the dividend payment: March 27, 2020
Expected date of submission of annual securities report: March 27, 2020
FY 2019 supplementary information: Yes
FY 2019 financial presentation: Yes

(Fractions of one million yen are rounded)

1. Consolidated financial results for the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

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

(1) Consolidated financial results

	Net sales		Business Income		Operating income		Net income		Net income 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, 2019	914,783	(1.4)	15,042	(35.4)	(55,389)	—	(57,895)	—	(57,952)	—	(52,108)	—
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)

	Earnings per share	Diluted earnings per share	Ratio of income to equity attributable to owners of the parent	Ratio of income before tax to total assets	Ratio of Operating income to net sales
	yen	yen	%	%	%
Dec. 31, 2019	(322.22)	—	(10.7)	(6.1)	(6.1)
Dec. 31, 2018	52.68	—	1.6	1.6	1.6

Reference: Share of income (loss) of entities accounted for using equity method
Fiscal Year 2019: 43 million yen Fiscal Year 2018: (5) million yen

* "Business Income" is a measure of our underlying or recurring business performance after the adoption of IFRS, and deducts cost of goods and SG&A from revenue, and includes other income and expenses which we believe are recurring in nature.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to parent owners	Ratio of equity attributable to parent owners	Equity attributable to owners of the parent per share
	million yen	million yen	million yen	%	yen
Dec. 31, 2019	952,444	506,491	505,999	53.1	2,821.27
Dec. 31, 2018	877,472	580,906	580,448	66.2	3,163.63

(3) Consolidated cash flows

	Net cash from (used in)			Cash and cash equivalents at end of year
	Operating activities	Investing activities	Financing activities	
Year ended	million yen	million yen	million yen	million yen
Dec. 31, 2019	42,629	(68,308)	73,994	113,825
Dec. 31, 2018	51,244	(48,628)	(55,835)	65,510

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, 2018	—	25.00	—	25.00	50.00	9,266	94.9	1.6
Dec. 31, 2019	—	25.00	—	25.00	50.00	8,968	—	1.7
Dec. 31, 2020 (forecast)	—	25.00	—	25.00	50.00		99.6	

3. Forecast of consolidated financial results 2020 (from January 1, 2020 to December 31, 2020)

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

	Net sales		Business Income		Operating income		Net income		Net income for the year attributable to owners of the parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year 2020	927,200	1.4	18,000	19.7	14,000	—	9,000	—	9,000	—	50.18

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 2019: 206,268,593 shares FY 2018: 206,268,593 shares
2) Number of treasury shares at the end of period:
FY 2019: 26,917,320 shares FY 2018: 22,793,049 shares
3) Average number of outstanding shares during the period:
FY 2019: 179,852,114 shares FY 2018: 192,050,508 shares

(Reference) Summary of the Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(1) Non-consolidated financial results

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

	Operating revenue		Operating income		Recurring income		Net income	
Year ended	million yen	%	million yen	%	million yen	%	million yen	%
Dec. 31, 2019	26,517	155.6	21,730	278.9	20,273	288.1	20,702	371.0
Dec. 31, 2018	10,375	(10.3)	5,734	99.3	5,224	(14.2)	4,395	(11.9)

	Earnings per share	Diluted earnings per share
	yen	yen
Dec. 31, 2019	115.11	—
Dec. 31, 2018	22.89	—

(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, 2019	549,683	331,139	60.2	1,846.32
Dec. 31, 2018	478,594	332,507	69.5	1,812.27

Reference: Net assets (excl. minority interests)
Fiscal Year 2019: 331,139 million yen Fiscal Year 2018: 332,507 million yen

* 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 2020)" on page 4 for matters relating to performance forecasts.

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1. Overview of Operating Results, etc.

(1) Analysis of Operating Results

(Qualitative information on the Consolidated Operating Results)

(Overview of Full-year 2019 Results)

Coca-Cola Bottlers Japan Holdings Inc. ("CCBJH" or the "Company") announced the results of the fiscal year ending on December 31, 2019 (January 1, 2019 to December 31, 2019). In this fiscal year, total non-alcoholic ready-to-drink (NARTD) beverage industry volume performance is estimated to be slightly negative versus prior year mainly due to cycling of strong demand driven by hot summer weather last year as well as longer rainy and cool weather in July. 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.

For CCBJH, 2019 has been a transition year focused on recovery from the flooding damage and disruption to product supply in 2018 and building a solid foundation for future growth. We have been making major investments to recover our supply network and progressively expand production capacity, and will continue to do so through second quarter 2020. We were the first in the beverage industry to announce and implement a wholesale price increase for large PET products in April, the first time in 27 years, as an important initiative toward achieving more balanced volume and revenue growth.

We developed and announced a new five-year strategic business plan in August 2019 with targets for both Business Income margin and ROE in 2024 of 5 to 6%. The new five-year strategic business plan includes focused investments to reignite sales growth in close collaboration with Coca-Cola (Japan) Company, Limited as well as fundamental transformation to drive cost savings. Over the course of the five-year plan, we expect net cost savings of approximately 35 billion yen, representing ongoing savings initiatives and incremental programs focused on transforming our vending channel operations, evolving our frontline salesforce capabilities and identifying opportunities across procurement and our supply chain.

Our full-year results were impacted by a decline of topline revenue due to lower beverage business sales volume, reflecting supply constraints of higher-growth aseptic PET products and continued lower manufacturing efficiencies and elevated logistics and distribution expenses as we recover our supply and distribution infrastructure after the flooding in 2018. Business income for our core beverage business was ahead of the plan we announced in May 2019, offset by weaker performance in the health and skincare segment. Consolidated year-to-date results also reflect impairment of goodwill recorded in the second quarter.

In addition to the qualitative information contained in this report, please also see our earnings presentation material posted on the Company IR website (https://en.ccbj-holdings.com/ir/library/presentation.php) to be used at our earnings presentation on Friday, February 14, 2020 at 1:30pm (JST). The earnings presentation and audio will be available live and on demand as an audio webcast in the IR section of the CCBJH website.

Full-year 2019 Highlights

- Full-year NARTD beverage volume declined 2%, reflecting unseasonably cool and rainy weather in July and the wholesale price increase in April, recovering to 1% growth in the fourth quarter (October to December). Full-year beverage business revenue declined 1% and grew 1% in the fourth quarter.
- Beverage business market share improved, with value share growth ahead of volume share in the fourth quarter led by coffee, non-sugar tea and sports category performance. Premium-priced new products contributed to value share growth
- Business Income (BI) was substantially in-line with the full-year plan announced in May 2019 led by ahead-of-plan core beverage performance despite underachievement of the health care & skin care business. Full-year Business Income decreased 35% versus prior year as we continue to recover from the supply disruption of 2018.
- Full-year operating loss of 55 billion yen reflects the goodwill impairment recorded in the second-quarter.
- Continued investment for recovery of supply network, expanding production capacity and improving infrastructure. Capital investments of close to 90 billion yen in 2019, with three new manufacturing lines and two new automated warehouses, as well as completion of company-wide deployment of a new ERP system, "CokeOne".
- Major transformational initiatives ongoing. Announced new organizational structure aligned with the strategic business plan and grounded in new corporate mission, vision and value statement. Executing transformation in vending business and investing in people capability development to achieve sustainable growth.

Review of Results

Full-year (January to December) In Million JPY, IFRS	2018	**2019**	YoY
Net Revenue	927,307	914,783	(1.4)%
Gross Profit	452,151	441,060	(2.5)%
Selling, General & Administrative Expenses	426,195	423,685	(0.6)%
Other income (Recurring)	1,635	1,083	(33.8)%
Other expenses (Recurring)	4,310	3,459	(19.7)%
Investment gain (loss) on equity method	(5)	43	—
Business Income	23,276	15,042	(35.4)%
Impairment losses of goodwill	—	61,859	—
Other income (Non-recurring)	481	3,045	533.2%
Other expenses (Non-recurring)	9,075	11,617	28.0%
Operating Income (Loss)	14,682	(55,389)	—
Net Income (Loss) Attributable to Owners of Parent	10,117	(57,952)	—
Sales volume of beverage business (Million cases)	515	503	(2)%

Q4 (October to December) In Million JPY, IFRS	2018	**2019**	YoY
Net Revenue	216,991	220,020	1.4%
Gross Profit	102,766	103,796	1.0%
Selling, General & Administrative Expenses	106,252	104,874	(1.3)%
Other income (Recurring)	522	194	(62.9)%
Other expenses (Recurring)	2,458	1,309	(46.7)%
Investment gain on equity method	149	133	(11.2)%
Business Income (Loss)	(5,272)	(2,061)	—
Other income (Non-recurring)	—	908	—
Other expenses (Non-recurring)	137	2,357	1,625.6%
Operating Income (Loss)	(5,409)	(3,510)	—
Net Income (Loss) Attributable to Owners of Parent	(2,737)	(2,258)	—
Sales volume of beverage business (Million cases)	119	119	1%

* Sales volume of beverage business excludes alcoholic beverage volume, which was 1.9 million cases in 2019.
* We have introduced "Business Income" as a measure of our underlying or recurring business performance after the adoption of IFRS in 2019. Business income deducts cost of goods and SG&A from revenue and includes other income and expenses which we believe recurring in nature.

Full-year 2019 net revenue was 914.8 billion yen, a decrease of 12.5 billion yen, or 1.4% compared to the prior-year period. Net revenue of the beverage business decreased 9.9 billion yen (1.1%) versus the prior-year period, to 890 billion yen, reflecting a 2% volume decline offset by improved price/mix from the wholesale price increase of large PET packages in April and the national launch of Lemon dou "chu-hi" alcohol beverage in the fourth quarter. Net revenue of the healthcare & skincare business declined 2.7 billion yen (9.7%) year-on-year to 24.8 billion yen, reflecting continued weakness of mail/web order sales with some recovery in the fourth quarter due to new product launches and marketing activities.

Full-year business income, an indicator of our recurring business performance, was 15.0 billion yen, a decrease of 8.2 billion, or 35.4% year-on-year, and roughly in line with full-year expectations. Business income of the core beverage business was 11.4 billion yen (down 6.5 billion yen or 36.2% year-on-year), which was slightly above the revised plan target announced in May driven by tight control of expenses. The beverage business performance reflects weaker topline revenue due to the sales volume decline of 2% and continued lower manufacturing efficiencies and elevated logistics and distribution expenses this year as we recover and expand supply capacity after the disruption in the second half of 2018. Partly offsetting this pressure, we achieved labor savings as a result of integrating retirement benefit programs in the first quarter and completing a voluntary employee retirement program in the second quarter. Promotional expenses in the period were also lower, in line with volume performance. Business income in the healthcare & skincare business was 3.6 billion yen, a decrease of 1.7 billion yen or 32.7% year-on-year, reflecting lower revenues while we continue to focus on promotional expense control and other cost savings opportunities.

We reported a consolidated operating loss for the fiscal year of 55.4 billion yen (14.7 billion yen operating income in prior year period), mainly driven by the impairment of goodwill recorded in the second quarter. As a reference, other expenses (non-recurring) in the prior-year period include loss on disaster of 8.9 billion yen from the flooding damage in our Hongo Plant in Mihara-city, Hiroshima Prefecture in July 2018. Other expenses (non-recurring) in 2019 include 9.2 billion yen of special retirement allowance and 655 million yen of transformation-related expenses to drive fundamental transformation of our business for sustainable growth, further value creation and efficiency improvement following our newly developed strategic business plan announced in August 2019.

Net income attributable to owners of parent was a loss of 58.0 billion yen (10.1 billion yen in the prior-year period).

Beverage volume performance by channel and category (excluding alcohol)

Full-year volume performance was impacted by weaker performance of new launches and product renewals this year as we focus on rebuilding supply capacity, large PET volume declines due to the wholesale price increase in April, and unseasonably rainy and cool weather in July. Volume performance has recovered and 1% growth in the fourth quarter.

By channel, full-year supermarket, drug & discounter and convenience store volume declined 3%, 2% and 4%, respectively. The vending and retail & food channels both declined 1% versus the prior year. Supermarket and drug & discounter channels were initially impacted by the wholesale price increase in April, as the large PET volume contribution is relatively higher in these channels, with double-digit volume declines in the second quarter. Fourth-quarter volume for both channels grew 3% and 4%, respectively, as the wholesale price increase settled in and we started to cycle the worst of the prior-year supply constraints in the second half of the year. Also, revenue per case continued to improve in both channels after the wholesale price increase. Vending volume in the fourth quarter was even versus prior year, reflecting continued moderating volume trends from third quarter. We have expanded initiatives to drive vending purchase transaction growth, such as new package sizes and price points, as well as increasing availability of the Georgia Japan Craftsman brand in aseptic PET packaging.

By category, full-year coffee volume was even versus prior year supported by expanding coverage of Georgia Japan Craftsman across all channels and introducing smaller package sizes in coffee in vending. Non-sugar tea and sports category volumes grew in the fourth quarter, but full-year volume decreased 1% and 3%, respectively, impacted by large PET package volume declines after the wholesale price increase. Sparkling beverage volume declined 5% for the full year due to weaker product renewal performance and the wholesale price increase, which was partially offset by new product launches such as Coca-Cola Energy in the third quarter. Full-year water volume declined 8% as we cycled prior year product launches of immediate consumption iLohas-brand water, and as a result of the wholesale price increase, which impacted sales of Mori no Mizu brand water sold in two-liter packaging. Fourth-quarter water volume grew 1%, led by growth of plain iLohas-brand water.

(Outlook for next fiscal year)

In 2020, we expect the overall Japan non alcoholic ready-to-drink (NARTD) beverage market volume to be flat versus 2019, cycling lower demand due to the cool and rainy summer weather in 2019 and the large PET wholesale price increase.

Under these circumstances, and reflecting the mid-term business plan’s guiding principle that “business as usual is not an option”, CCBJH is executing a transformation of our cost structure, including in the important vending channel and back-office routines, and increasing front-facing investments for growth in such areas as production capacity, space-to-sell and people development, and we will continue to drive fundamental business change to return to a sustainable growth trajectory.

In the beverage business segment, in order to grow together as one “Coca-Cola System” in Japan, we will work closely with the Coca-Cola (Japan) Company, Ltd. with aligned investment plans and more focused innovation on “fewer, bigger bets” to drive revenue growth. And we will continue to transform the Commercial organization to realize best-in-class customer management, starting with a new organizational structure in January 2020 in order to strengthen customer relationships and sales execution. Regarding the vending channel, we aim to deliver sustainable growth by expanding the operational process reengineering we started in the Kinki region in 2019. In addition, together with The Coca-Cola Company as a world-wide partner, we will leverage the excitement of the Tokyo Olympic and Paralympic games held in Japan for the first time in 56 years, and we will implement comprehensive marketing campaigns to activate the market. Finally, the national launch of the Lemon-dou alcohol brand is performing well, and we will continue to expand our presence in this new beverage category.

Regarding our manufacturing capacity and efforts to optimize our logistics and distribution network, which are key elements of our growth plan, we will commission four new production lines in 2020, including the new Hiroshima plant, and we continue to build out the Project Shinsei logistics and distribution infrastructure, including optimization of sales centers and construction of automated warehouses and a new mega distribution center in Saitama Prefecture. We will also expand the transformation of our back office operations into what we call centers of excellence and centers of scale, including outsourcing of transactional processing where feasible. Our intiatives include people strategies aligned with our new Mission, Vision and Values as well as initiatives for ESG goals for creating shared value including World Without Waste, our 2030 Package Vision for the Coca-Cola system in Japan.

In the health food and cosmetic business, we expect continued market growth, but with intensified competition as more players seek to participate in this growing market segment. Under these circumstances, we will activate the existing main products and recent new launches with effective marketing and advertising, including expanding to internet sales and focusing on action to expand our customer base. 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 927.2 billion yen, an increase of 1% versus 2019, reflecting total beverage volume growth of 3%. Business income is expected to increase 20.0% versus the prior year, to 18.0 billion yen. Reported operating income is expected to increase 14.0 billion yen (In 2019, Operating loss is 55.4 billion yen). Net income attributable to the owners of the parent is expected to 9.0 billion yen (In 2019, Net loss attributable to the owners of the parent is 58.0 billion yen).

(2) Analysis of Financial Position

Assets at the end of the fiscal year were JPY 952.4 billion yen, an increase of 75.0 billion yen from the end of the previous fiscal year. This is mainly attributable to an increase of Cash and cash equivalents by bond issuance in the third quarter, increase of fixed assets as a result of commissioning three new production lines in Kumamoto and Kyoto plant, and two new automated warehouses in Hakushu and Kumamoto plant as well as non-current assets by newly including Right-of- use assets as a result of the implementation of IFRS 16 starting from this fiscal year, which are partially offset by decrease of goodwill by goodwill impairment in the second quarter.

Liabilities at the end of the quarter were 446.0 billion yen, an increase of 149.4 billion yen from the end of previous fiscal year. This is mainly due to an increase of Bonds and debt in non-current liabilities due to issuance of the bond, and an increase of Lease liabilities in conjunction with including Right-of-use assets.

Net assets at the end of the quarter were 506.5 billion yen, a decrease of 74.4 billion yen. This is mainly due to a decrease of Retained Earnings as a result of the goodwill impairment and an increase of Treasury Shares due to the completion of the share buyback program in February 2019.

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

<Cash Flows from Operations>

Net cash used for operations was 42.6 billion yen (51.2 billion net cash generated from operations in the previous year period). This results mainly from the 55.4 billion yen net loss before tax, loss due to impairment of goodwill, depreciation expenses, increase of notes and account payable-trade, etc. offset by an increase of trade and other receivable, inventories, payment of taxes, etc.

<Cash Flows from Investment Activities>

Net cash used for investment activities was 68.3 billion yen (48.6 billion yen in the previous year period), due to purchases of fixed assets as we recover our supply network and progressively expand production capacity, etc.

<Cash Flows from Financing Activities>

Net cash generated from financing activities was 74.0 billion yen (55.8 billion yen net cash used for financing activities in the previous year period), driven by an issuance of 150 billion yen of straight bond, etc., partially offset by cash spent for share buy-back, payment of year-end dividends, etc.

As a result of these activities, cash and cash equivalents at the end of the fiscal year was 113.8 billion yen, an increase of 48.3 billion yen versus the prior year period.

(3) Basic Policies for Income Distribution and Dividends for FY2019 and FY2020

The Company periodically reviews its capital structure and dividend payout ratio to maximize shareholder returns while maintaining flexibility to pursue growth 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. 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 2019, and the annual dividend will be 50 yen per share including the 25 yen-per-share interim dividend. This represents the same per-share dividend versus prior year. Regarding the dividend forecast for the year ending December 2020, 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 stable dividends payment during this period of transformation.

The Company continues to consider the implementation of share buybacks by comprehensively reviewing the Company's business performance and level of retained earnings. The Company completed 13 billion yen of share buybacks in the fiscal year ending December 2019.

2. Basic Concept Concerning the Selection of Accounting Standards

Coca-Cola Bottlers Japan Holdings Group (The Group) discloses consolidated financial statements based on International Financial Reporting Standards (IFRS) starting 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, 2018	As of December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	65,510	113,825
Trade and other receivables	92,402	98,528
Inventories	68,781	74,120
Other financial assets	645	752
Other current assets	10,740	17,587
Total current assets	238,078	304,812
Non-current assets:		
Property, plant and equipment	435,305	467,136
Right-of-use assets	—	39,629
Goodwill	88,880	27,021
Intangible assets	66,539	67,123
Investments accounted for using the equity method	298	310
Other financial assets	34,796	33,499
Net defined benefit assets	38	—
Deferred tax assets	6,264	6,093
Other non-current assets	7,274	6,820
Total non-current assets	639,394	647,632
Total assets	877,472	952,444

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities:		
Trade and other payables	105,701	122,364
Bonds and debts	45,512	17,261
Lease liabilities	—	6,634
Other financial liabilities	993	916
Income taxes payable	3,069	1,104
Provisions	18	20
Other current liabilities	22,230	19,886
Total current liabilities	177,524	168,186
Non-current liabilities:		
Bonds and debts	56,401	188,487
Lease liabilities	—	34,138
Other financial liabilities	749	-
Net defined benefit liabilities	33,712	24,908
Provisions	2,191	2,104
Deferred tax liabilities	23,082	24,876
Other non-current liabilities	2,907	3,254
Total non-current liabilities	119,042	277,767
Total liabilities	296,566	445,953
Equity:		
Capital stock	15,232	15,232
Capital surplus	450,533	450,526
Retained earnings	182,418	121,372
Treasury shares	(72,651)	(85,649)
Accumulated other comprehensive income	4,915	4,517
Equity attributable to owners of parent	580,448	505,999
Non-controlling interests	458	492
Total equity	580,906	506,491
Total liabilities and equity	877,472	952,444

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Millions of yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Net sales	927,307	914,783
Cost of sales	475,156	473,723
Gross profit	452,151	441,060
Selling and general administrative expenses	426,195	423,685
Impairment losses of goodwill	—	61,859
Other income	2,116	4,127
Other expenses	13,385	15,076
Share of income (loss) of entities accounted for using equity method	(5)	43
Operating income (loss)	14,682	(55,389)
Financial revenue	830	1,145
Finance costs	745	1,175
Income (loss) for the year before income taxes	14,767	(55,419)
Income tax expense	4,605	2,476
Net income (loss) for the year	10,162	(57,895)
Net income (loss) for the year attributable to		
Owners of parent	10,117	(57,952)
Non-controlling interests	45	56
Earnings per share (yen)	52.68	(322.22)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Net income (loss) for the year	10,162	(57,895)
Other comprehensive income.		
Items that will not be reclassified subsequently to income or loss:		
Remeasurements of defined benefit plans	(2,889)	5,596
Share of other comprehensive income of equity method investees	(4)	4
Net change in financial assets measured at fair value through other comprehensive income	(3,344)	621
Subtotal	(6,236)	6,221
Items that may be reclassified subsequently to income or loss:		
Foreign currency translation adjustments of foreign operations	(12)	—
Cash flow hedges	(716)	(434)
Subtotal	(728)	(434)
Total other comprehensive income (loss) for the year	(6,965)	5,788
Total comprehensive income (loss) for the year	3,197	(52,108)
Comprehensive income (loss) attributable to:		
Owners of parent	3,152	(52,164)
Non-controlling interests	45	56

(3) Consolidated Statements of Changes in Equity

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
Comprehensive income for the year								
Net income (loss) for the year	－	－	10,117	－	－	10,117	45	10,162
Other comprehensive income (loss)	－	－	－	－	(6,965)	(6,965)	－	(6,965)
Total comprehensive income (loss) 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
Transactions of share-based payment	－	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 etc.	－	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

For the year ended December 31, 2019

(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, 2019 (Before restatement)	15,232	450,533	182,418	(72,651)	4,915	580,448	458	580,906
Adjustments resulting from the adoption of IFRS 16	—	—	(338)	—	—	(338)	—	(338)
Balance as of January 1, 2019 (After restatement)	15,232	450,533	182,080	(72,651)	4,915	580,110	458	580,568
Comprehensive income for the year								
Net income (loss) for the year	—	—	(57,952)	—	—	(57,952)	56	(57,895)
Other comprehensive income (loss)	—	—	—	—	5,788	5,788	—	5,788
Total comprehensive income (loss) for the year	—	—	(57,952)	—	5,788	(52,164)	56	(52,108)
Transactions with owners, etc.								
Dividends of surplus	—	—	(9,071)	—	—	(9,071)	(22)	(9,093)
Purchase of treasury stock	—	(64)	—	(13,002)	—	(13,066)	—	(13,066)
Disposal of treasury stock	—	(1)	—	3	—	3	—	3
Transactions of share-based payment	—	57	—	—	—	57	—	57
Reclassification from accumulated other comprehensive income to retained earnings	—	—	6,315	—	(6,315)	—	—	—
Reclassification from accumulated other comprehensive income to non-financial assets	—	—	—	—	129	129	—	129
Total transactions with owners, etc.	—	(7)	(2,756)	(12,999)	(6,186)	(21,947)	(22)	(21,970)
Balance as of December 31, 2019	15,232	450,526	121,372	(85,649)	4,517	505,999	492	506,491

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Cash flows from operating activities		
Income (loss) for the year before income taxes	14,767	(55,419)
Adjustments for:		
Depreciation and amortization	47,531	56,951
Impairment loss	202	62,870
Change in allowance for doubtful accounts	255	(515)
Interest and dividends income	(516)	(509)
Interest expenses	612	1,175
Share of loss (income) of entities accounted for using equity method	5	(43)
Gain on sale of property, plant and equipment	(215)	(2,183)
Loss on disposal and sale of property, plant and equipment	9,399	2,513
Decrease (increase) in trade and other receivables	(4,355)	(6,149)
Decrease (increase) in inventories	(6,869)	(5,339)
Decrease (increase) in other assets	393	(266)
Increase (decrease) in trade and other payables	2,234	6,259
Increase (decrease) in net defined benefit liabilities	491	(213)
Increase (decrease) in other liabilities	1,148	(3,543)
Others	501	(451)
Subtotal	65,579	55,138
Interest received	3	1
Dividends received	487	508
Interest paid	(548)	(1,018)
Income taxes paid	(14,553)	(13,675)
Income taxes refund	275	1,675
Net cash provided by operating activities	51,244	42,629
Cash flows from investing activities		
Acquisitions of property, plant and equipment and intangible assets	(49,752)	(78,213)
Proceeds from sales of property, plant and equipment and intangible assets	658	7,621
Purchases of other financial assets	(137)	(58)
Proceeds from sale of other financial assets	273	2,255
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	406	—
Others	(75)	88
Net cash used in investing activities	(48,628)	(68,308)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	24,000	(24,000)
Repayments of long-term loans payable	(1,817)	(1,686)
Proceeds from issuance of bonds	—	149,441
Bond redemption	—	(20,000)
Dividends paid	(9,173)	(9,071)
Dividends paid to non-controlling interests	(21)	(22)
Proceeds from disposal of treasury stock	4	3
Purchases of treasury stock	(67,998)	(13,095)
Repayments of lease liabilities	—	(7,576)
Others	(830)	—
Net cash provided by (used in) financing activities	(55,835)	73,994
Net foreign exchange differences on cash and cash equivalents	(12)	—
Net increase (decrease) in cash and cash equivalents	(53,231)	48,315
Cash and cash equivalents at the beginning of the year	118,742	65,510
Cash and cash equivalents at the end of the year	65,510	113,825

(5) Notes to Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

The Group adopted the new accounting standards and interpretations, which became mandatory in the year ended December31, 2019. Significant accounting standards and interpretations are as follows:

Establishment or revision of accounting standards and interpretations	Summary of requirements
IFRS 16 Leases (published January 2016)	New standard for leases, replacing IAS 17, requires all leases to be shown on the statements of financial position as if they were financed purchases. The new standard sets out the principles for the recognition, measurement, presentation and disclosures of leases.

The impact of the application of IFRS 16 is as follows. There is no significant impact of this change in accounting policy on earnings per share. The Group retrospectively applied IFRS 16 according to transitional measures, the cumulative effect of the commencement of application is recognized as an adjustment to the opening balance of retained earnings in the current consolidated fiscal year. In the transition to IFRS 16, the practical expedient of IFRS 16.C3 was selected as to whether an arrangement contains a lease or not, it takes over the judgment of IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement contains a Lease”.

IFRS 16 requires that lessee's lease not be classified as finance lease or operating lease, but rather as a single accounting model and, in principle, recognize the right-of-use asset representing the right to use the underlying asset and the lease liability representing the obligation to pay the lease payments for all leases. However, for short-term leases or leases for which the underlying asset is of low value, the Group may elect not to apply the requirements of this standard. After recognizing right-of-use asset and lease liability, right-of-use asset depreciation and interest expense related to lease liability are recognized.

In the Group, the lease term of the right-of-use assets is estimated by adding a reasonably reliable period in which the option to extend the lease is not exercised or the option to cancel the lease is not exercised. In addition, the discount rate applied to the lease liabilities for the right-of-use assets uses the lessee's incremental borrowing rate, and the weighted average is mainly 1.0%. Right-of-use assets are depreciated using the straight-line method mainly over 15 years from the start date.

As of the end of the previous consolidated fiscal year, finance lease liabilities that were recognized by applying IAS 17 were 901 million yen.

Of 7,644 million yen (before discount) of the operating lease contracts disclosed by applying this standard, 549 million yen (before discount) is accounted for as a small-value asset lease, in addition, there is a 37,409 million yen increase in lease liabilities over a period in which it is reasonably certain that the extension option will be exercised.

As a result, in the consolidated statement of financial position at the beginning of the current consolidated fiscal year under review, right-of-use assets increased by 44,034 million yen, deferred tax assets increased by 15,200 million yen, lease liabilities increased by 44,505 million yen, deferred tax liabilities increased by 15,028 million yen and long-term accounts payable increased by 40 million yen, retained earnings decreased by 338 million yen. Deferred tax assets and Deferred tax liabilities are offset on the consolidated balance sheets based on IAS 12 “Income taxes”.

In addition, cash flow from operating activities increased by 7,000 million yen and cash flows from financing activities decreased by 7,000 million yen in condensed quarterly consolidated cash flows for the year.

(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.

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.

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, 2018

(Millions of yen)

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

For the year ended December 31, 2019

(Millions of yen)

	Reportable segments				
	Beverage Business	Healthcare & Skincare Business	Reportable segments Total	Adjustment	Total
Sales revenue to external customer	890,009	24,774	914,783	—	914,783
Intersegment sales revenue	—	—	—	—	—
Sales revenue	890,009	24,774	914,783	—	914,783
Segment income (loss)	(58,904)	3,515	(55,389)	—	(55,389)
Adjustments					
Financial revenue					1,145
Finance costs					1,175
Income (loss) before tax					(55,419)
Other items					
Depreciation and amortization	56,408	543	56,951	—	56,951
Impairment losses of goodwill	61,859	—	61,859	—	61,859
Impairment loss	1,011	—	1,011	—	1,011
Equity-method gains	43	—	43	—	43

(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 income 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, 2018	For the year ended December 31, 2019
Net income (loss) for the year attributable to owner of parent (million yen)	10,117	(57,952)
Weighted-average shares of ordinary share outstanding (in thousands)	192,051	179,852
Earnings (loss) per share (yen):	52.68	(322.22)

(Significant Subsequent Events)

Not applicable

4. Others

(1) Changes in Key Consolidated Management Indicators

		Japanese Standard			IFRS		
		FY2015	FY2016	FY2017	FY2017	FY2018	FY2019
Net revenues / Net sales	(million yen)	440,476	460,455	872,623	837,069	927,307	914,783
Net revenues growth rate / Net sales growth rate	(%)	3.8	4.5	89.5	—	10.8	(1.4)
Operating income	(million yen)	14,262	21,143	40,579	37,594	14,682	(55,389)
Operating margin	(%)	3.2	4.6	4.7	4.5	1.6	(6.1)
Recurring income	(million yen)	13,723	20,602	39,859	—	—	—
Recurring income margin	(%)	3.1	4.5	4.6	—	—	—
Income before income taxes and minority interests / Income for the year before income tax	(million yen)	15,228	12,707	39,240	37,914	14,767	(55,419)
Ratio of income before income taxes to sales / Ratio of income for the year before income tax to net sales	(%)	3.5	2.8	4.5	4.5	1.6	(6.1)
Net income attributable to owners of the company	(million yen)	9,970	5,245	25,244	21,967	10,117	(57,952)
Net income attributable to owners of the company/Net revenues attributable to owners of the company	(%)	2.3	1.1	2.9	2.6	1.1	(6.3)
Comprehensive income / Total comprehensive income	(million yen)	11,217	5,022	31,976	30,065	3,197	(52,108)
Earnings per share	(yen)	91.35	48.05	144.26	125.53	52.68	(322.22)
Diluted earnings per share	(yen)	—	—	—	—	—	—
ROE	(%)	3.9	2.0	5.7	4.6	1.6	(10.7)
ROA	(%)	3.8	5.5	6.3	5.6	1.6	(6.1)
Total assets	(million yen)	378,105	377,468	883,918	929,304	877,472	952,444
Net assets / Total equity	(million yen)	260,878	261,173	627,485	655,038	580,906	506,491
Net assets (excl. minority interests) to total assets / Ratio of equity attributable to parent owners	(%)	68.9	69.1	70.9	70.4	66.2	53.1
Net assets (excl. minority interests) per share / Equity attributable to owners of the parent per share	(yen)	2,386.81	2,389.28	3,070.01	3,204.90	3,163.63	2,821.27
Price earnings ratio / Ratio of equity attributable to parent owners	(times)	26.9	71.7	28.5	32.8	62.4	(8.7)

*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.

(2) Officer Change

Following transfer of an officer is decided internally in the Board Meeting held today.

1. New Director Candidates (as of March 26, 2020)

(1) Directors (excluding Directors serving on the Audit & Supervisory Committee)

Name	New	Current
Hirokazu Yamura	Director (Outside Director)	Representative Director & President, Michinoku Coca-Cola Bottling Co., Ltd.

(2) Directors serving on the Audit & Supervisory Committee (as of March 26, 2020)

Name	New	Current
Enrique Rapetti	Director (Outside Director)	Latin America Group CFO, The Coca-Cola Company – USA

2. Resigning Directors (March 26, 2020)

(1) Director (excluding Directors serving on the Audit & Supervisory Committee)

Tamio Yoshimatsu (Director)

(2) Director serving on the Audit & Supervisory Committee

Jennifer Mann (Outside Director)

3. Reference Information (Board structure as of March 26, 2020)

(1) Directors (excluding Directors serving on the Audit & Supervisory Committee)

Representative Director	Calin Dragan	
Representative Director	Bjorn Ivar Ulgenes	
Director	Hiroshi Yoshioka	(Outside Director)
Director	Hiroko Wada	(Outside Director)
Director	Hirokazu Yamura	(Outside Director)

(2) Directors serving on the Audit & Supervisory Committee

Director	Irial Finan	(Outside Director)
Director	Celso Guiotoko	(Outside Director)
Director	Nami Hamada	(Outside Director)
Director	Enrique Rapetti	(Outside Director)

* The official decision will be made according to the resolutions required during the Ordinary General Meeting of Shareholder for the fiscal year ended December 31, 2019 to be held on March 26, 2020 and subsequent meetings of Board of Directors and Audit & Supervisory Committee to be held on the same day.

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