

Coca-Cola Bottlers Japan Holdings' Recording of Impairment Loss—Limited Impact on Rating, but JCR will Watch Future Recovery of Profit

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Coca-Cola Bottlers Japan Holdings Inc. (security code: 2579)'s recording of impairment loss and revision of earnings forecasts.

- (1) Coca-Cola Bottlers Japan Holdings Inc. (the "Company") announced yesterday that it would revise its earnings forecasts for the full fiscal year ending December 2019 (FY2019). The Company recorded an impairment loss of goodwill, which was recognized upon acquisition of former Coca-Cola East Japan Co., Ltd., in the amount of 61.8 billion yen for the full goodwill balance, in the financial results for the 2nd quarter of FY2019. It also revised downward the forecast for the net income attributable to the owners of parent for the full FY2019 from the previous forecast amount of 5.2 billion yen in the black to 56.7 billion yen in the red.
- (2) While the amount of the impairment loss recorded this time is not small, the Company maintains a good financial structure as shown by the ratio of equity attributable to the owners of parent standing at 56.5% as of the end of the 2nd quarter of FY2019 (66.2% as of the end of FY2018). Meanwhile, its business performance since last year has been weakening due partly to the supply restrictions arising from damage at the facilities. Under the medium-term management plan till FY2024 newly announced, it will promote structural reforms including reforms of vending business and growth investments. JCR will pay attention to whether the Company can recover its profit through these measures.

Hajime Inoue, Mariko Miura

<Reference>

Issuer: Coca-Cola Bottlers Japan Holdings Inc.

Long-term Issuer Rating: AA- Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax +81 3 3544 7026

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