

Part 1

Value Creation Story

- 11 Message From the President
- 15 Value Creation Process
- 17 Process for Identifying Material Issues
- 20 Material Issues

Tsunoshima Bridge, Shimonoseki City
in Yamaguchi Prefecture

Photo by Yuji Yoshizu
West Japan Operation Division
Coca-Cola Bottlers Japan Vending Inc.

Message From the President



Calin Dragan
Representative Director, President

A handwritten signature in black ink, appearing to read "Dragan", is positioned below the name and title.



Prioritizing structural profitability for future growth and profitability

On the publication of the 2022 Integrated Report

The Coca-Cola Bottlers Japan Holdings Group (CCBJH Group) has consolidated its previous Annual Review and CSV Report into a single document, the 2022 Integrated Report. This comprehensive report aims to provide valuable information to our stakeholders, including shareholders and investors, to foster a better understanding of our long-term value creation strategy. Our goal is to promote transparency and facilitate a deeper insight into our processes of generating sustainable medium- to long-term value.

Our corporate philosophy, “Paint it RED! Let’s Repaint Our Future,” guides our mission to “Deliver happy moments to everyone while creating value.” It serves as the basis of our daily business operations. As the beverage industry in

Japan experiences significant change at an accelerating pace, we remain agile in adapting to these environmental changes. Concurrently, we are committed to pursuing business growth and creating shared value with society through our unique value creation process.

Within this integrated report, we provide an overview of our initiatives as a total beverage company. These include actions focused on ensuring the safety and reliability of our products, as well as our commitment to creating shared value (CSV). Furthermore, we outline strategies for implementing a medium- to long-term value value creation approach and attaining sustainable growth.

Achieving steady results: Outcomes of 2022 transformation initiatives

In 2022, the impact of COVID-19 began to subside. Nevertheless, we were forced to steer our business through difficult circumstances created in part by a substantial increase in costs arising from external factors. Against this backdrop, we had to address rising raw material, supplies, and energy prices and the impact of foreign exchange rates, as well as strengthen our revenue base. As part of our pricing strategy, we revised our product prices ahead of others in the industry. We implemented price revisions for large PET bottle products in May 2022 and for small packaged products in October 2022. Through management decisions based on strong determination and thorough execution in the market, we are already seeing results such as an improvement in revenue per case. I believe these structural profitability improvement initiatives are vital for the future of the beverage industry and our business. Moreover, from a growth standpoint, we leveraged the growth foundation we built and implemented effective sales

activities to maximize opportunities for increased demand from the recovery in social activities and the heat wave. As a result, we were able to achieve growth in both sales volume and value share. We also revamped our Sales and Operations Planning (S&OP) process to ensure a stable product supply. This has significantly improved the service level associated with product supply in times of sudden changes in demand, which had previously been an issue, in turn contributing to volume growth. In addition, we continued to push forward with transformations that will lead to future growth. This included the launch of operations at the Akashi Mega Distribution Center (DC), the second of our automated distribution centers in Japan. Furthermore, we continued to work on optimizing our balance sheet. The key measures for future growth that we have been working on in each field are steadily producing results. This proves to me that we are headed in the right direction in terms of strategy.

Message From the President

2023 to be a year of focusing on profits and prioritizing improved profitability

In 2023, we expect the price of raw materials, supplies, and energy to continue to rise. This, combined with the impact of foreign exchange rates, will require us to address further cost increases. In addition to utilizing the results and lessons learned to date, we will promote initiatives to achieve a stable and low-cost supply of products and a thorough sales strategy that emphasizes investment efficiency. We will do this by placing the highest priority on improving profitability in this year of focusing on profits.

In our commercial activities, we will further improve revenue per case through an appropriate pricing strategy centered on price revisions. Our aim is to achieve a steady recovery in revenue and establish a profit structure for sustainable growth. In terms of volume, we are executing core category-focused strategies, expanding our product portfolio based on innovation, and executing marketing investments emphasizing effectiveness and efficiency.

In manufacturing and logistics, we are working to build

a supply chain network to realize high quality, low costs, and stable supply. Specifically, on the manufacturing side, we will work to promote efficiency in manufacturing processes and build a flexible manufacturing system. Meanwhile, on the logistics side, we will optimize our distribution network by such means as ensuring stable operations at the Akashi Mega DC, which was opened in 2022. We will also focus on ensuring stability in our S&OP process, which was revamped in 2022. Moreover, we will continue to work on achieving a timely and low-cost supply of products in response to changes in the environment.

As for the overall business foundation, we will further accelerate the standardization of business processes and improvement of efficiency through DX. Our goal is to establish a robust cost structure that will allow us to respond flexibly to any changes in the environment. Cost pressure remains severe, but we will improve profitability by steadily moving forward on initiatives in each area.

promote information disclosure based on Task Force on Climate-related Financial Disclosures (TCFD) recommendations and participation in climate change initiatives. In addition, we hold diverse discussions at Sustainability Committee meetings among leadership-level employees from each division. Feedback from these

discussions is promptly shared internally. These become the guidelines that facilitate our sustainability activities.

We also continue to promote various horizontal recycling initiatives, including “bottle-to-bottle”^{*1}, “CAN to CAN”^{*2}, and packaging recycling initiatives, “pallet-to-pallet”^{*3} and “shell-to-shell”^{*4}, to effectively utilize resources.

^{*1} Collection, processing, and recycling of used PET bottles, which are then regenerated as PET bottles and used as beverage containers
^{*2} Horizontal recycling of aluminum cans
^{*3} Light blue or black platforms used for transporting and storing products
^{*4} Cases for bottle products

Promoting human capital management by strengthening our human capital strategy

I am certain that people and organizational strength constitute the principal foundations of our business. Through integration, we have become a company where human resources and cultures espousing various values coexist. We consider this a strength and are implementing various measures to maximize human resources value and achieve sustainable growth while leveraging our diversity. In addition, we actively provide learning opportunities, such as our human resources development programs for leaders who are driving change, thereby improving the capabilities of the entire organization. Moreover, to enable employees to reach their full potential, we have introduced compensation systems that emphasize results and have established a commendation system. We are working on various other measures as well, such as strengthening Diversity, Equity & Inclusion (DE&I) and promoting diverse work styles.

We will continue to actively invest in human resources development to enhance human resources value, which is one of our strengths and essential for the future growth of our company.

We will continue to maintain high quality standards to provide safe and secure products and services to meet the needs of everyone. In addition, by providing value to various stakeholders through our business activities, we will create a virtuous cycle for society as a whole. No matter how

challenging the business environment, our driving force is the desire to create value for our stakeholders and to continue as the preferred partner for decades to come. We are committed to making great strides forward toward sustainable growth and improved corporate value by delivering happy moments to everyone while creating value. Thank you in advance for your continued understanding of and support for the CCBJH Group.



Identifying unique material issues amid accelerating changes in the business environment

In 2019, the Coca-Cola System in Japan formulated a Sustainability Framework that identified three platforms of Inclusion, Communities, and Resources, and nine priority issues to be addressed to achieve our unique non-financial CSV Goals.

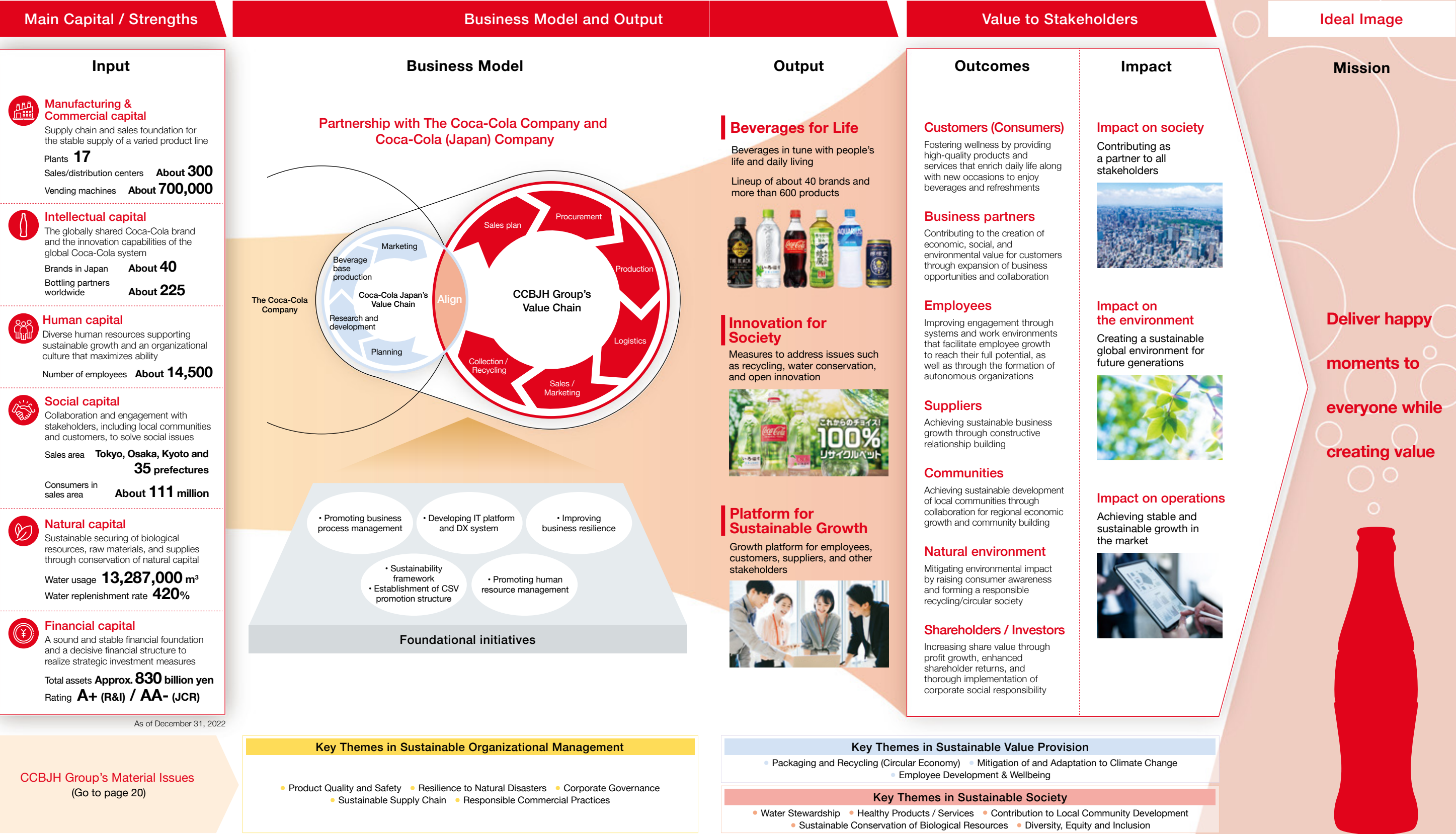
However, since establishing this Sustainability Framework, the macro environment surrounding our company has changed significantly. In addition, the change is accelerating and heavily impacting consumer behavior and business operations. Because of this and other factors, the business environment remains challenging and uncertain. In order to realize our mission to “Deliver happy moments to everyone while creating value,” we have reviewed our existing material issues identified when

establishing the Sustainability Framework and reidentified material issues unique to our company. By separating the identified issues into the categories of Key Themes in Sustainable Value Provision, Key Themes in Sustainable Society, and Key Themes in Sustainable Organizational Management and linking them to our Value Creation Process, we have expressed our vision in the form of a Value Creation Story.

To address Mitigation of and Adaptation to Climate Change, a material issue categorized as one of the Key Themes in Sustainable Value Provision, we will establish a new Sustainability Committee in 2023. Our aim is to strengthen the system for establishing policies and strategies on climate change and other issues and to

Value Creation Process

Coca-Cola Bottlers Japan Holdings aims to realize our mission by continuously providing value for all stakeholders through our unique value creation process.



Process for Identifying Material Issues

As part of Coca-Cola System in Japan’s Sustainability Framework, we are committed to pursuing activities that address social issues through creating shared value (CSV). To further advance our efforts and fulfill our mission, we have identified our material issues for 2023.

STEP 1

Recognizing the current status

Further adaptation is required to changes in the social environment while promoting the Sustainability Framework

In 2019, the Coca-Cola System in Japan established its Sustainability Framework, which outlines three platforms - Inclusion, Communities, and Resources - and nine key issues to be addressed. Despite our ongoing efforts to promote activities based on this framework, it has been four years since its formulation and the macro environment continues to evolve. These include changes to the global economy, geopolitical risks, a declining birthrate and aging population, and climate change. Additionally, the recent COVID-19 pandemic, rising raw material and energy prices, and the weak yen have had a major impact on consumer behavior and business. This has led to sustained uncertainty and challenges in the business environment, making forecasting increasingly difficult.

To fulfill our mission of delivering happy moments to everyone while creating value, we have established a group-wide, cross-divisional project team to identify our material issues in response to these changes.

The Sustainability Framework for the Coca-Cola System in Japan

The Coca-Cola System in Japan has identified 189 issues from various sources such as SDG-related reports and guidelines, benchmark surveys by outside consultants, stakeholder interviews with consumer groups, retailers, NPOs, academic groups, and ESG investors, ISO 26000, and government agency reports. These issues were then narrowed down to 33 based on common shared categories such as renewable energy and aging society. We then specified 15 issues that were highly relevant to both society and our business.

Through interviews and workshops with management and employees of Coca-Cola Japan and Coca-Cola Bottlers Japan, four key issues were identified. Further discussions on the 19 total key issues led to a common framework that specified three platforms - Inclusion, Communities, and Resources - and nine key issues.

Three platforms and nine priority issues

	Inclusion	Communities	Resources
Priority Topics	Gender Age/Generation	• Drive impact through two national platforms (Inclusion, Resources) • Initiatives that are sustainable and additionally have local relevance	Packaging/PET Water
Focus Topics	Disabilities LGBTQ		Greenhouse gas emissions Renewable energy

STEP 2

Identifying material issues

Gaining New Perspectives: Identifying material issues through analysis, surveys, and evaluation

In identifying material issues, we first revisited the agreed Coca-Cola System Sustainability Framework for Japan. We then conducted a social axis evaluation based on ESG reports, NGO reports, industry reports, media analyses, etc. This evaluation was used to identify topics of social attention and importance, from which a list was made of items to be added as material issues.

The listed items were surveyed for their degree of importance. Based on the results of this survey, they were grouped and organized, social axis evaluation was conducted, and we drafted a proposal of what our material issues should be. The project team conducted an internal evaluation by analyzing documents such as the Annual Review and the CSV Report. This evaluation checked the materiality proposal for comprehensiveness and appropriateness, and the team then discussed the proposed definition of material issues. Based on these discussions, we have identified and defined 13 material issues unique to our Group, covering three categories of “environmental,” “social,” and “governance.”

The importance of the 13 material issues was scored by interviewing ESG-related investors, NGOs, local governments, and our management team, including the CEO, as well as by conducting employee surveys. This information was used to plot a materiality map of importance levels.

1 Organization and identification of issue items

- Confirming and organizing existing issues being addressed by the Coca-Cola System in Japan
- Identifying topics of social and industry attention and importance
- Listing of items to be added as material issues

2 Drafting of a proposal for material issues

- Conducting importance surveys on existing and additional issues
- Grouping issues and reorganizing the issue list based on issue granularity
- Conducting social axis evaluation in accordance with issue granularity, drafting a proposal for material issues

3 Selection and definition of 13 material issues

- Organizing and preparing a proposal for material issues and their proposed definitions through internal evaluations, including analysis of our data
- Discussing issue granularity and definition within the project team
- Selecting 13 key material issues across three categories: Environmental, Social and Governance

4 Scoring of material issue importance

- Conducting interviews with stakeholders
- Conducting interviews with management including the CEO and employee surveys
- Scoring importance for the preparation of the proposed map of material issues

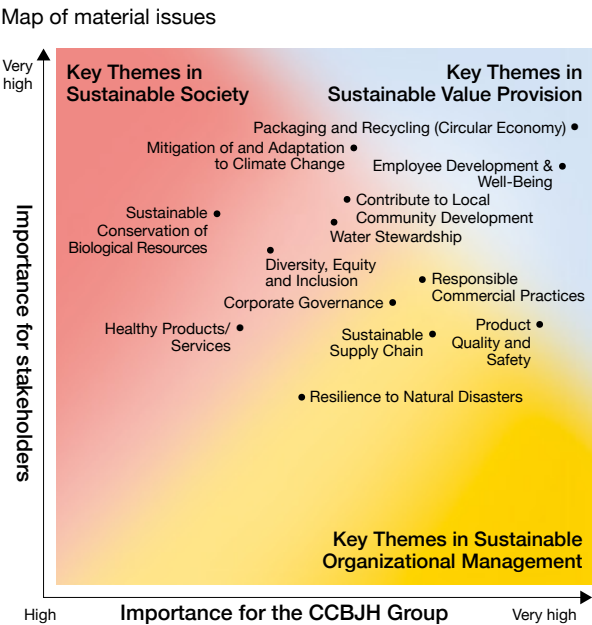
Process for Identifying Material Issues

STEP 3

Organizing material issues

Mapping material issues based on importance to stakeholders and the CCBJH Group

In mapping our material issues, for the social axis we scored importance for stakeholders based on factors such as interviews with outside experts and analysis of various reports. For the business axis, we scored importance for the CCBJH Group based on interviews with management and employee surveys. The resulting scores were plotted along the axis of importance for stakeholders and for the CCBJH Group to create a map of material issues. We then classified the material issues in the upper right of the map as Key Themes in Sustainable Value Provision, those in the upper left as Key Themes in Sustainable Society, and those in the lower right as Key Themes in Sustainable Organizational Management.



Relationship between the Sustainability Framework and our own material issues

Our own material issues are based on the key issues identified in the Sustainability Framework and the 19 key issues selected during the framework's formulation process, to which topics to be added as material issues were also incorporated. These were evaluated and material issues were identified, then classified in connection to three platforms: Inclusion, Communities, and Resources. This enables us to ensure consistency between our sustainability

activities and the key issues of the Coca-Cola System in Japan, as well as our own material issue areas—Key Themes in Sustainable Value Provision and Key Themes in Sustainable Society. Furthermore, the Key Themes in Sustainable Organizational Management, common to all three platforms, have been established as the foundation for our organization's management.

		Inclusion	Communities	Resources
The Coca-Cola System in Japan	Priority Topics	Gender	• Drive impact through two national platforms (Inclusion, Resources)	Packaging/PET
		Age/Generation		Water
	Focus Topics	Disabilities	• Initiatives that are sustainable and additionally have local relevance	Greenhouse gas emissions
		LGBTQ		Renewable energy

The CCBJH Group's material issues	Key Themes in Sustainable Value Provision	Employee Development & Well-Being	—	Packaging and Recycling (Circular Economy) / Mitigation of and Adaptation to Climate Change
	Key Themes in Sustainable Society	Diversity, Equity and Inclusion	Healthy Products and Services / Contribute to Local Community Development	Water Stewardship / Sustainable Conservation of Biological Resources
	Key Themes in Sustainable Organizational Management	Product Quality and Safety / Resilience to Natural Disasters / Corporate Governance Sustainable Supply Chain / Responsible Commercial Practices		

Material Issues

The CCBJH Group's material issues and definitions

Key Themes in Sustainable Value Provision		
Packaging and Recycling (Circular Economy)	To achieve the Coca-Cola Company's 2030 Global Vision World Without Waste, we will work on activities such as light-weighting, horizontal recycling, and waste reduction through the three pillars of design, collection, and partnerships. By doing so, we contribute to the promotion of recycling of plastic and other materials in Japan.	Go to page 51
Mitigation of and Adaptation to Climate Change	To mitigate and adapt to climate change, we aim to reduce our environmental impact through initiatives throughout the value chain, including the reduction of our greenhouse gas emissions.	Go to page 53
Employee Development & Wellbeing	We believe that employees are important assets in conducting sustainable business. Therefore, in our human resource development system, we work to create a workplace environment that maximizes and develops the potential of each employee. We focus on our employee's safety and their physical and mental well-being by measures such as enhancing their work-life balance.	Go to page 35

Key Themes in Sustainable Society		
Water Stewardship	As a company whose main product ingredient is water, we strive to reduce, reuse, and properly treat water used in manufacturing. We also work with local communities to conserve water resources in a sustainable manner to pass on abundant water resources to future generations.	Go to page 53
Sustainable Conservation of Biological Resources	We conserve biodiversity and achieve sustainable business by recognizing and reducing the impact on the natural environment and ecosystems whilst making business decisions.	Go to page 48
Healthy Products/Services	We contribute to consumer wellness by providing high value-added products and services that contribute to the maintenance and promotion of health and nutrition.	Go to page 61
Diversity, Equity and Inclusion	We foster a culture that respects human rights, diversity, and fairness, and create an environment where each individual can maximize their abilities regardless of gender, age, disability, race, nationality, sexual orientation, gender identity or expression, or other attributes throughout the value chain.	Go to page 43
Contribution to Local Community Development	Based on collaboration and communication with local communities and other stakeholders, we engage in activities aimed at developing sustainable local communities and solving social issues. Through our business, we contribute to the revitalization of local economies.	Go to page 47

Key Themes in Sustainable Organizational Management		
Product Quality and Safety	In order to provide safe, high-quality, fresh, and refreshing products and services to our consumers, we implement strict quality systems and processes in all business processes, from raw material procurement, manufacturing, distribution and transportation, to sales and service. In this way, we guarantee and improve the safety and quality of our products.	Go to page 63
Resilience to Natural Disasters	We strive to build a system and structure that is safe and robust enough to minimize the impact on our business in the event of any injury to employees and damage to facilities for manufacturing, logistics, sales operations, and business sites caused by large-scale natural disasters such as earthquakes and typhoons.	Go to page 62
Corporate Governance	We strive to build and maintain a strong corporate governance structure to improve management soundness and maximize corporate and shareholder value. In accordance with the intent of the Corporate Governance Code, we strive to improve the skill sets of our directors and all employees, pursue an optimal organizational design for our company, and further strengthen our governance.	Go to page 69
Sustainable Supply Chain	We build a sustainable supply chain through the stable procurement of materials and raw materials, addressing human rights and environmental issues in the supply chain, conducting appropriate transactions and responsible procurement.	Go to page 33
Responsible Commercial Practices	We build our relationships with our consumers by ensuring responsible marketing of our full beverage portfolio, including alcohol, ensuring compliance with all commercial activities in line with laws and regulations. We provide our stakeholders with access to useful and sufficient information on the health and nutrition of our products through easy-to-understand communications.	Go to page 25