Quarterly Report

（Report Pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act）

Fiscal Year （The 2nd Quarter of the 65th Term） From April 1, 2022 To June 30, 2022

Coca-Cola Bottlers Japan Holdings Inc.

（E00417)

This is an English translation of the original Quarterly Report ("Shihanki Hokokusho") ended June 30,2022, pursuant to the Japanese Financial Instrument and Exchange Law. In the event of any discrepancy between Shihanki Hokokusho and this English translation, Shihanki Hokokusho shall prevail.

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[Documents to be submitted]	Quarterly Report
[Underlying article]	Financial Instruments and Exchange Act Article 24-4-7 Paragraph 1
[Recipient]	Director-General of the Kanto Local Finance Bureau
[Submission date]	August 12, 2022
[Fiscal year]	65th fiscal term (from April 1, 2022, to June 30, 2022)
[Company name]	Coca-Cola Bottlers Japan Holdings Inc.
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[Telephone number]	+81-3-6896-1707
[Name of administrative contact]	Ishikawa Tatsuhiro, Head of Controllers Senior Group Division, Finance
[Location provided for viewing]	Tokyo Stock Exchange, Inc. （2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo）

This is an English translation of the original Quarterly Report ("Shihanki Hokokusho") filed with the Director-General of the Kanto Local Finance Bureau via Electronic Disclosure for Investors` NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan. In the event of any discrepancy between Shihanki Hokokusho and this English translation, Shihanki Hokokusho shall prevail.

For the purpose of this Quarterly Report, unless context indicates otherwise, the "Company," "we," and "CCBJH" refer to Coca-Cola Bottlers Japan Holdings Inc., and the "Group" refers to the Company and its subsidiaries.

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Part I Corporate information

Section 1. Corporate overview

1. Summary of business results

Issuance		The 64th Term Consolidated Cumulative Second Quarter	The 65th Term Consolidated Cumulative Second Quarter	The 64th Term
Accounting period		From January 1, 2021 to June 30, 2021	From January 1, 2022 to June 30, 2022	From January 1, 2021 to December 31, 2021
Revenue [Current Second quarter]	(Millions of yen)	369,309 [200,909]	375,948 [207,095]	785,837
Income (Loss) before income tax	(Millions of yen)	(18,475)	(15,121)	(21,683)
Net income (loss) for the period attributable to owners of the parent	(Millions of yen)	(354) [(1,670)]	(9,899) [(3,331)]	(2,503)
Comprehensive income (loss) attributable to owners of the parent	(Millions of yen)	3,149	(8,180)	780
Equity attributable to owners of the parent	(Millions of yen)	499,875	479,002	492,320
Total Assets	(Millions of yen)	884,060	841,250	867,111
Basic earnings (loss) per share	(Yen)	(1.98) [(9.31)]	(55.20) [(18.57)]	(13.96)
Diluted earnings per share	(Yen)	—	—	—
Ratio of equity attributable to owners of the parent to total assets	(%)	56.5	56.9	56.8
Cash flows from operating activities	(Millions of yen)	10,606	1,686	35,982
Cash flows from investing activities	(Millions of yen)	21,119	(11,250)	15,271
Cash flows from financing activities	(Millions of yen)	(58,563)	(38,222)	(67,134)
Cash and cash equivalents at the end of the period	(Millions of yen)	99,540	62,711	110,497

Notes: 1. Because the Company prepares quarterly consolidated financial statements, the summary of standalone business results for the Company is not described.
2. Diluted earnings per share is not presented, as the effects of dilutive stock on earnings per share are anti-dilutive.
3. The consolidated financial statements are disclosed in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.
4. Fractions of one million yen are rounded off.

2. Business content

There were no significant changes in the businesses that the Group (the Company and its subsidiaries) is engaged in during the Second quarter of 2022.

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Section 2. Business situations

1. Risk of business

During the second quarter of the current fiscal year (April 1, 2022, to June 30, 2022, hereinafter referred to as "the second quarter"), the business impact of the coronavirus infection (COVID-19), has subsided with the easing of government regulations.

During the second quarter several macro events have adversely impacted commodity costs, availability and consumer confidence. Russia's ongoing military invasion of Ukraine, the Chinese response to COVID-19 which saw Shanghai, Beijing and other cities lockdown, inflation and the depreciation of the yen have each contributed to altering the external macro risk environment.

Our ongoing review of our risk environment indicated that there were no significant changes to other business risks as described in the Annual Securities Report for the 2021 fiscal year.

The Company is actively monitoring our risks and is responding to the changes in the business environment. We have continued with our business transformation, responded to changes in customer and consumer behavior and continued to identify areas of cost reduction.

In the third quarter (July 1, 2022, to September 30, 2022), we will continue to actively monitor our overall risk environment.

2. Management's analysis of financial condition, results of operations and cash flows

Note that matters related to future developments that are mentioned in this section are judgments of the Group that were made as of the date of quarterly securities report submission.

(1) Qualitative Information on year-to-date second quarter Consolidated Financial Results

In this year-to-date second quarter (January 1 to June 30, 2022, hereinafter referred to as "first half"), the domestic total nonalcoholic ready-to-drink (NARTD) beverage industry is estimated to have grown by about 4% compared to the previous year on volume basis. This was due to an increase in demand from the recovery in traffic since the late-March when various government measures to prevent the spread of COVID-19 were eased, with the addition of the effects of the early end to the rainy season and the heat wave in late-June. However, the business environment remains uncertain and challenging due to changes in consumer purchasing behavior, continued severe competition, rising global commodity prices, and the rapid yen depreciation.

Under these circumstances, we have positioned 2022 as the "year of building a foundation for sustainable growth" and have been working to build a foundation for steady and sustainable growth and to promote further transformation. For commercial activities, we worked to grow sales volume and sales revenue by launching new products, responding to diversifying consumer needs, and executing effective campaigns to capture the recovery in traffic. In addition, as part of our margin focused pricing strategy, in May we implemented the price revision for large PET. In manufacturing and supply chain fields, while faced with the rising commodity prices, we worked to build a supply chain network that will serve as a foundation for sustainable growth. In July, the Akashi Mega DC, one of the largest automated distribution centers by storage and shipping capacity in Japan, began its operation on a large scale. In addition, we have strengthened coordination between the sales and supply chain areas by revamping the S&OP (Sales and Operations Planning) process and have worked to build a supply chain that can respond agilely to sudden changes in demand.

Activities to realize ESG targets based on creating shared value with society includes our work towards the increased use of sustainable materials in PET bottles and expanding label-less products. In the second quarter, as part of our efforts to achieve the Coca-Cola system's "2030 Packaging Vision," we worked with local governments and partner companies to establish a steady packaging collection and recycling scheme. We are also working on the pilot sales of shrink labels attached PET bottle products made from recycled PET bottle materials through chemical recycling.

Details for the first half earnings are as follows.

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Summary of Consolidated Financial Results

(Millions of yen, excluding sales volume)

First half (January 1 to June 30)

	2021	**2022**	Change (%)
Revenue	369,309	**375,948**	1.8
Sales volume (million cases)	217	**224**	4
Gross Profit	163,269	**163,138**	(0.1)
Selling, General & Administrative Expenses	177,295	**181,275**	2.2
Other income (Recurring)	415	**521**	25.4
Other expenses (Recurring)	1,055	**666**	(36.9)
Investment income (loss) on equity method	(133)	**61**	―
Business Income (Loss)	(14,799)	**(18,221)**	―
Other income (Non-recurring)	4,601	**6,658**	44.7
Other expenses (Non-recurring)	8,053	**2,868**	(64.4)
Operating Income (Loss)	(18,250)	**(14,431)**	―
Net Income (Loss) Attributable to Owners of the Parent	(354)	**(9,899)**	―

(Millions of yen, excluding sales volume)

(For reference) Q2 (April 1 to June 30)

	2021	**2022**	Change (%)
Revenue	200,909	**207,095**	3.1
Sales volume (million cases)	120	**124**	3
Gross Profit	89,108	**91,127**	2.3
Selling, General & Administrative Expenses	91,869	**96,383**	4.9
Other income (Recurring)	216	**223**	3.2
Other expenses (Recurring)	664	**478**	(28.1)
Investment income on equity method	6	**39**	507.4
Business Income (Loss)	(3,202)	**(5,472)**	―
Other income (Non-recurring)	3,611	**968**	(73.2)
Other expenses (Non-recurring)	3,516	**257**	(92.7)
Operating Income (Loss)	(3,107)	**(4,761)**	―
Net Income (Loss) Attributable to Owners of the Parent	(1,670)	**(3,331)**	―

Note: 1. "Business Income (Loss)" is a measure of our underlying or recurring business performance. Business Income (loss) deducts cost of sales and selling, general and administrative expenses from revenue, and includes other income and expenses which we believe are recurring in nature.
2. Net Income (Loss) Attributable to Owners of Parent in 2021 is a total of continuing operation and discontinued operation results.

Consolidated net revenue was 375,948 million yen (1.8% increase of 6,640 million yen from the same period prior year). Sales volume increased by 4% versus the previous year, despite the immediate negative impact on sales volume following the price revision for large PET, the positive effects of the new product launches, channel specific initiatives to meet diversifying consumer needs, the recovery in traffic with the easing of COVID-19 restrictions and the heat wave all contributed. Revenue growth was driven by volume increase in the immediate consumption channels which carries a higher wholesale revenue per case, and the wholesale revenue per case that is on an improving trend through the large PET price revisions in the over the counter (OTC) channels and efforts to improve retail prices in the vending channel.

Consolidated business loss was 18,221 million yen (14,799 million yen loss in prior year period). Volume growth, package mix improvement, wholesale revenue per case growth contributing to profits during the second quarter, and cost reductions through transformation and other measures were achieved. However, the impact of rising commodity prices, yen depreciation, and the cycling of one-time cost savings implemented last year had a negative earnings impact.

Consolidated operating loss was 14,431 million yen (18,250 million yen loss in prior year period). Although business loss increased versus the previous year, operating loss decreased versus the previous year due to gains on sales of fixed assets and a decrease in government subsidies for employment adjustment ("temporary leave") related expenses. Other income (non-recurring) for the first half includes, gain on sales of fixed assets of 3,727 million yen and 2,931 million yen in government subsidies for employment adjustment. Other expenses (non-recurring) includes 2,166 million yen in temporary leave expenses and 479 million yen in special retirement allowances related to the voluntary employee retirement programs.

Net income attributable to owners of the parent for the first half was a loss of 9,899 million yen (354 million yen loss in prior year period). This was due to a gain on transfer of shares of subsidiary Q'sai Co., Ltd. in the same period of the previous year, being recorded in discontinued operations.

Sales volume trends (% change from same period of previous year)

First half sales volume increased by 4%. The second quarter increased by 3%, despite the impact of decreased volume from the large PET price revision in May, demand increased with the recovery in consumer traffic, early end to the rainy season and the heat wave. By channel, supermarkets, drugstores, and discounters volume grew by 3% and declined by 1%, respectively, for the first half. This was due to growth of small PET in the second quarter by effective promotions that captured the traffic recovery opportunity, but the price revision of large PET and the intensified competition had an impact. In vending, volume increased by 3% driven by the recovery in traffic and favorable weather, as well as the contribution of a strengthened product lineup including the introduction of new products and campaigns implemented through the "Coke ON" smartphone app contributed. In addition, wholesale revenue per case grew with executing appropriate pricing strategies. CVS was affected by the continued severe competitive environment with promotions by competitors. However, with the contribution of new products and through campaigns to capture the returning traffic demand through stronger collaboration with customers, volume grew and increased by 8% in the second quarter and by 2% in the first half. In retail and food channels, sales volume grew by 20% with the lifting of measures to prevent the spread of COVID, resulting in a recovery of the number of people going to restaurants. The Online channel grew by 35%, driven by growth in all categories, the introduction of new online-only "Coca-Cola" and "Coca-Cola Zero Sugar" label-less bottles, and tie-up promotions with major online customers.

By beverage category performance, sparkling sales volume was flat, despite contributions from new products such as "Fanta Premier Lemon" and "Coca-Cola Zero Sugar Lemon", volume declined due to price revisions for large PET packages. Sales volume of tea products increased by 3%, while large PET declined due to the price revisions, contributions from "Yakan no Mugicha from Hajime" and "Ayataka Cafe Matcha Latte" which continues to enjoy steady sales growth since their launch in the previous year, as well as "Ayataka Cafe Hojicha Latte", the new second product in the Ayataka Cafe series. Coffee sales volume increased by 3%, supported by strengthening of the COSTA Coffee lineup, with the new "COSTA Almond Latte", and new products such as "Georgia Black". Sports grew by 9%, both small and large PETs grew with restrictions being lifted on events and other activities, also benefitting from the heat wave. Water sales volume increased by 7% due to an increase in large PET capturing at-home consumption demand, increase in small PET in vending through traffic recovery and the heat wave, and contributions from "Irohas Shine Muscat" which was launched last year. In addition, new products "Real Gold X" and "Real Gold Y" were introduced for the growing energy drink market.

In the alcohol category, sales volume decreased by 21%. Despite the contributions from new products and renewals for the Lemon-dou brand, the cycling impact of new products launches in the previous year and of the at home-drinking demand that grew with the COVID-19 had an impact. Rollout of the non-alcoholic beverage "Yowanai Lemon-dou", launched in February is progressing well.

(2) Qualitative Information on Consolidated Financial Position

Assets at the end of the quarter were 841,250 million yen, a decrease of 25,861 million yen from the end of the prior year period. This is mainly due to a decrease in “Cash and cash equivalents” upon the redemption of bonds, alongside an increase in “Inventories” ahead of the peak season.

Liabilities at the end of the quarter were 362,114 million yen, a decrease of 12,545 million yen from the end of the prior year period. This is mainly due to a decrease in “Bonds and debts” under current liabilities upon the redemption of bonds, alongside an increase in "Trade and other payables".

Equity at the end of the quarter was 479,136 million yen, a decrease of 13,316 million yen. This is mainly due to a decrease in “Retained earnings” as a result of dividend payments.

(3) Cash flows

The cash flow conditions for the first half of the current year are as follows:

<Cash Flows from Operating Activities>

Net cash generated from operating activities was 1,686 million yen (10,606 million net cash generated from operations in the previous year period). This results mainly from the 15,121 million yen net loss before tax, “Depreciation and amortization”, Increase in “Trade and other payables”, etc., along with “Increase in inventories” etc.

<Cash Flows from Investing Activities>

Net cash used for investing activities was 11,250 million yen (21,119 million yen outflow in the previous year period). This results mainly from “Acquisitions of property, plant and equipment and intangible assets” etc., as a result of strategic investments that will serve as a foundation for growth, alongside “Proceeds from sales of property, plant and equipment and intangible assets” as part of the Company's efforts to optimize its balance sheet.

<Cash Flows from Financing Activities>

Net cash used for financing activities was 38,222 million yen (58,563 million yen net cash used for financing activities in the previous year period), driven by “Payments for bond redemption”, “Dividends paid” and “Repayments of lease liabilities”.

As a result of these activities, cash and cash equivalents at the end of the fiscal year were 62,711 million yen, a decrease of 47,786 million yen from the end of the prior fiscal year period.

(4) Business and financial challenges to be addressed

1. Issues to be addressed

There are no material changes regarding the issues that the Group needs to address during the six months ended June 30,2022.

2. Basic Policies on the Control of the Joint-stock Company

a. Descriptions of basic policies

The Company believes that the persons and/or entities (hereinafter referred as "Persons") who control decisions on the Company's financial and business policies need to understand the source of the Company's corporate value and will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders. The Company believes that a decision on any proposed acquisition that would involve a change of corporate control of the Company should ultimately be made based on the intent of its shareholders as a whole. Also, the Company would not reject a large-scale acquisition of the shares in the Company if it would contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

However, there are some forms of large-scale acquisition of shares that benefit neither the corporate value of the target company nor the common interests of its shareholders: those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders; those with the potential to substantially coerce shareholders into selling their shares; those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the terms of the large-scale acquisition of shares, or for the target company's board of directors to present a business plan or an alternative proposal; and those that require the target company to discuss or negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

The Company believes that the Persons who control decisions on the Company's financial and business policies need to be Persons who (A) fully understand the importance of (i) providing freshness and refreshment to people around the world and embedding the "Coca-Cola" brand, which is now a part of our life style, in local communities; (ii) striving aggressively to win in the market as the customers' preferred partner with a deep understanding of the Company's corporate philosophy; (iii) appreciating employees who have a strong sense of responsibility to thoroughly pursue customer satisfaction, and proactively working on building a workplace environment that can make each and every employee feel rewarded, motivated and proud of being a member of the "Coca-Cola" family; and (iv) contributing to local communities and proactively dealing with environmental issues with a strong sense of responsibility as a corporate citizen that continues to strive to assist in the realization of an affluent society, (B) preserve relationships of mutual trust with customers, business partners, shareholders and employees and perform to their expectations, and (C) make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders from a mid- to long-term perspective.

Therefore, the Company believes that Persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company and, in turn, the common interests of its shareholders would be inappropriate to become Persons who would control decisions on the Company's financial and business policies.

b. Initiatives to realize the basic policies

(a) Summary of special initiatives that contribute to realizing the basic policies

The Group not only assumes a leading role in transforming the Coca-Cola business in Japan by deploying various joint initiatives such as product development and test marketing with The Coca-Cola Company and Coca-Cola (Japan) Company, Limited (100% subsidiary of The Coca-Cola Company) as a strategic partner, but also strives to become a company trusted by the stakeholders of consumers, customers, shareholders, and employees.

Soft drink industry volume growth in Japan is expected to be muted, given the developed nature of the market as a whole, and the business environment surrounding the Company is projected to stay competitive as multiple players compete in the market.

Under such circumstances, the Group aims at becoming the preferred partner of our customers and consumers in all drinking occasions by establishing a robust and sustainable operating model, pursuing success in high-priority areas, and drastically transforming the business to ensure growth.

The Company also made a transition to a company with an Audit and Supervisory Committee in order to further reinforce the governance system. The Audit and Supervisory Committee serves as the auditing body of the Company that is comprised exclusively of external directors, including multiple independent external directors. To strengthen the management oversight function, these external directors that serve as members of the Audit and Supervisory Committee have each been granted with a voting right in the Board of Directors meetings, in addition to the right to state their opinions in shareholders' meetings on matters pertaining to the designation of board members and their remuneration, among others. In order to separate the decision-making, business management and business execution functions, the Company is implementing a corporate executive officer system. In addition to the foregoing, for more fruitful deliberations of highly important matters in the Board of Directors meetings, the Company is delegating the authority to make decisions on certain important matters that require prompt business executions to specific directors as well as facilitating speedy decision making of other matters.

(b) Outline of measures to prevent inappropriate persons from controlling the finance and business policy decisions of the Company in light of the basic policy

Upon any substantial acquisition of the Company shares, the Company strives to proactively collect and timely disclose information in order to ensure and improve the corporate value of the Company and the common interest of shareholders as well as make appropriate measures as needed under the scope permitted by laws and regulations and the Articles of Incorporation.

When Board Meeting determines it necessary to apply anti-takeover measures in order to ensure and improve the corporate value of the Company and the common interest of shareholders, taking into consideration of the future trend of the society, the Company consults with shareholders at the Meeting of Shareholders as stipulated in the Articles of Incorporation for decision of the implementation.

c. Decisions of the Board of Directors of the Company on the specific measures and the reasons

The measure described in the previous b. (a) was introduced as a specific measure to continuously and sustainably improve the corporate value of the Company and the common interest of shareholders and is consistent with the Company's basic policy.

In addition, the measure described in the previous b. (b) was introduced as a specific measure to ensure and improve the corporate value of the Company and the common interest of shareholders as needed under the scope permitted by laws and regulations and the Articles of Incorporation focusing on the intention of shareholders, and it is not intended to undermine the shareholders' common interests or preserve the positions of the Company officers.

(5) Research and development activities

Not applicable.

(6) Major facilities

The new installation of the important facilities that had been planned as of the end of the prior year and completed during the six months ended June 30,2022. are as listed below.

Name of company	Name of office / site (location)	Name of business segment	Facility description	Amount (millions of yen)	Completed in
Coca-Cola Bottlers Japan Inc.	Branches / (-)	Beverage business	Vending machines/coolers	6,340	June 2022
Coca-Cola Bottlers Japan Inc.	Akashi Mega DC /(Akashi-shi, Hyogo Prefecture)	Beverage business	Logistics equipment	13,703	June 2022

Note: Consumption tax is not included in the above amounts.

3. Significant management contracts

Not applicable.

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Section 3. Status of the filing company

1. Status of Shares

(1) Total number of shares

① Total number of shares

Class	Total Number of Authorized Shares
Common shares	500,000,000
Total	500,000,000

② Issued shares

Class	No. of issued shares as of end of 2nd Quarter (June 30,2022)	No. of issued shares as of filing date (August 12, 2022)	Name of listed stock exchange or registered authorized financial instruments firms` association	Details
Common shares	206,268,593	206,268,593	Tokyo Stock Exchange (Prime Market)	100-unit shares
Total	206,268,593	206,268,593	—	—

(2) Status of stock acquisition rights

① Status of share options

Not applicable.

② Other stock acquisition rights

Not applicable

(3) Status of exercised moving strike convertible bonds

Not applicable.

(4) Total number of issued shares, transition of capital

Date	Increase/decrease in total no. of issued shares (thousand share)	Balance of total no. of issued shares (thousand share)	Increase/ decrease of capital (Millions of yen)	Capital balance (Millions of yen)	Increase/decrease of capital reserve (Millions of yen)	Capital reserve balance (Millions of yen)
April 1, 2022 – June 30,2022	—	206,269	—	15,232	—	108,167

(5) Major shareholder status

As of June 30, 2022

Name	Address	Number of shares held (thousands of shares)	Percentage of the number of shares held to the total number of issued shares (excluding treasury stock) (%)
Coca-Cola (Japan) Company, Limited	4-6-3, Shibuya, Shibuya-ku, Tokyo	27,956	15.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	18,286	10.20
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	5,653	3.15
Ichimura Foundation of New Technology	1-26-10, Kitamagome, Ota-ku, Tokyo	5,295	2.95
Satsuma Shuzo Co., Ltd.	26 Kamimotocho, Makurazaki-shi, Kagoshima	4,736	2.64
Senshusha Co., Ltd.	339 Noda, Noda-shi, Chiba	4,088	2.28
Coca-Cola Holdings West Japan Inc. (Standing proxy: Coca-Cola (Japan) Company, Limited)	1013 Wilmington Center Road, U.S.A. Delaware (4-6-3 Shibuya, Shibuya-ku, Tokyo)	4,075	2.27
Mitsubishi Heavy Industries Machinery Systems, Ltd.	1-1-1, Wadazakicho, Hyogo-ku, Kobe-shi, Hyogo	3,912	2.18
MCA Holdings, Co., Ltd.	7-10-16, Ginza, Chuo-ku, Tokyo	3,408	1.90
Toyo Seikan Group Holdings, Ltd.	2-18-1, Higashi-Gotanda, Shinagawa-ku, Tokyo	3,007	1.68
Total	-	80,416	44.84

(Notes) 1. While it was stated that Mondrian Investment Partners Limited owned the Company's share of 8,961 thousand shares, 4.34% of issued shares, in a Report for a Statement of Large-Volume Holdings (dated June 20, 2022) that was made available for public inspection on June 27, 2022, this is not included in the status of major shareholders above because it was not possible for the Company to confirm the actual number of shares on June 30, 2022.

2. 26,927 thousand treasury shares are not included in the status of major shareholders above because they do not have voting rights.

(6) Status of voting rights

① Issued shares

As of June 30,2022

Class	Number of shares	Number of votes	Details
Non-voting shares	–	–	–
Shares with restricted voting right (Treasury Shares)	–	–	–
Shares with restricted voting right (Others)	–	–	–
Shares with full voting rights (Treasury Shares)	Common shares 26,926,500	–	–
Shares with full voting rights (Others)	Common shares 178,556,500	1,785,565	–
Odd lot shares	Common shares 785,593	–	–
Total number of issued shares	206,268,593	–	-
Voting rights of all shareholders	–	1,785,565	-

(Note): “Shares with full voting rights (Others)” includes 2,300 shares in JASDEC’s name (23 voting rights).

② Treasury Shares

As of June 30,2022

Name of owner	Address of owner	No. of shares owned under own name	No. of shares owned under others’ name	Total number of shares owned	Ratio of shares owned against total no. of issued shares (%)
Coca-Cola Bottlers Japan Holdings Inc.	9-7-1 Akasaka, Minato-ku, Tokyo	26,926,500	–	26,926,500	13.05
Total	–	26,926,500	–	26,926,500	13.05

2. Status of Officers

Not applicable.

Section 4 Accounting status

1. Preparation methods for the quarterly consolidated financial statements

The Company's condensed quarterly consolidated financial statements have been prepared in accordance with International Accounting Standards Article 34 "Interim Financial Reporting" based on the Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007).

2. Audit certification

The Company's quarterly consolidated financial statements for the second quarter of the current year (April 1, 2022 to June 30, 2022) and the Six-months ended June 30, 2022 (January 1, 2022, to June 30, 2022) have been reviewed by Ernst & Young ShinNihon LLC based on the provisions of Article 193-2 Paragraph 1 of the Financial Instruments and Exchange Act.

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1. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Balance Sheets

(Millions of yen)

	Notes	As of December 31, 2021	As of June 30,2022
Assets			
Current assets:			
Cash and cash equivalents		110,497	62,711
Trade and other receivables		105,320	106,231
Inventories		67,583	86,692
Other financial assets	11	1,320	2,494
Other current assets		16,275	17,244
Total current assets		300,995	275,372
Non-current assets:			
Property, plant and equipment		434,994	431,553
Right-of-use assets		25,144	23,399
Intangible assets		66,219	65,666
Investments accounted for using the equity method		281	337
Other financial assets	11	19,511	19,631
Deferred tax assets		13,960	19,355
Other non-current assets		6,006	5,937
Total non-current assets		566,116	565,878
Total assets		867,111	841,250

(Millions of yen)

		As of December 31, 2021	As of June 30,2022
Liabilities and equity			
Liabilities			
Current liabilities:			
Trade and other payables		103,260	120,831
Bonds and debts	6,11	30,990	1,000
Lease liabilities		4,050	5,182
Other financial liabilities	11	—	593
Income taxes payable		1,139	645
Provisions		9	9
Other current liabilities		16,085	16,621
Total current liabilities		155,535	144,881
Non-current liabilities:			
Bonds and debts	11	156,622	156,162
Lease liabilities		22,462	19,804
Net defined benefit liabilities		17,605	18,828
Provisions		2,137	2,147
Deferred tax liabilities		17,379	17,305
Other non-current liabilities		2,920	2,988
Total non-current liabilities		219,125	217,233
Total liabilities		374,660	362,114
Equity:			
Capital stock		15,232	15,232
Capital surplus		450,832	451,082
Retained earnings	8	109,273	94,885
Treasury shares		(85,661)	(85,664)
Accumulated other comprehensive income (loss)		2,644	3,467
Equity attributable to owners of parent		492,320	479,002
Non-controlling interests		131	134
Total equity		492,451	479,136
Total liabilities and equity		867,111	841,250

(2) Condensed Quarterly Consolidated Statements of Income

【The six-months ended June 30,2022】

(Millions of yen)

	Notes	Six months ended June 30, 2021	Six months ended June 30,2022
Continuing operations			
Revenue	9	369,309	375,948
Cost of sales		206,040	212,810
Gross profit		163,269	163,138
Selling and general administrative expenses		177,295	181,275
Other income	10	5,017	7,179
Other expenses	10	9,108	3,535
Investment income (loss) on equity method		(133)	61
Operating Income (loss)		(18,250)	(14,431)
Financial revenue		272	162
Finance costs		497	852
Income (Loss) for the period before income taxes		(18,475)	(15,121)
Income tax benefit		(5,603)	(5,225)
Net income (loss) for the period from continuing operations		(12,872)	(9,896)
Discontinued operations			
Net income for the period from discontinued operations	7	12,505	―
Net income (loss) for the period		(367)	(9,896)
Net income (loss) for the period attributable to			
Owners of parent			
Profit (Loss) from continuing operations attributable to owners of parent		(12,859)	(9,899)
Profit from discontinued operations attributable to owners of parent		12,505	―
Non-controlling interests		(13)	3
Earnings (Loss) per share (yen)			
Continuing operations		(71.70)	(55.20)
Discontinued operations		69.72	―
Earnings (Loss) per share	12	(1.98)	(55.20)

【Second quarter of this fiscal year】

(Millions of yen)

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2022
Continuing operations			
Revenue		200,909	207,095
Cost of sales		111,801	115,968
Gross profit		89,108	91,127
Selling and general administrative expenses		91,869	96,383
Other income		3,827	1,191
Other expenses		4,180	735
Investment income (loss) on equity method		6	39
Operating income (loss)		(3,107)	(4,761)
Financial revenue		203	142
Finance costs		156	471
Income (Loss) for the period before income taxes		(3,060)	(5,090)
Income tax benefit		(1,388)	(1,757)
Net income (loss) for the period		(1,673)	(3,333)
Discontinued operations			
Net income for the period from discontinued operations		—	—
		(1,673)	(3,333)
Net income (loss) for the period attributable to			
Owners of parent:		(1,670)	(3,331)
Profit from discontinued operations attributable to owners of parent		—	—
Non-controlling interests		(3)	(2)
Earnings (Loss) per share (yen)	12		
Continuing operations		(9.31)	(18.57)
Discontinued operations		—	—
Earnings (Loss) per share		(9.31)	(18.57)

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

【The six-months ended June 30,2022】

(Millions of yen)

	Notes	Six months ended June 30, 2021	Six months ended June 30,2022
Net income (loss) for the period		(367)	(9,896)
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income (loss) of investments accounted for using equity method		(12)	—
Net changes in financial assets measured at fair value through other comprehensive income		1,428	221
Subtotal		1,416	221
Items that may be reclassified subsequently to income:			
Cash flow hedges		2,087	1,498
Subtotal		2,087	1,498
Total other comprehensive income for the period		3,503	1,719
Total comprehensive income (loss) for the period		3,136	(8,177)
Comprehensive income (loss) attributable to:			
Owners of parent		3,149	(8,180)
Non-controlling interests		(13)	3

【Second quarter of this fiscal year】

(Millions of yen)

	Notes	Three months ended June 30, 2021	Three months ended June 30,2022
Net income (loss) for the period		(1,673)	(3,333)
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Net changes in financial assets measured at fair value through other comprehensive income (loss)		(589)	145
Subtotal		(589)	145
Items that may be reclassified subsequently to income:			
Cash flow hedges		384	336
Subtotal		384	336
Total other comprehensive income (loss) for the period		(205)	480
Total comprehensive income (loss) for the period		(1,877)	(2,852)
Comprehensive income (loss) attributable to:			
Owners of parent		(1,874)	(2,851)
Non-controlling interests		(3)	(2)

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

The six months ended June 30, 2021

(Millions of yen)

		Equity attributable to owners of the parent								
	Notes	Capital stock	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income (loss)	Accumulated other comprehensive income of disposal groups classified as for sale	Total	Non-controlling interests	Total
Balance as of January 1, 2021		15,232	450,605	120,473	(85,654)	1,095	(107)	501,643	450	502,093
Comprehensive income (loss) e for the period										
Net income (loss) for the period		—	—	(354)	—	—	—	(354)	(13)	(367)
Other comprehensive income (loss)		—	—	—	—	3,503	—	3,503	—	3,503
Total comprehensive income (loss) for the year		—	—	(354)	—	3,503	—	3,149	(13)	3,136
Transactions with owners							—			
Dividends of surplus	8	—	—	(4,484)	—	—	—	(4,484)	—	(4,484)
Purchase of treasury stock		—	—	—	(4)	—	—	(4)	—	(4)
Disposal of treasury stock		—	(0)	—	0	—	—	0	—	0
Transactions of share-based payment		—	188	—	—	—	—	188	—	188
Reclassification from accumulated other comprehensive income (loss) to retained earnings		—	—	17	—	(17)	—	—	—	—
Reclassification from accumulated other comprehensive income (loss) to non-financial assets		—	—	—	—	(616)	—	(616)	—	(616)
Changes from loss of control		—	—	(107)	—	—	107	—	(297)	(297)
Total transactions with owners		—	188	(4,574)	(4)	(634)	107	(4,917)	(297)	(5,214)
Balance as of June 30, 2021		15,232	450,793	115,545	(85,659)	3,964	—	499,875	140	500,015

This is an English translation of the original Quarterly Report ("Shihanki Hokokusho") ended June 30,2022, pursuant to the Japanese Financial Instrument and Exchange Law. In the event of any discrepancy between Shihanki Hokokusho and this English translation, Shihanki Hokokusho shall prevail.

The six months ended June 30,2022

(Millions of yen)

	Notes	Equity attributable to owners of the parent							
		Capital stock	Capital surplus	Retained earnings	Treasury shares	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total
Balance as of January 1, 2022		15,232	450,832	109,273	(85,661)	2,644	492,320	131	492,451
Comprehensive income (loss) for the period									
Net income (loss) for the period		—	—	(9,899)	—	—	(9,899)	3	(9,896)
Other comprehensive income (loss)		—	—	—	—	1,719	1,719	—	1,719
Total comprehensive income (loss) for the period		—	—	(9,899)	—	1,719	(8,180)	3	(8,177)
Transactions with owners									
Dividends of surplus	8	—	—	(4,484)	—	—	(4,484)	—	(4,484)
Purchase of treasury stock		—	—	—	(3)	—	(3)	—	(3)
Disposal of treasury stock		—	(0)	—	0	—	0	—	0
Transactions of share-based payment		—	250	—	—	—	250	—	250
Reclassification from accumulated other comprehensive income (loss) to retained earnings		—	—	(5)	—	5	—	—	—
Reclassification from accumulated other comprehensive income (loss) to non-financial assets		—	—	—	—	(902)	(902)	—	(902)
Total transactions with owners		—	250	(4,489)	(3)	(897)	(5,138)	—	(5,138)
Balance as of June 30,2022		15,232	451,082	94,885	(85,664)	3,467	479,002	134	479,136

(5) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Notes	Six months ended June 30, 2021	Six months ended June 30,2022
Cash flows from operating activities			
Income (Loss) for the period before income tax benefit from continuing operations		(18,475)	(15,121)
Income for the period before income tax benefit from discontinued operations		12,841	–
Adjustments for:			
Depreciation and amortization		28,892	22,774
Gain on sales of subsidiaries' stock	7	(12,841)	–
Gain on sales of stocks of subsidiaries and affiliates	10	(708)	–
Change in allowance for doubtful accounts (decrease)		680	(244)
Interest and dividends income		(165)	(151)
Interest expenses		473	426
Share of (income) loss of entities accounted for using equity method		133	(61)
Gain on sale of property, plant and equipment		(21)	(3,742)
Loss on disposal and sale of property, plant and equipment		687	465
(Increase) decrease in trade and other receivables		(1,201)	(814)
(Increase) decrease in inventories		(9,318)	(19,091)
(Increase) decrease in other assets		(871)	(2,807)
(Decrease) Increase in trade and other payables		18,334	15,929
(Decrease) Increase in net defined benefit liabilities		1,257	1,223
(Decrease) Increase in other liabilities		(3,811)	1,270
Other		107	1,075
Subtotal		15,992	1,128
Interest received		1	0
Dividends received		163	151
Interest paid		(456)	(374)
Income taxes paid		(8,047)	(3,407)
Income taxes refund		2,952	4,187
Net cash generated from operating activities		10,606	1,686
Cash flows from investing activities			
Acquisitions of property, plant and equipment and intangible assets		(25,698)	(16,206)
Proceeds from sales of property, plant and equipment and intangible assets		272	4,948
Proceeds from collection of loans receivable resulting from sales of stock in subsidiaries	7	7,400	–
Purchases of other financial assets		(26)	(13)
Proceeds from sale of other financial assets		4,473	17
Proceeds from sale of stock of subsidiaries	7	34,490	–
Other		208	4
Net cash (used in) generated from investing activities		21,119	(11,250)

(Millions of yen)

	Notes	Six months ended June 30, 2021	Six months ended June 30,2022
Cash flows from financing activities			
(Decrease) Increase in short-term loans payable		(50,000)	(38)
Repayments of long-term loans payable		(550)	(565)
Payments for bond redemption	6	—	(30,000)
Dividends paid	8	(4,484)	(4,484)
Proceeds from disposal of treasury stock		0	0
Purchases of treasury stock		(4)	(3)
Repayments of lease liabilities		(3,525)	(3,132)
Net cash used in financing activities		(58,563)	(38,222)
Net change in cash and cash equivalents		(26,838)	(47,786)
Cash and cash equivalents at the beginning of the year		126,378	110,497
Cash and cash equivalents at the end of the period		99,540	62,711

Notes to consolidated financial statements

1. Introduction

The Company is a holding company domiciled in Japan and is listed on the Prime Market of the Tokyo Stock Exchange. Under the “Coca-Cola” brand, the Company and its subsidiaries (collectively, the “Group”) engage in purchases, sales, bottling, packaging, distribution and marketing of carbonated beverages, coffee beverages, tea-based beverages, mineral water, alcohol, and other beverages in Japan.

The Group’s consolidated financial statements consist of the Company, subsidiaries, and associates. The consolidated financial statements were approved by our Representative Director & President, Calin Dragan and our Representative Director, Vice President, and Chief Financial Officer (Head of finance), Bjorn Ivar Ulgenes on August 12, 2022, and takes into account events after the reporting period to that date (see notes 13, “Subsequent events”).

2. Basis of preparation

The Company’s condensed quarterly consolidated financial statements have been prepared in accordance with International Accounting Standards Article 34 "Interim Financial Reporting" based on the Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007).

Condensed quarterly consolidated financial statements should be used in conjunction with consolidated financial statements for the prior year as they do not include all the information required in the annual consolidated financial statements.

Condensed quarterly consolidated financial statements have been prepared on the basis of cost except financial instruments measured at fair value

Condensed quarterly consolidated financial statements are stated in Japanese yen. All condensed quarterly consolidated financial information is rounded to the nearest million yen unless otherwise stated.

3. Significant accounting policies

The significant accounting policies applied by the Group in the condensed quarterly consolidated financial statements are the same as the accounting policies applied in the consolidated financial statements for the prior year.

Income tax benefit for the Six months ended June 30,2022, has been calculated on the basis of the annual estimated effective tax rate.

4. Critical accounting judgments, estimates and assumptions

In preparing the condensed quarterly consolidated financial statements in accordance with IFRS, management is required to make judgments, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates. The estimates and the assumptions underlying the estimates are continually reviewed and are based on historical experience and other factors, including future events, which are believed to be reasonable under the circumstances. Accounting estimates are based on the most appropriate information at the time the condensed quarterly consolidated financial statements are filed. The future of the domestic soft drink market and business environment is expected to remain uncertain due to the spread of COVID-19 strains and other factors. Accordingly, accounting estimates have been made based on the assumption that the impact will continue for a certain period of time from the fiscal year ending December 31, 2022.

If there are changes to any future estimates, the impact of the revision is recognized in the condensed quarterly consolidated statements of income and condensed quarterly consolidated statements of comprehensive income subsequent to the reporting period in which they are revised.

Accounting judgments, estimates and assumptions that have a significant impact on the condensed quarterly consolidated financial statements will be revised based on the same concept as in the consolidated financial statements for the previous consolidated fiscal year.

(The Change in useful life of Property, Plant and Equipment)

The group depreciated its sales equipment mainly over a useful life period of 9 years. However, as consumer spending patterns have been impacted by the pandemic, we have decided to further strengthen the margin & ROI-focus commercial strategy from 2022 and determined the policy to utilize our sales equipment on a longer-term basis and more efficiently than in the past. Also, these are to be reflected into our new mid-term business plan which is under development. As a result, the main useful life of sales equipment has been revised to 11 years and it was applied prospectively from this first quarter.

As a result of this change, operating loss and loss before tax for the first half decreased by 4,450 million yen, respectively, compared with those based on the previous useful life.

5. Segment Information

The Group has a single segment as "Beverage Business". The Products and services of the reportable segments are referred to in Note 9 "Revenue".

6. Bonds

The bonds were redeemed as follows.

(Millions of yen)

Name	Name of bond	Date of issue	Issue amount	Interest rate (%)	Collateral	The due date for redemption
The Company	Coca-Cola West 3rd Unsecured bonds	Jun 17, 2015	30,000	0.52	None	Jun 17, 2022

7. Disposal groups classified as held for sale and discontinued operations

On December 15, 2020, the Company's Board of Directors resolved to sell all of the shares of the Company's consolidated subsidiary, Q'sai Co., Ltd. ("Q'sai") to Q-Partners Co., Ltd., a company formed for this purchase led by investment funds in which Advantage Partners Inc. provides services ("Advantage Partners"), euglena Co., Ltd., and Tokyo Century Corporation.

As a result of executing the share transfer agreement, Q'sai was classified as discontinued operations from the fiscal year ended December 31, 2020. The transfer of all shares in Q'sai was completed on February 1, 2021.

(1) Gain (Loss) from discontinued operations

The results of discontinued operations are as follows:

In the first quarter of the previous fiscal year, the gain on the sale of all shares of Q'sai was 12,841 million yen, and the income tax expense related to this was 337 million yen. Due to immateriality, no gains or losses other than those from sales transactions related to discontinued operations were recognized in the previous fiscal year.

(Millions of yen)

	Six months ended June 30, 2021
Discontinued operations	
Revenue	—
Cost of sales	—
Gross profit	—
Selling and general administrative expenses	—
Other income	12,841
Other expenses	—
Operating income	12,841
Financial revenue	—
Finance costs	—
Income for the period before income taxes	12,841
Income tax expense	337
Net income for the period from discontinued operations	12,505

(2) Cash flows of discontinued operations

The results of discontinued operations are as follows:

(Millions of yen)

	Six months ended June 30, 2021
Cash flows from operating activities	—
Cash flows from investing activities	34,490
Cash flows from financing activities	—

(Note) Cash flows from investing activities in the second quarter of the previous fiscal year was due to the proceeds from the sale of all shares of Q'sai.

(3) The component of assets and liabilities as of the time of loss of control

(Millions of yen)

	Time of loss of control February 1,2021
Assets	
Current assets	6,501
Non-current assets	33,137
Total assets	39,638
Liabilities	
Current liabilities	12,991
Non-current liabilities	1,602
Total liabilities	14,593

Note 1. Current assets include cash and cash equivalents.

2. Current liabilities include short-term loans payable of 7,400 million yen from the Company. This loan was repaid in full during the first quarter of the previous fiscal year.

(4) Change in cash and cash equivalents relation to loss of control

(Millions of yen)

	Six months ended June 30, 2021
Proceeds received for sales	37,590
Cash and cash equivalents received for sales	37,590
Cash and cash equivalents held at the time of loss of control	3,099
Increase from loss of control over subsidiaries	34,490

8. Dividends

Dividend payments were as follows:

The six -months ended June 30, 2021 (January 1, 2021 – June 30, 2021)

(1) Dividend payment amount

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
March 25, 2021 Ordinary General Meeting of Shareholders	Ordinary share	4,484	25	December 31, 2020	March 26, 2021

(2) Dividends with the cut-off date in the first half of FY 2021 and the effective date following the first half of FY 2021

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
August 11, 2021 Board of directors	Ordinary share	4,484	25	June 30, 2021	September 1, 2021

The six-months ended June 30, 2022 (January 1, 2022 – June 30,2022)

(1) Dividend payment amount

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
March 24, 2022 Ordinary General Meeting of Shareholders	Ordinary share	4,484	25	December 31, 2021	March 25, 2022

(2) Dividends with the cut-off date in the first half of FY 2022 and the effective date following the first half of FY 2022

Resolution	Type of shares	Total amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Dividend record date	Effective date
August 10, 2022 Board of directors	Ordinary share	4,484	25	June 30, 2022	September 1, 2022

9. Revenue

The Group's organizational structure is based on the one business segment of the Beverage business. The business is components for which discrete financial information is available, and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Therefore, the revenue in beverage business is presented as "Revenue" in the Consolidated financial statement of income. In the Beverage business, the Group purchases, manufactures, and sells carbonated beverages such as "Coca-Cola", coffee beverages, black tea beverages, mineral water, alcohol, and other beverages in Japan.

Revenue for sales of these products is recognized primarily at the time of delivery as customer has obtained control over the products and the performance obligation is satisfied.

Payments relating to such performance obligation are received generally within two months of delivery. The contracts with customer do not include any material financial elements.

The contract liabilities, refund liabilities, amount of assets recognized from the costs of obtaining a contract or to fulfil a contract and amount of revenue recognized from performance obligation satisfied in prior periods were immaterial. In addition, information regarding the remaining performance obligation is omitted as there are no significant transactions in which the estimated individual contract periods exceed one year in the Group.

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Beverage	369,094	375,935
Other	215	14
Total	369,309	375,948

10. Other income and other expenses

The breakdown of other income and other expenses are as follows:

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30,2022
Other income		
Gains on sales of property, plant and equipment (Note 1)	21	3,742
Rent income	155	146
Government subsidies (Note 2)	3,876	2,931
Gain on sales of stocks of subsidiaries and affiliates (Note 3)	708	—
Other	256	360
Total	5,017	7,179
Other expense		
Losses on sales and disposals of property, plant and equipment	778	702
Transformation related expenses (Note 4)	623	69
Special retirement allowance (Note 5)	1,177	479
Temporary paid leave expenses (Note 6)	5,636	2,166
System failure-related costs (Note 7)	612	—
Other	283	118
Total	9,108	3,535

(Note) 1. Gains on sales of property, plant and equipment represents gain on sales of land and other assets.

2. Government subsidies are grants to cover employee's temporary leave cost due to the spread of COVID-19.

3. Gain on sales of stocks of subsidiaries and affiliates represents the gain on sales of all stocks of Apex Nishi-Nihon Corporation, an equity-method affiliate of the Company.

4. Transformation related expenses are consulting expenses related to measures aimed at building an efficient new system with the aim of creating more value and further improving productivity for the sustainable growth of the Group.

5. Special retirement allowances are allowances and outplacement support expenses incurred in the implementation of the voluntary retirement program.

6. Temporary paid leave expenses are the allowance associated with employee's temporary leave to respond to the impact to our business by the economic contraction and to secure the safety and health of our employee due to the spread of COVID-19. The expenses are reclassified 411 million yen and 92 million yen from cost of sales and 5,225 million yen and 2,074 million yen from selling and general administrative expenses to other expenses, respectively.

7. System failure-related costs are expenses incurred to recover the system failures that occurred in the core system used by the Group.

11. Fair value of financial instruments

(1) Classification by level of the fair value hierarchy

Financial instruments measured at fair value on a recurring basis after initial recognition are classified into three levels of the fair value hierarchy, depending on the observability and significance of the inputs used in the measurement.

The fair value hierarchy is defined as follows:

Level 1: fair value (unadjusted) in the active market of the same asset or liability
Level 2: fair value based on inputs other than quoted prices included in Level 1, either directly observable inputs or indirectly, of observable inputs for asset or liability
Level 3: fair value based on unobservable inputs for asset or liability

When more than one input is used to measure the fair value, the level of the fair value hierarchy is determined based on the lowest level of input that is significant to the fair value measurement as a whole. Transfers between levels of the fair value hierarchy are recognized as having occurred at the beginning of each quarter.
There were no transfers between Level 1 and Level 2 during the prior fiscal year and the six months ended June 30, 2022.

(2) Fair value measurement

Securities are classified as Level 1 of the fair value hierarchy by the measurement of share prices, if any, in active market for the same asset or liability. If there is no active market stock price for the same asset or liability, the Group uses valuation techniques such as stock prices in non-active markets, quoted market prices of similar companies and discounted future cash flow models. If significant inputs, such as quoted market prices and discount rates used in measurement, are observable, such financial instruments are classified as Level 2, but are classified as Level 3 if inputs used in its measurement include significant unobservable inputs.

Unlisted securities are classified into Level 3 of the fair value hierarchy using valuation techniques based on discounted future cash flows, valuation techniques based on quoted market prices of similar companies, valuation techniques based on net asset value, and other valuation techniques. In the fair value measurement of unlisted securities, the Group uses unobservable inputs such as discount rates and valuation multiples and considers certain illiquidity discounts and non-controlling interest discounts as needed. The measurement methods for such fair value are determined by the Finance division in accordance with the Group's accounting policies.

The valuation techniques and significant unobservable inputs used in Level 3 fair value measurement are as follows:

As of December 31, 2021

Type	Valuation technique	Significant unobservable inputs	Interactions between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value through other comprehensive income (Securities)	Comparison of similar companies	EBIT Multiple: 5.2-51.0 times EBITDA Multiple: 5.9 times PBR: 0.9-2.6 times	Estimated fair value increases (decreases) when equity indices of comparable listed companies of the target are high (low)

As of June 30,2022

Type	Valuation technique	Significant unobservable inputs	Interactions between significant unobservable inputs and fair value measurement
Financial instrument measured at fair value through other comprehensive income (Securities)	Comparison of similar companies	EBIT Multiple: 5.5 －6.9 times PER: 36.4 times PBR: 0.7 －2.2 times	Estimated fair value increases (decreases) when equity indices of comparable listed companies of the target are high (low)

EBIT Multiple: Corporate Value/EBIT
EBITDA Multiple: Corporate Value/EBITDA
PER: Price Earnings Ratio
PBR: Price Book Value Ratio

(3) Financial instrument measured fair value on a recurring basis

The breakdown of financial instrument measured at fair value on a recurring basis is as follows:

As of December 31, 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	—	1,863	—	1,863
Subtotal	—	1,863	—	1,863
Financial instrument measured at fair value through other comprehensive income:				
Securities	9,443	—	4,283	13,726
Other	—	—	140	140
Subtotal	9,443	—	4,423	13,866
Total	9,443	1,863	4,423	15,729
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	—	—	—	—
Total	—	—	—	—

As of June 30,2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instrument measured at fair value through profit or loss:				
Derivative assets	—	3,145	—	3,145
Subtotal	—	3,145	—	3,145
Financial instrument measured at fair value through other comprehensive income:				
Securities	9,969	—	4,092	14,061
Other	—	—	86	86
Subtotal	9,969	—	4,179	14,148
Total	9,969	3,145	4,179	17,293
Financial liabilities				
Financial instrument measured at fair value through profit or loss:				
Derivative liabilities	—	593	—	593
Total	—	593	—	593

A reconciliation of the beginning and ending balances of financial instrument classified as Level 3 is as follows:

(Millions of yen)

	Financial assets measured at fair value through other comprehensive income
Balance at January 1, 2021	4,694
Disposals	(25)
Gains recognized in other comprehensive income	(16)
Balance at June 30, 2021	4,652
Balance at January 1, 2022	4,423
Disposals	(66)
Losses recognized in other comprehensive income	(180)
Other	2
Balance at June 30,2022	4,179

Gains or losses recognized in other comprehensive income are recognized in "Net changes in financial asset measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.

(4) Financial instrument measured at amortized cost

The components of carrying amount and fair value of financial instruments measured at amortized cost are as follows:

As of December 31, 2021

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	187,612	187,982	(370)

As of June 30,2022

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable and bonds	157,162	156,321	841

Long-term loans payable and bonds include current portion. Cash and cash equivalents, trade and other receivables, trade and other payables are not included in the above table because their fair value approximates their carrying amount because they are collected and settled in a brief of time.

The main valuation techniques used to measure fair value of the financial instruments in the table above are as follows:

a. Loans payable

Loans payable with variable interest rates are calculated using the carrying amount as its fair value because interest rates are considered to reflect market interest rates in the short term. Loans payable with fixed interest rates are calculated based on the present value of future cash flows discounted using interest rates adjusted for the remaining term and credit risk. Loans payable with fixed interest rates are classified into level 2 of the fair value hierarchy.

b. Bonds

For bonds with quoted market prices, the fair value is estimated based on quoted market prices. For bonds without quoted market prices, the fair value is calculated based on the present value of future cash flows discounted using interest rates adjusted for the remaining term and credit risk. Bonds with quoted market prices are classified into level 1 of the fair value hierarchy and bonds without quoted market prices are classified into level 2.

12. Earnings per share

The calculation of basic earnings (loss) per share attributable to owners of the parent is based on the quarterly net income (loss) attributable to owners of the parent and the weighted average number of common shares issued.

The basis for calculating the basic earnings (loss) per share for the Cumulative second quarter of the current year and prior year is as follows:

	Six months ended June 30, 2021	Six months ended June 30,2022
Income (Loss) from continuing operations attributable to owners of parent (millions of yen)	(12,859)	(9,899)
Profit from discontinued operations attributable to owners of parent (millions of yen)	12,505	—
Weighted-average shares of ordinary share outstanding (in thousands)	179,347	179,343
Earnings (Loss) per share (yen)		
Continuing operations	(71.70)	(55.20)
Discontinued operations	69.72	—
Earnings (Loss) per share (yen)	(1.98)	(55.20)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Income (Loss) attributable to owners of parent	(1,670)	(3,331)
Weighted-average shares of ordinary share outstanding (in thousands)	179,346	179,343
Earnings (Loss) per share (yen)	(9.31)	(18.57)

Note 1. In the second quarter of the previous fiscal year, as 393 thousand shares of stock-based compensation were accounted for antidilutive, "Diluted earnings per share" is not shown.

2. In the second quarter of the current fiscal year, as 736 thousand shares of stock-based compensation were accounted for antidilutive, "Diluted earnings per share" is not shown.

3. For more information on the quarterly income from discontinued operations attributable to owners of the parent company, see Note 7, " Discontinued operations.

13. Subsequent events

Not applicable

2. Others

At the Board of Directors held on August 10, 2022, it was resolved to provide the following interim dividend to shareholders or registered pledges recorded in the final shareholders' register on June 30, 2022

a. Total dividends through interim dividends: 4,484 million yen

b. Amount per share: 25 yen

c. Effective date of payment claims, and payment start date: September 1, 2022

Part II Information of guarantor companies of the filing company

Not applicable